Toolux Sanding S.A.

Société anonyme **(limited company) with registered capital of € 1 350 000**
Registered office: 23, Val Fleuri, L-1526 Luxemburg

OFFERING CIRCULAR

Listing on NYSE Alternext
Private placement

Admission of shares on Alternext
December, 23 2008.

Allegra Finance
LISTING SPONSOR

AVERTISSEMENT

Cet Offering Circular est réalisé dans le cadre d'une opération exclusivement réservée à un nombre restreint d'investisseurs dont certains Investisseurs Qualifiés, tels qu'ils sont définis par l'article L. 411-2 du Code monétaire et financier. Cette opération, préalable à une admission au marché Alternext de NYSE Euronext Paris SA, a pris la forme d'une augmentation de capital.
Les personnes ou entités mentionnées au 4° du II article L.411-2 du Code monétaire et financier ne peuvent participer à cette opération que pour compte propre dans les conditions fixées par les articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 et D.764-1 du Code monétaire et financier.
Cette opération ne donne pas lieu à un prospectus soumis au visa de l'AMF. La diffusion, directe ou indirecte, dans le public des instruments financiers acquis à l'occasion de cette émission ne peut être réalisée que dans les conditions prévues aux articles L. 411-1, L. 411-2, L. 412-1 et L.621-8 à L. 621-8-3 du Code monétaire et financier

Ce document est disponible sans frais au siège social de la Société, ainsi qu'en version électronique sur le site de NYSE Alternext (www.alternext.fr), de la Société (www.toolux.com) et celui d'Allegra Finance (www.allegrafinance.com).

RAPPEL

Décret no 2006-557 du 16 mai 2006 modifiant le chapitre Ier du titre Ier du livre IV de la partie réglementaire du code monétaire et financier

Le Premier ministre,
Sur le rapport du ministre de l'économie, des finances et de l'industrie,
Vu le code des assurances ;
Vu le code monétaire et financier, notamment son article L. 411-2 ;
Vu le code de la mutualité ;
Vu le code de la sécurité sociale ;
Vu l'ordonnance no 45-2710 du 2 novembre 1945 relative aux sociétés d'investissement ;
Vu l'ordonnance no 96-50 du 24 janvier 1996 relative au remboursement de la dette sociale, notamment son article 1er ;
Vu la loi no 72-650 du 11 juillet 1972 modifiée portant diverses dispositions d'ordre économique et financier, notamment son article 4 ;
Vu la loi no 85-695 du 11 juillet 1985 portant diverses dispositions d'ordre économique et financier, notamment son article 1er ;
Vu la loi no 2005-842 du 26 juillet 2005 pour la confiance et la modernisation de l'économie, Décrète :

Art. 1er. – Les articles D. 411-1 et D. 411-2 du code monétaire et financier sont remplacés par les articles D. 411-1 à D. 411-4 ainsi rédigés :
« *Art. D. 411-1.* – I. – Ont la qualité d'investisseurs qualifiés au sens de l'article L. 411-2 lorsqu'ils agissent pour compte propre :
« 1o Les établissements de crédit et les compagnies financières mentionnés respectivement à l'article L. 511-9 et à l'article L. 517-1;
« 2o Les institutions et services mentionnés à l'article L. 518-1 ;
« 3o Les entreprises d'investissement mentionnées à l'article L. 531-4 ;
« 4o Les sociétés d'investissement mentionnées à l'article 6 de l'ordonnance du 2 novembre 1945 susvisée ;
« 5o Les organismes de placement collectif mentionnés à l'article L. 214-1 et les sociétés de gestion d'organisme de placement collectif mentionnées à l'article L. 543-1 ;
« 6o Les sociétés d'assurance et les sociétés de réassurance mentionnées, respectivement, au premier alinéa de l'article L. 310-1 et à l'article L. 310-1-1 du code des assurances ;
« 7o Les sociétés de groupe d'assurance mentionnées à l'article L. 322-1-2 du code des assurances ;
« 8o Les institutions de prévoyance mentionnées à l'article L. 931-1 du code de la sécurité sociale ;
« 9o Le fonds de réserve pour les retraites mentionné à l'article L. 135-6 du code de la sécurité sociale ;
« 10o Les mutuelles et unions de mutuelles relevant du livre II du code de la mutualité autres que celles mentionnées à l'article L.510-2 du même code ;
« 11o Les compagnies financières holdings mixtes mentionnées à l'article L. 517-4 et au 9o de l'article L. 334-2 du code des assurances ;
« 12o Les Etats membres de l'Organisation de coopération et de développement économiques ;
« 13o La Banque centrale européenne et les banques centrales des Etats membres de l'Organisation de coopération et de développement économiques ;
« 14o Les organismes financiers internationaux à caractère public auxquels la France ou tout autre Etat membre de l'Organisation de coopération et de développement économiques fait partie ;
« 15o La Caisse d'amortissement de la dette sociale instituée par l'article 1er de l'ordonnance du 24 janvier 1996 susvisée ;
« 16o Les sociétés de capital-risque mentionnées à l'article 1er de la loi du 11 juillet 1985 susvisée ;
« 17o Les sociétés financières d'innovation mentionnées au III de l'article 4 de la loi du 11 juillet 1972 susvisée ;
« 18o Les intermédiaires en marchandises ;
« 19o Les entités remplissant au moins deux des trois critères suivants :
« – effectifs annuels moyens supérieurs à 250 personnes ;
« – total du bilan supérieur à 43 millions d'euros ;
« – chiffre d'affaires ou montant des recettes supérieur à 50 millions d'euros.
« Ces critères sont appréciés au vu des derniers comptes consolidés ou, à défaut, des comptes sociaux, tels que publiés et, le cas échéant, certifiés par les commissaires aux comptes.
« II. – Ont également la qualité d'investisseurs qualifiés, lorsqu'ils agissent pour compte propre et à partir du jour de réception de l'accusé de réception attestant de leur inscription sur le fichier mentionné à l'article D. 411-3 :
« 1o Les entités qui remplissent au moins deux des trois critères suivants :
« – effectifs annuels moyens inférieurs à 250 personnes ;
« – total du bilan inférieur à 43 millions d'euros ;
« – chiffre d'affaires ou montant des recettes inférieur à 50 millions d'euros.
« Ces critères sont appréciés au vu des derniers comptes consolidés ou, à défaut, des comptes sociaux, tels que publiés et, le cas échéant, certifiés par les commissaires aux comptes. La décision d'inscription sur le fichier mentionné à l'article D. 411-3 est prise, selon le cas, par le conseil d'administration, par le directoire, par le ou les gérants, ou par l'organe de gestion de l'entité ;
« 2o Les personnes physiques remplissant au moins deux des trois critères suivants :
« – la détention d'un portefeuille d'instruments financiers d'une valeur supérieure à 500 000 € ;
« – la réalisation d'opérations d'un montant supérieur à 600 € par opération sur des instruments financiers, à raison d'au moins dix par trimestre en moyenne sur les quatre trimestres précédents ;
« – l'occupation pendant au moins un an, dans le secteur financier, d'une position professionnelle exigeant une connaissance de l'investissement en instruments financiers.
« III. – Ont également la qualité d'investisseur qualifié :
« 1o Les entités mentionnées au I lorsqu'elles agissent pour le compte d'un organisme de placement collectif ou d'un investisseur qualifié appartenant à l'une des catégories mentionnées au I ou au II ;
« 2o Les prestataires de services d'investissement lorsqu'ils agissent dans le cadre d'une activité de gestion de portefeuille pour le compte de leur mandant.
« *Art. D. 411-2.* – Ont également la qualité d'investisseurs qualifiés les personnes physiques ou entités reconnues investisseurs qualifiés dans les Etats parties à l'accord sur l'Espace économique européen, conformément aux dispositions de la directive 2003/71/CE du 4 novembre 2003.

« *Art. D. 411-3.* – Les personnes ou entités mentionnées au II de l'article D. 411-1 qui en font la demande et déclarent sous leur responsabilité réunir les critères mentionnés au II de l'article D. 411-1 sont inscrites dans un fichier tenu par l'Autorité des marchés financiers selon les modalités fixées par son règlement général. Ces personnes ou entités peuvent renoncer à tout moment à leur qualité d'investisseur qualifié en accomplissant les formalités fixées par le règlement général de l'Autorité des marchés financiers.
« *Art. D. 411-4.* – Le seuil mentionné au dernier alinéa du II de l'article L. 411-2 est fixé à 100. »

Art. 2. – Le ministre de l'économie, des finances et de l'industrie est chargé de l'exécution du présent décret, qui sera publié au *Journal officiel* de la République française.

Fait à Paris, le 16 mai 2006.
Par le Premier ministre : DOMINIQUE DE VILLEPIN
Le ministre de l'économie, des finances et de l'industrie, THIERRY BRETON

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1 PERSON RESPONSIBLE FOR THE OFFERING CIRCULAR

1.1 Person responsible for the Offering Circular

Xu Xueming, Chairman & CEO of TOOLUX SA (hereinafter "TOOLUX or "the Company").

1.2 Declaration by person responsible for the Offering Circular

Having taken all reasonable measures to this effect, we hereby certify that the information contained within this Offering Circular is, to the best of our knowledge, accurate and contains no omissions of a kind likely to alter ists substance.
The auditor has provided us with an end-of assignment letter in which they confirm having verified the information concerning the financial situation and the accounts contained herein as well as having read the Offering Circular in its entirety.

December, 18th 2008

Xu Xueming
Chairman & CEO
TOOLUX Sanding SA

1.3 Listing Sponsor's Declaration

We, ALLEGRA FINANCE, Listing Sponsor, hereby confirm that we have performed customary due diligence for the admission to listing of shares in TOOLUX.

This consisted, inter alia, in reviewing documents produced by TOOLUX, and interviewing members of the company's management an staff, following the standard format used on Alternext.

Pursuant to the rules of Alternext, we certify that our due diligence investigations have revealed no inaccuracies or material omissions that might mislead investors or affect their judgment.

This declaration has been issued on the basis of documents and information given to us by TOOLUX and which we consider to be comprehensive, this latter having truthful and fair.

This declaration is not a recommendation by ALLEGRA FINANCE to invest in the shares of TOOLUX. Neither is it a substitute for any other declarations or documents issued by TOOLUX and/or its auditors.

Paris, December, 18th 2008

Yannick PETIT
Chairman & CEO
ALLEGRA FINANCE

1.4 Commitments of the Company

Pursuant to the Alternext rules July 17^{th} 2006, TOOLUX commits itself to:

➢ Post on its Internet website (www.toolux.com) and on the Alternext website (www.alternext.fr) in English the following information:

- Within four months of the end of its fiscal year, the annual financial statements and consolidated financial statements and the Group management discussion and analysis, as well as the reports of the statutory auditors on the aforementioned financial statements(article 4.2 of Alternext's Rules);

- Within four months of the end of the second quarter, a semi-annual report (financial statements and short management discussion and analysis) covering the first six months of the year (article 4.2 of Alternext's Rules);

- Notices of shareholders'general meetings posted online without delay, together with all documents sent to shareholders (article 4.4 of Alternext's Rules);

- Any precise information about itself that might have a material impact on the price of its securities, the adoption of the bearer form of securities (article 4.3 of the Alternext rules);

- Any situation where a person, acting alone or in concert, exceeds or falls below a major holding threshold of 50% ou 95% (fifty or ninety-five business days of the date at which the Company is informed of such breach (article 4.3 of the Alternext rules);

- Transactions by officers and directors, within 5 (five) trading days of the day on which it is informed thereof, where such transactions exceed a combined total of €5.000 per director or officer in the calendar year (article 4.3 of the Alternext rules);

➢ At no expense for bearers, maintain records of the issuance and ownership of securities and ensure payment or interest.

2 AUDITORS

2.1 Principal Auditor

- HRT Revision SA
23, Val Fleuri
L-1526 Luxembourg
Phone: +352 45 54 54-1
Fax: +352 45 54 88

was appointed principal auditor at the General Meeting of 02/10/2008 and his mandate will expire at the end of the General Meeting convened to approve the financial statements for the fiscal year ended December 2008.

2.2 Alternate Auditor

Nihil.

3 PROCEDURE FOR PLACEMENT TO QUALIFIED INVESTORS AND ADMISSION TO ALTERNEXT LISTING

3.1 Objectives of the Transaction

The purpose of registering TOOLUX's shares on the NYSE Euronext Paris Alternext market, and of the capital increase completed on that occasion, is to:

- strengthen the Company's financial structure to quickly make scheduled investments, but also to finance changing working capital requirements that the planned growth enables us to anticipate, and

- bring greater visibility, and therefore enhanced brand awareness, on a global level, which is extremely important for a Company whose sales are virtually all exports, and which sometimes suffers from its geographic distance from its trading partners.

3.2 Shares whose admission to Alternext is being requested

Number of shares	- 1 350 000 existing shares make up capital as of this Offering Circular date, all of the same category, fully subscribed and paid-up - 403 667 new shares
Share face value	1 €
Type and form	Bearer
Expected registration date	December, 23th, 2008
Share name	TOOLUX SANDING SA
ISIN Code	LU0394945660
Mnemonic	ALTLX
Industry name	

3.3 Private placement prior to admission

Prior to admission, and based on a price of 12.59 € per share, a private placement was made with Qualified Investors in the amount of € 5,082,167.53 for 403,667 shares.

A request to admit the Company's shares for trading on the NYSE Euronext Paris Alternext market was filed with Euronext Paris.
This admission will be effective provided the capital increase that is the object of this Offering Circular is completed.
Shares will be admitted on Alternext via Direct Listing and not Public Offering.

3.3.1 List of Qualified Investors

Pursuant to Article L.411-2, II,4,b) of the *Code Monétaire et Financier* – (French Monetary and Financial Code), the Qualified Investor is "a person or entity having the necessary skills and resources to ascertain the risks inherent in transactions on financial instruments." The list of these Qualified Investors is established as per Article D.411-1 of the CMF. In accordance with Article 211-4 of the General Regulations of the *Autorité des marchés financiers* – (French Financial Market Authority), it is hereby specified that:

1/ the transaction will not involve a prospectus submitted for AMF approval
2/ the persons or entities mentioned in II-4 of Article L.411-2 of the CMF can participate in this transaction only in a proprietary fashion, as per Articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the CMF
3/ financial instruments thus acquired cannot be directly or indirectly released to the public except as per Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the CMF.

3.3.2 Timetable

December, 05 2008	Opening of capital increase investment
December, 15 2008	Closing of investment
December, 18 2008	Preparation of custodian's certificate
December, 19 2008	Listing notice circulated by Euronext
December, 23 2008	Admission of shares on Alternext

3.3.3 Price at which the shares are offered

Price per share: € 12.59.

3.3.4 Shares made available to Qualified Investors

TOOLUX wishes to carry out a capital increase of € 5,082,167.53 by issuing 403,667 shares at a face value of € 1.00.

3.3.5 Guarantee

N/A

3.3.6 Dilution

Amount and percentage of dilution immediately resulting from the offering

If shares are issued at € 12.59 each, the consolidated proforma Company's equity at June 30th 2008 would be as follows:

	Before Issue	After Issue
Consolidated shareholders equities at June 30th 2008(€)*	4 523 489.47	9 605 657.00
Number of existing shares	1 350 000	1 753 667
Consolidated proforma Equity per share (€)	3.35	5.48

**not including costs for issue*

Impact of the issue on the shareholder's situation

Impact on a shareholder's stake in the capital

A shareholder holding 1% of the Company's capital prior to the issue, who didn't not subscribe to the present issue of shares, saw the following change in his stake in the Company:

	Before Issue	After Issue
Share of capital and voting rights held	1.00%	0.77%

Impact of the distribution of registered capital and voting rights

The tables below show the immediate impact of the Offering on the distribution of capital and voting rights.

	In share		In %	
	Before Issue	After Issue of 100%	Before Issue	After Issue of 100%
Crystal Sky Holdings Ltd	1 350 000	1 350 000	100.00%	76.98%
New investor	0	403 667	0.00%	23.02%
Total	**1 350 000**	**1 753 667**	**100.00%**	**100.00%**

3.4 Authorisations required for private placement

3.4.1 General Meeting of the Company

The General Meeting of October, 2nd 2008 authorised a capital of 14 000 000 euros (by-laws of the Company article 5).

3.4.2 Decision by the Company's Board of Directors

By virtue of the delegation of authority conferred upon it by the Company's Shareholders cited hereinabove, the Board of Directors of TOOLUX, at its meeting of December 18th 2008, decided on the terms of issue for 403 667 new shares at a price equal to the Investment price, namely €12.59.

3.4.3 Lock up agreement from the founding shareholders of TOOLUX SANDING SA

The shareholder :

- Crystal Sky Holdings Ltd

is and has been irrevocably committed, since the first trading of TOOLUX SANDING SA's shares on Alternext Nyse Euronext, not to sell, not to pledge, nor to transfer in any way the shares they hold as of this date, according to the following terms:

- 100% shares hold during the 6 months since the first listing of the shares on the NYSE Euronext Alternext market,
- 80% shares hold during the 12 months since the first listing of the shares on the NYSE Euronext Alternext market,

This commitment undertaken towards the Listing Sponsor, Allegra Finance, could be released ahead of time, totally or in part, on express request of the Listing Sponsor, particularly in the context of exceptional events in the market, or on request of one or both signers of the agreement, subject to prior agreement of the Listing Sponsor.

4 SELECTED FINANCIAL INFORMATION

4.1 Key figures taken from pro forma consolidated financial statements of TOOLUX Sanding SA (Luxembourg)

Holding company of head, based in the Luxembourg, was created in October, 2008 for the needs of the project of incrisption on Alternext. Pro forma consolidated accounts were established for the needs of present Offering Circular.

For the purposes of establishment of the said count, it was considered that the group such existing this day, had been established on January 1st, 2006.

The principal key figures, taken from the pro forma consolidated financial statements are:

(in € thousands under IFRS)	**2006**	**2007**	**30th June 2008**
Revenues	8 475,53	9 712,70	5 909,94
Gross Profit	2 307,26	3 471,43	1 949,65
Operating income	1 280,36	2 303,80	1 138,83
Income before tax	1 700,52 (*)	2 297,76	1 142,89
Net income	1 384,55	1 956,31	798,92
Net fixed assets	3 387,29	4 290,96	4 449,28
Shareholders' equity	2 755,57	3 572,98	4 523,49
Financial short term debts	1 555,57	2 420,86	2 253,60
Balance sheet total	9 915,21	12 041,62	12 525,60

** include the badwill of 412 802,91 €*

5 RISK FACTORS

Investors are invited to consider all the information included in this Offering Circular - including the risks described in this Chapter - before deciding to acquire or subscribe to shares in the Company. The risks presented in this Chapter are those that the Company considers, as of the date of this Offering Circular, as being likely to have a significant negative impact on the Company or its operations, financial situation, earnings or growth. However, the Company cannot rule out other risks that might materialise in the future and have a significant negative impact on the Company or its operations, financial situation, earnings or growth.

As of this date, the Company does not identify any strategy or factor of a governmental, economic, budgetary, monetary or political nature that has significantly influenced or may significantly influence the issuer's transactions directly or indirectly.

5.1 Risks relating to the Company and its activities

5.1.1 Risks relating to the competitive environment

Founded 16 years ago, TOOLUX, once just a subcontractor, progressively invested in innovation at the beginning of the 2000s to the point where it was developing its own ranges of tools which it has been marketing since 2004. From a simple manufacturer, the company has evolved into a designer/producer and a partner for its clients.

Added to this capacity for innovation is a cumulative investment of almost 50 millions yuans (5 M€) in a production facility which can meet high needs. This site is the largest screwdriver manufacturing plant in China and one of the largest and most innovative in the whole of Asia.
TOOLUX believes that these characteristics are major commercial assets in order for the company to penetrate a competitive, mature, stable market which serves a very fragmented clientele, and where brand awareness and loyalty to retail networks remain the determining factors.

TOOLUX is therefore evolving in a difficult economic environment characterised by the presence of a leader, FACOM (Stanley Works Group) which has 50% market share, and outsiders such as SAM, LISI Group and TIVOLY Group, as well as by a mature European market and the threat from a limited number of Asian manufacturers.

5.1.2 Risks relating to the supply of raw materials

Depending on the quality of the tools (basic, mid-range or high-range), raw materials can account for between 50% and 60% of production costs. Steel, the main component, is an alloy of iron and carbon whose mechanical resistance fluctuates depending on the combination of these two ingredients. The quality of this alloy is a determining factor in the quality and strength of the final product (discount, mid-range or high-range).

As China is notably the largest steel producer in the world (36.4% of global production in 2007 according to the International Iron and Steel Institute or IISI), well ahead of Japan, the United States, Russia and South Korea, TOOLUX considers supply risk to be insignificant quantitatively speaking. However, the price of steel may vary considerably.

Both for steel and for plastics (the second main component), the Group has identified several suppliers which therefore secures the supply of raw materials. Only production may be slightly slowed down if one of these alternative resources had to be called on. Negative impacts on activity and the company's financial situation would be very limited.

5.1.3 Risks relating to the existence of major partnerships

The Company has business relationships with certain suppliers and subcontractors which have been sufficiently long and high-quality for them to be considered as real industrial partners.

Informal partnerships involve:

***Commercially*:** distribution agreements with Chinese retailers and/or wholesalers that TOOLUX considers to be one of the major hand tool suppliers.

Industrially: TOOLUX opted to outsource a large part of its production to a network of industrial partners and subcontractors in order to keep production of essentially high-range tools internal. However, the company retains the project ownership for all manufacturing and assembly processes for outsourced production as well as quality control on finished products. To a certain extent, TOOLUX is therefore dependent on its partners and service providers to carry out high-quality work within the deadlines required.
If some of them are unable to respect the deadlines for the work given to them, there may be a delay in the delivery of products as a result, which could generate a negative effect on the Group's activity, results and financial situation.

Some outsourcing agreements have been signed for periods of almost five years but do not require TOOLUX to commit to a particular volume of manufacturing that the company must provide. Nonetheless, this demonstrates TOOLUX's real desire to build reliable and lasting partnerships and create a loyal network around the company.

Moreover, TOOLUX rents workshops on the Group's site to some of its subcontractors, thereby creating proximity which enables ongoing supervision and increased responsiveness in the event of a problem.

5.1.4 Risks relating to the ability of the Company to integrate technological developments

The screwdrivers developed by the Company are the result of the combination of many different sources of expertise in terms of raw material compounds and the strength of the steel thereby obtained, treatment of materials or even product design. These fields of expertise are the cornerstones of the ongoing improvements to our product ranges.

The capacity for innovation and expertise is recognised through obtaining certain product certifications indicating that our products respect some of the most rigorous quality standards in the world, e.g. US standards (ANSI), European standards (DIN) and the rigorous German standards, VDE and VPA.

In terms of the budget dedicated to R&D, technological monitoring both internally and at clients' premises, or through external service providers, TOOLUX believes it can continue to broaden its product range in light of the most recent technological developments and regulatory standards.

5.1.5 Risks relating to the Company's ability to adapt to strong growth

The company is experiencing sustained growth. Continuing such growth depends in part on the Company's ability to manage changes in business volume, to adapt its means of production, to bring in new employees, and to move the organisation forward. If the Company's management should encounter serious difficulties in effectively managing this growth, the Company's revenues, earnings and financial situation could be negatively impacted.

5.1.6 Seasonality of business

The field of activity in which TOOLUX operates does not have any major seasonality of business with the exception of October and November which are usually busier given the forthcoming holiday season.
Compared to the other months of the year, the increase in activity during October and November is between 15% and 25%.
In terms of organisation, recourse to additional labour (fixed-term contracts, temporary workers, etc.) is necessary throughout this period of increased activity. The Group's different supply sources also enable it to handle peaks in activity and to offer clients the same deadlines by procuring the necessary raw materials and therefore meeting clients' order needs.

Lastly, in certain cases the Group has the possibility of sub-contracting complete orders to long-standing partners which fulfil TOOLUX's quality charter.

5.2 Risks relating to the Company's operations

5.2.1 Risks related to dependence on key employees

One of the growth drivers is the quality of the senior management team and other key personnel and the loss of these individuals could harm its business.

The Company's future success depends on the ability of its senior management and key sales and technical personnel to operate effectively, both individually and as a Company. If the Company were to lose the services of any of these key employees including designers and production managers, it may encounter difficulties in finding a suitable replacement for that person.

The Company cannot provide any assurance as to the continued presence of key employees. Should they have an extended absence or leave the company, it could have a significant negative impact on the Company and its business, financial situation, earnings or outlook.

5.2.2 IT Risks

In terms of IT, ERP software has been created in internally in order to manage production as well as possible. The software is currently developed externally in close collaboration with TOOLUX's managerial teams. An IT director has been specifically tasked with updating the ERP, monitoring and control of production in real time. This software enables the company to know the cost of production of each tool down to the last Yuan, whether it is produced internally or subcontracted. The software is a real management and decision making tool for the company's senior management. Automatic back-ups of the software and data are programmed on a double hard drive.

Given the back-up and protection procedures implemented for the IT system, TOOLUX believes that it is not exposed to a major IT risk which could have a negative impact on its activity, results or financial situation, although a 100% guarantee cannot be given regardless of the tools implemented.

5.3 Trade Risks

5.3.1 Customer Risks

With a customer portfolio of nearly 80, TOOLUX does not deem itself to be facing any risk of dependency on any one of them, given the scattered revenue composition:

Customers (% of sales)	2006	2007	June 30th 2008
1st customer	11.1%	13.2%	19.3%
Cumulated 5 biggest customers	55.5%	62.6%	54.0%
Cumulated 10 biggest customers	77.2%	81.7%	83.5%

These percentages should be put into perspective as they have been established based on accounting data. Chinese wholesalers and retailers/retailers are considered as clients. However, each one of them is the interface between several dozen economic end-clients.

TOOLUX is only very slightly exposed to risks relating to the solvency of its clients as almost all of its revenue is generated from large Chinese retailers which themselves supply major specialist retail networks (see 7.2.2.1).

Moreover, in terms of financing, the Group has implemented an order financing cycle which reduces the risk of unpaid invoices. In general, this cycle requires a deposit in the amount of 30% of the balance of the order for new clients before production begins. However, no deposit is required from regular clients. Regular clients have 45 days from the date that the order is dispatched to settle the balance of their invoice. For new clients, payment in full may be requested before delivery depending on the quality of exchanges during the production phase.

The average client credit is around 45 days of revenue.

5.3.2 Supplier and/or Partner Risks

Most of the suppliers are Chinese companies located in the same region as TOOLUX. The Company estimates that it is independent of any supplier. See 5.1.2

Suppliers (% of expenses and raw material)	2006	2007	June 30th 2008
1st supplier	15.0%	12.3%	13.6%
Cumulated 5 biggest suppliers	48.2%	38.3%	48.2%
Cumulated 10 biggest suppliers	75.0%	70.4%	76.5%

Moreover, in general, the Head of purchasing signs long-term contracts (one year) which do not contain any quantity obligations with its suppliers, mainly so that the company can lock in steel and plastic prices.

Contracts stipulate that invoices must be paid in full within 50 days of delivery (no deposit is required).

5.4 Legal Risks

5.4.1 Risks relating to applicable regulation

General risks relating to business operations in emerging markets

The entire operational business of TOOLUX is conducted in China. According to the World Bank, China is classified as one of the five biggest emerging markets together with India, Indonesia, Brazil and Russia *(Source: World Bank Annual Report date 31 December 2005).* Investors should thus be aware that TOOLUX's operations are subject to greater risks than operations in more developed markets, including significant legal, economic and political risks. Moreover, emerging economies are subject to rapid change and the information set out herein may therefore become outdated quickly. Investments in emerging markets or in companies that operate in an emerging market are generally exposed to risks and speculation, and are generally, only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisors before making an investment.

Economic instability in China could adversely affect TOOLUX's business

Chinese economic reform has, by and large, been an economic success. However, the relative success in the past is, by itself, no compelling indication of a stable development of the economy in the future. As a result of the ongoing rapid changes in China, the PRC economy faces a multitude of risks, *inter alia* significant declines in gross domestic product, hyperinflation, an unstable currency, high government debt relative to gross domestic product, a weak banking system providing limited liquidity to domestic enterprises; and rising unemployment due to further privatization of State-Owned Enterprises (**"SOE"**); rising costs triggered by environmental damages — notably air pollution, soil erosion, and the steady fall of the water table. The occurrence of one or several of these risk factors could have a material adverse effect on the business, financial condition and results of operations of TOOLUX.

Fluctuations in the global economy could materially and adversely affect the Chinese economy

The Chinese economy is vulnerable to market downturns and to economic slowdowns elsewhere in the world in particular indirect effects of the worldwide financial crisis. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in China or in emerging economies in general could dampen foreign investment in China and businesses could face severe liquidity constraints.

The infrastructure of China is inadequate, which could disrupt TOOLUX's business operations

The infrastructure in China has not been adequately funded and maintained. Particularly affected are rail and road networks, power generation and transmission systems, communications systems, and building stock. The poor condition of physical infrastructure in China adds costs to doing business and can result in operational disruptions or delays, which could have a material adverse effect on the business, financial condition and results of operations of TOOLUX.

The PRC legal system and regional taxation laws contain inherent uncertainties and inconsistencies

As TOOLUX's business is exclusively conducted in China, its operations are governed principally by PRC laws. China is still in the process of developing a comprehensive statutory framework, and its legal system is still considered to be underdeveloped in comparison with legal systems in most western countries. In particular, PRC company law and provisions for the protection of shareholders' rights and access to information are less developed and confer less protection than those applicable to companies incorporated in France or other member states of the EEA. The following factors create uncertainty with respect to the TOOLUX's business:

- inconsistencies between and among the constitution, national law, government decrees as well as governmental, ministerial and local orders, decisions, resolutions and other acts;
- conflicting local, regional and national rules and regulations;
- inconsistent use of terms for different rules by different localities and government departments; lack of judicial and administrative guidance on interpreting legislation;
- absence of a solid system of checks and balances between the different parts of the government;
- relative inexperience of judges and courts in interpreting legislation;
- high degree of discretion on the part of governmental authorities, which can result in arbitrary actions such as suspension or termination of licenses or approvals; and relatively untested bankruptcy procedures that might be vulnerable w abuse; and
- differences in the application of norms between different local authorities.

Furthermore, many laws, regulations and legal requirements have only recently been adopted by the central or local governments, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. Depending on the government agency or how an application or a case is presented to such agency, TOOLUX may receive less favourable interpretations of law than its competitors. In addition, any litigation in China may be protracted and result in substantial legal costs and diversion of resources and management attention. Similarly, legal uncertainty in China may limit the legal protection available to potential litigants. The occurrence of one or several of these risk factors could have a material adverse effect on the business, financial condition and results of operations of TOOLUX.

The judiciary's lack of independence and limited experience and the difficulty of enforcing court decisions and governmental discretion in enforcing claims could prevent TOOLUX from obtaining effective remedies in a court proceeding

China's judicial system may not be as independent or immune to economic, political and nationalistic influences as judicial systems in European jurisdictions. The court system in China is largely understaffed and under funded. Since courts are financially dependent on the respective local governments, judges tend to favour the economic interests of the municipalities or provinces and the enterprises located there. The independence of judges is further undermined by the fact that Chinese judges are only appointed for a limited period of time, and may be dismissed during their term of office. Courts are often times inexperienced in the area of business law. Not all PRC legislation and court decisions are readily available to the public or organized in a manner that facilitates understanding. Enforcement of court orders can, in practice, be very difficult in China. Additionally, court claims are often used in furtherance of political and commercial aims or infighting. The TOOLUX might be subjected to such claims and may not be able to receive a fair hearing. Judicial decisions in China can be unpredictable and may not provide effective remedies. These uncertainties also extend to property rights.

Expropriation or nationalization of Shaoxing Sanding Tools Co Limited and Zhejiang Sanding Tools Co Limited, their respective assets or portions thereof, potentially without adequate compensation, could have a material adverse effect on the business of TOOLUX.

There are difficulties in seeking recognition and enforcement of judgments in China

Substantially all of TOOLUX's assets are located in China, and all of its senior management members and directors reside there. The Company is a holding company without any significant operational business of its own. Irrespective of the fact that there is a bilateral judicial treaty between PRC and France providing for the recognition and enforcement of judgments made by the courts of France (e.g. obtained in relation of claims investors may have with regard to this offering), for investors to effect service of process or enforce court judgments against TOOLUX or its assets, senior management or directors in China may face great practical difficulties since we so far could not find any precedent of an enforcement case based on such a treaty which is known via public sources.

Restrictions might be imposed upon foreign control of PRC companies

As part of China's accession to the WTO in 2001, China undertook to eliminate certain trade related investment measures and to open up specified industry sectors that had previously been closed to foreign investment. Even though China has lived up to the letter of most of its WTO commitments, foreign investors still encounter barriers in practice as some of the newly enacted or modified laws and regulations are enforced in an inconsistent manner by different authorities. Additionally, there can be no assurance that the Chinese government will not toughen its stance on foreign investors in other areas not covered by the WTO commitments and that the control of environmental protection companies will not change.

The tax status of TOOLUX or tax legislation or its interpretation might change

The new PRC enterprise income tax law took effect on 1 January 2008. The tax rules and their interpretation relating to an investment in the TOOLUX may be subject to further adverse changes in the future. The applicable tax rates and exemptions may change in the future. Tax holidays and tax breaks referred to in this Prospectus are those currently available and their value depends upon the individual circumstances of investors. Any change in the TOOLUX's tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Company, its ability to provide returns to shareholders and/or alter the post-tax returns to shareholders.

Statements in this Prospectus concerning the taxation of TOOLUX and Company's investors are based upon current tax laws and practices which are subject to change. In addition, the taxation regime applicable in China may change and could have an adverse impact on the after-tax profits of Shaoxing Sanding Tools Co Limited and Zhejiang Sanding Tools Co Limited. As almost ail operational profits are generated with Shaoxing Sanding Co Tools Limited and Zhejiang Sanding Tools Co Limited that is subject to the tax law of China, this could have a material adverse effect on the business, financial condition and results of operations of TOOLUX.

5.4.2 Risks relating to intellectual property rights

The TOOLUX brand was created in 2004. The Company is planning to develop marketing for professional clients under this brand.

According to Chinese law, the ownership of patent, trademark, domain name and copyright should be certificated by the Bureau of Intellectual Property Right, and they are traditionally considered as typical types of intellectual property rights. Other intellectual property rights, like know-how, business secret, name of a company, are not registered in the Bureau of Intellectual Property Right and do not have written certifications to certify these rights in most of time.

All the intellectual property rights disclosed in chapter 12 are those certificated by the Bureau of Intellectual Property Right.

However TOOLUX leads a policy of protection of its intellectual property, both in China and on the international stage, without as far as this one is automatic.

Actually, the name of the company that registered in the local Administration for Industry and Commerce are protected by the local Administration for Industry and Commerce. In the case of Zhejiang Sanding and Shaoxing Sanding, they are registered, therefore, if other people or company want to register another company name after Sanding, or use the name of Sanding, the local Administration for Industry and Commerce shall not approve.

To date the Group engaged numerous patent registrations and brands and is already holder of 14 patents (refer to 12.2).

The group benefits also of exclusive operating licenses of patents.

5.4.3 Insurance

The insurances policies taken out by the Company Shaoxing Sanding is:

N°	Description of policy	Period of Cover	Amount of Cover	Premium	Claim	Name of insurance firm
1	Vehicle insurance	24 August 2008 to 23 August 2009	420,000 RMB	2,351RMB	No	China pacific Property Insurance company Ltd
2	Vehicle insurance	24 August 2008 to 23 August 2009	110 000 RMB	800 RMB	No	China pacific Property Insurance company Ltd
3	Comprehensive property insurance for machine and equipments	12 July 2008 to 11 July 2009	4,097,957 RMB	3,688 RMB	No	China pacific Property Insurance company Ltd

Certain assets are not insured due to their very low residual value in comparison with the insurance premiums offered.

The major insurance policies taken out by the Company Zhejiang Sanding are:

N°	Description of policy	Period of Cover	Amount of Cover	Premium	Claim	Name of insurance firm
1	Comprehensive property insurance for its permanent assets (1)	17 July 2008 to 16 July 2009	2,640,000 RMB	2,112 RMB	No	China United Property Insurance company Ltd
2	Comprehensive property insurance for its permanent assets (1)	18 August 2008 to 17 August 2009	4,290,000 RMB	3,432 RMB	No	China United Property Insurance company Ltd
3	Comprehensive property insurance for its permanent assets (1)	18 August 2008 to 17 August 2009	2,145,000 RMB	1,716 RMB	No	China United Property Insurance company Ltd
4	Comprehensive property insurance for its permanent assets (1)	23 August 2008 to 22 August 2009	1,260,000 RMB	1,008 RMB	No	China United Property Insurance company Ltd
5	Comprehensive property insurance for its permanent assets (1)	4 July 2008 to 3 July 2009	15,000,000 RMB	13,500 RMB	No	China pacific Property Insurance company Ltd
6	Comprehensive property insurance for its permanent assets (1)	22 July 2008 to 21 July 2009	16,500,000 RMB	1,320 RMB	No	China United Property Insurance company Ltd

(1) Permanent assets mean Workshops belonging to company.

All the above mentioned policies have been automatically renewed.

The property insurance covers fire, explosion, natural disasters (such as lightning strike, rainstorm, flood, typhoon, cyclone, snowstorm, mud- rock flow), the direct loss of insured property caused by power failure/water supply cut-off/gas supply cut-off, the loss of insured property resulting from the reasonable and indispensable measures implemented in order to save insured property or prevent the spread of disaster.

Shaoxing Sanding and Zhejiang Sanding have provided social insurance for employees imposed on the company according to the requirements of Chinese law and regulations.
On March 24th, 2008, Shaoxing Sanding bought a “Group Life Accident Insurance” and its additional insurance for the cost of medical remedy if the insured accidents happen for 158 employees. The insured amount is RMB 2,370,000 and the premium is RMB 10807.2. The insurance period is from March 29, 2008 to March 28, 2009.
The Company deems that the insurance policies described above reasonably cover all major risks inherent in its operations, and that its insurance policy is suitable for the practices applied in its industry.

There are, to the Company’s knowledge, no significant uninsured risks.

Although the Company has insured major risks (logistics, equipments and other fixed assets), the Company can give no assurance that the present insurance coverage is sufficient to meet any claims to which it may be subject, that it will in the future be able to obtain or maintain insurance on acceptable terms or at appropriate levels or that any insurance maintained will provide adequate protection against potential liabilities. In addition, defending the Company against such claims may strain management resources, affect the Company’s reputation and require the Company to expend significant sums on legal costs.

5.5 Exceptional events and litigation

See 21.6.

5.6 Financial Risks

5.6.1 Foreign-exchange risk

TOOLUX does not run a foreign-exchange risk insofar as 100% of its supplies and expenses are paid for in local currency (RMB) as well as 100% of its revenues.

5.6.2 Interest-rate risk

As with most small and medium size Chinese companies, TOOLUX has no access to long-term debt.

On Dec. 31st, 2007, net debt (bank debts less available funds), on a consolidated basis, reached 24.3MRMB (around 2.42 M€) and is subscribed on a short term basis.
TOOLUX does have some net short-term debts of about 1.56 M€ at end 2006.

On June, 30, 2008, the net short-term debts reached 2.25 M€.

The Company has no recourse to any financial instruments to hedge the interest-rate risk.

The impact on 2007 accounts of a variation of around +/-1% in interest rates can be estimated at about +/- €24,106.

5.6.3 Liquidity Risk

The Company has the following authorised short-term financing:

Type	Period of Cover	Amount	Mortgaged Property	Name of Bank
Credit Line Agreement - Credit Facility	July 2, 2007 to June, 25 2009	20,000 KRMB	not applicable	Shengzhou Branch of Bank of China
Mortgage Agreement	August 17, 2007 to August 16, 2009	1,430 KRMB	3,979 m² Workshop with a value of 3,580 KRMB	Shengzhou Branch of Bank of China
Mortgage Agreement	August 17, 2007 to August 16, 2009	2,860 KRMB	Workshop with a value of 5,720 KRMB	Shengzhou Branch of Bank of China
Mortgage Agreement	July 16, 2007 to July 15, 2009	6,210 KRMB	4,907 m² Workshop with a value of 440 KRMB and 3 land use rights with a value of 7,430 KRMB	Shengzhou Branch of Bank of China
Mortgage Agreement	December 19, 2007 to December 18, 2009	730 KRMB	2,052 m² Workshop with a value of 1 840 KRMB	Shengzhou Branch of Bank of China
Deposit Receipt Pledge Contract		2,000 KRMB	1,800 KRMB as pledged property to guarantee the loan	Shengzhou Branch of Bank of China

In June 2008, the short-term financing authorised and used by the group was:

Credit	Amount	Annual Rate	Guarantee (*)	Valid Period
Shengzhou Branch of Bank of China	5 410 KRMB	6,8985%	Zhejiang Sanding provided its property as mortgaged property with mortgage n°713106337, n° 7131071244 and n° 7131071243	June 11, 2008 to Sept. 10, 2008
Shengzhou Branch of Bank of China	1 800 KRMB	6,8985%	Zhejiang Sanding provided its property as mortgaged property with mortgage n° 7131071244	May 19, 2008 to Sept 18, 2008
Shengzhou Branch of Bank of China	3 000 KRMB	6,8985%	Xu Ji'nan, Xu Zhiming and Xu Xueming and Shengzhou Shanzhe Real Estate Co Ltd provided suretyship of joint and several liability with a guarantee contracts n°713106337 and n° 7131071244	May 26, 2008 to Sept. 25, 2008

Shengzhou Branch of Bank of China	1 000 KRMB	7,722%	idem and several liability with the contract 7131071243	August 28, 2007 to August 27, 2008
Shengzhou Branch of Bank of China	1 000 KRMB	8,019%	idem and several liability with the contract 7131071243	Sept. 25, 2007 to Sept. 24, 2008
Shengzhou Branch of Bank of China	2 860 KRMB	7,524%	Zhejiang Sanding provided its property as mortgaged property with mortgage n° 7131071322	August 20, 2007 to August 16, 2008
Shengzhou Branch of Bank of China	1 430 KRMB	7,524%	Zhejiang Sanding provided its property as mortgaged property with mortgage n° 7131071323	August 20, 2007 to August 16, 2008
Shengzhou Branch of Bank of China	730 KRMB	8,217%	Zhejiang Sanding provided its property as mortgaged property with mortgage n° 7131071503	December 21, 2007 to Dec. 19, 2008
Shengzhou Branch of Bank of China	1 800 KRMB	6,075‰ per months	Loan guranteed by deposit receipt pledged contract n° 0708666	November 8, 2007 to Oct. 15, 2008

For each Short Term Loan, Xu Ji'nan, Xu Zhiming and Xu Xueming provided suretyship of joint and several liabilities with a guarantee contract n°713106337

Zhejiang Sanding entered into a guarantee agreement numbered 2008NSZ(B)Z0020 with Shenzhou Branch of Industry and Commerce Bank of China for a loan of Shenzhou Shiguang Clothes Co.,Ltd amounting to 8 million on January 25, 2008.

On September, 2008, Shengzhou Shiguang Clothes Co., Ltd and Shengzhou Qiandai Tie Weaving Co., Ltd provided a Counter-guarantee to Zhejiang Sanding for the foresaid Guarantee, prescribing that Zhejiang Sanding shall be entitled to claim repayment from Shengzhou Qiandai Tie Weaving Co., Ltd after undertaking guarantee responsibility, if Shengzhou Shiguang Clothes Co., Ltd does not fulfill his liability upon the termination of term for performance as written in the principal contract.

On June 30th, 2008, the Group's total deposit comprised 1.46 M€ (around 14.61 M RMB).

5.6.4 Equity Risk

In view of the nature of its investments (exclusive of mutual funds), the Company does not consider that it faces this type of risk.

5.6.5 Risks relating to planned IPO

➢ Listing on an unregulated market

The shares that are the object of this Offering will not be listed for trading on a regulated market and, therefore, will not have the corresponding guarantees. On the other hand, specific guarantees relative to the company's financial transparency and to the protection of minority shareholders are described in paragraph 22.2.9 of this Offering Circular.

➢ No prior listing and limited liquidity risk

The Company's shares have not been listed before its Initial Public Offering. Therefore, it is impossible to guarantee that a liquid market exists for the shares, or that such a market, should it develop, will endure. The price of the Company's shares, in the context of its Initial Public Offering, will be based on criteria that may not match future price performance. The price that will be set subsequent to the IPO is likely to vary significantly from that price. If no liquid market for the Company's shares develops, the shares' liquidity and price may be impacted.

6 INFORMATION ON THE COMPANY

6.1 History and development

6.1.1 Legal name

TOOLUX SANDING SA

6.1.2 Company registration number and jurisdiction

The Company is registered in Luxembourg under number 142 041 (section B).

6.1.3 Date incorporated and duration

The Company has been incorpared in Luxembourg in the form of a *société anonyme* (limited company) on October, 2nd 2008.

The Company was set up for an unlimited duration, barring waivers or early dissolution.

6.1.4 Company head office, legal form, and legislation governing its activities

The Company is a *société anonyme* (limited company) with a Board of Directors, governed by Luxembourg law.

The Company's head offices are located at: 23, Val Fleuri, L-1526 Luxembourg (established in Luxembourg-Ville, Grand Duché de Luxembourg). The Company's website address is: www.toolux.com.

6.1.5 Highlights in the Company's development

- **1992:**

The original body of Sanding Tools is founded. Then, named Shengzhou Gong Sheng Plastic products factory, the company produce mainly screwdrivers.

- **1999:**

Shengzhou Sanding Tools Co., Ltd is established with a capital of RMB 500,000 as a Chinese-registered operating Company (October 2002, Shengzhou Sanding Tools Co., Ltd change his name to Zhejiang Sanding Tools Co., Ltd.).

- **2000:**

Sanding products meet the standard of TÜV.

- **2001:**

Achieve ISO 9001 quality system certification.
Rewarde as "Credit company of AAA".
Registered capital was increased from RMB 500,000 to RMB 5 million.
Registered the trademark TOOLUX on September 21st 2001.

- **2002**

Sanding products meet the VDE standard (German standard).
Invest more than USD 700,000 to introduce equipments for the production of screwdriver.
Rewarded as "Zhejiang Excellent Publicity Brand", "Star Glory", "Outstanding Contribution Award", "Annual Good-sale Products", "Annual Economic Development Award" and "Advanced Party Branch".

- **2003:**

Rewarded as "Shaoxing Famous Brand".
Issue a monthly internal publication named "Voice of Sanding".

- **2004:**

Sanding products meet the VPA standard(German standard).
Rewarded as "Zhejiang Outstanding Recommended brand" "2004 Annual Star Glory".
Registered capital was increased from RMB 5 million to RMB 15 million.

- **2005:**

Registered capital of Shaoxing Sanding was increased to USD 1,712,200 on March 1st.
Shaoxing Sanding invest USD 2,120,000 to increase the production capability of screwdriver.
Rewarded as “Large Taxpayers in Ganlin” “Annual New Star Enterprise” “Shaoxing Well-known Brand” “Credit Quality of AAA China Enterprise” “Credit Contract Enterprise”.

- **2006:**

Rewarded as “Top 10 enterprise in Ganlin” “Annual Advanced Party Branch” “Annual Hardware innovation Award in China”.

- **2007:**

Rewarded as “Top 10 enterprise in Ganlin” “Zhejiang Well-known Brand” “Annual Credit Enterprise” “Top 10 company-school cooperation in Shengzhou” “Learning-oriented Enterprise”.
Build Sanding enterprise college.
Consolidated sales breakthrough RMB 100 million (9.7 M€) and net mergin, 20%.

- **2008:**

Rewarded as “Top 30 Enterprise in Shengzhou 2007”, “Annual Inspection-free Enterprise” and “China Well-known Brand”.
Consolidated sales at June 30th 2008 reached 5.91 M€

The company is located in Ganlin city, China, in the province of Zhejiang, in the area of Shanghaï.

6.2 Investments

6.2.1 Main investments undertaken

The main investments over the two last financial years dealt with:
- RMB 1.8 million for building a agent window for export as a Private-label in 2006.
- RMB 1.433 million for equipments in 2006.
- RMB 4.95 million in 2007 mainly for installations and decoration

6.2.2 Investments in progress

Current investments necessary for expansion mainly involve an increase of capacities of production.

6.2.3 Investments planned

For the moment, TOOLUX Sanding does not plan any significant investments in the coming years and on which the Company management may have made firm commitments.

7 OVERVIEW OF THE COMPANY'S ACTIVITIES

7.1 Brief introduction to TOOLUX

Founded in March 1992 in Shengzhou (China), TOOLUX designs, manufactures and markets around the world a very wide range of hand tools, including the screwdriver, which is company's flagship product (responsible for more than 80% of consolidated pro forma 2007 earnings). Made for both professional (vehicle repair shops, craftsmen) and home use, TOOLUX tools combine ergonomics and aesthetics with reliability and quality and has successfully certified its tools to the highest quality standards in the world (DIN, VDE in Germany, VPA and US ANSI standards).

For its first 10 years of existence, TOOLUX was strictly an OEM manufacturer for specialized major retailing chains and other manufacturers. But in early 2000, the company made an important strategic shift by adding a research and development department. Thanks to the implementation resources now at its disposal and the abilities of its R&D teams, TOOLUX was able to develop a full range of innovative premium tools thereby demonstrating its genuine know-how. Then, in 2004, TOOLUX became a player in its own right by designing and marketing its own range of tools, no longer focusing on OEM manufacturing alone. Within three years, TOOLUX became one of the leading manufacturers of premium and midrange tools. Nearly 13.4% of its consolidated 2007 earnings were generated by TOOLUX products.

Though the majority of its sales derive from midrange tools marketed under the brands MDD or MDF – both trusted names worldwide–, the company counts on the sustained development and significant growth of the TOOLUX brand (premium products at competitive prices) as well as its MDD brand.

In 2007, TOOLUX recorded a14.6% increase in revenue, reaching € 9.71 million (i.e., nearly RMB 100 million), of which13.4% was generated by tools sold under the TOOLUX brand. Net income of € 1.95 million (i.e., RMB 20 million) doubled as compared to 2006 (without including the badwill in 2006). With a staff of 43 full-time employees and more than 150 part-time workers, TOOLUX derives most of its revenue through export sales given its concentration in premium and midrange tools which are beyond the reach of most Chinese consumers.

The company's initial public offering is in line with its manufacturing strategy, which aims at procuring the financial means to enable the company to accelerate its development. The company initially plans to increase its production capacities, which today are inadequate to respond to increasing demand, and to perfect new production lines to be used in the manufacture of new ranges of electric screwdrivers to which our new product engineers have been devoting most of their time since 2007. In a second phase, the Company intends to develop tool sales under the TOOLUX brand. The Company will also begin implementing a sustained communication and marketing policy. Finally, TOOLUX is committed to strengthening its sales network by increasing the number of intermediaries, which would facilitate the development of brand awareness and the expansion of its power tool product range.

More generally, this program will also contribute to reinforcing the reputation and credibility of the company worldwide, one of the company's major aims since the totality of its sales are made abroad.

7.2 A wide range of products designed for the international market

7.2.1 A wide range of products

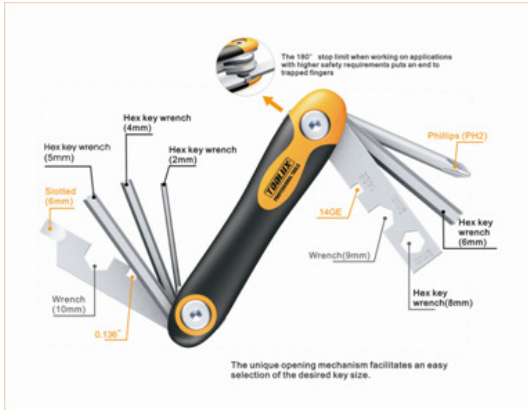
TOOLUX produces a wide range of tools, most of which are used for fastening and crimping, and markets them to both professionals and home users. Although the product range includes pipe spanners, multipurpose spanners, bits, trowels and accessories (gloves, tool bags, toolboxes, etc.), the group's flagship product is the screwdriver, which alone was responsible for nearly 85% of consolidated 2007 sales.

Marketed directly under the "TOOLUX" brand or as OEM-supplied products under other manufacturers' or retailers' brand names, the company's products can be packaged individually, in a set of identical tools of different sizes or as part of a toolbox.

All tools are made of hardened steel and come with a 6-month warranty against corrosion and breakage.

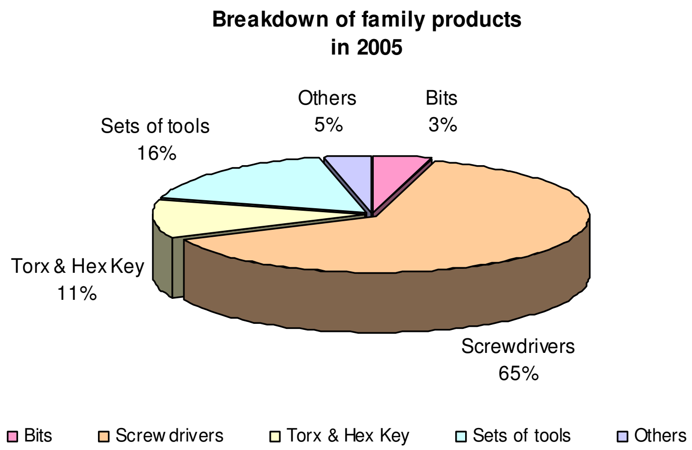
TOOLUX screwdrivers

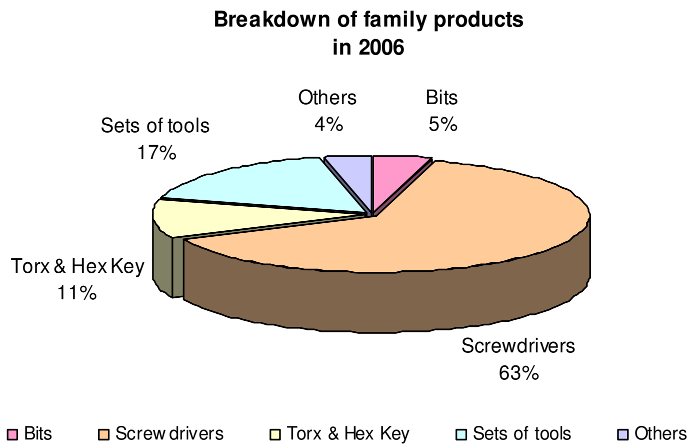
Set of screwdrivers

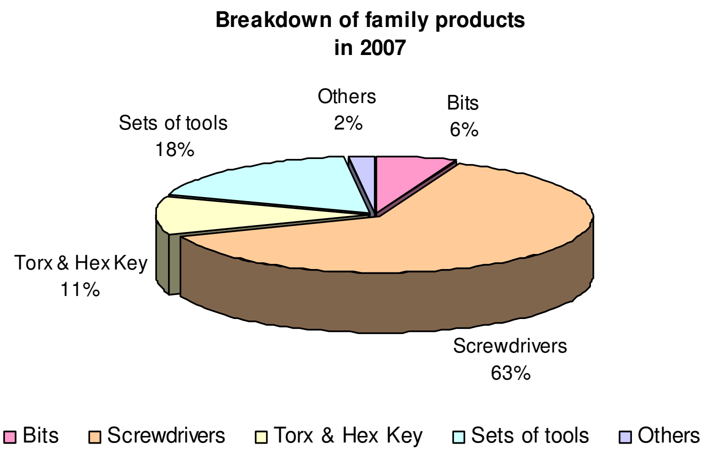


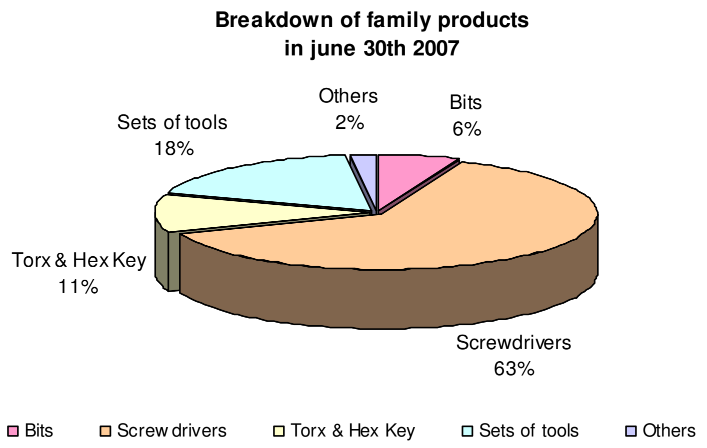
Bike maintain TOOLUX

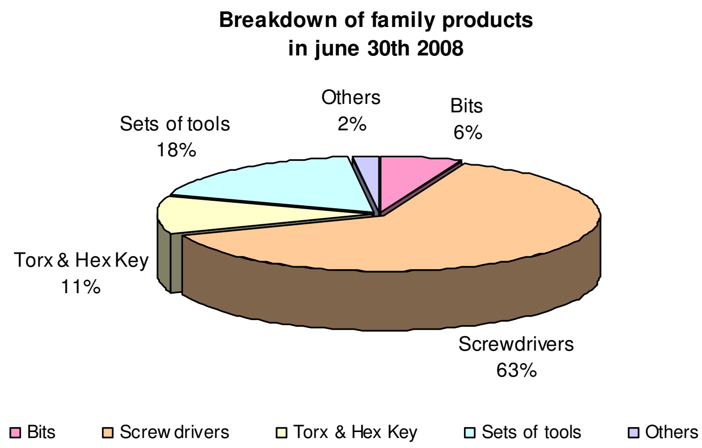
Despite a sharp increase in earnings between 2006 and 2007, i.e., +60%, reaching € 10.28 millions in 2007, the relative contribution of its principal product families during the last three reporting periods has remained stable, as the following chart shows.





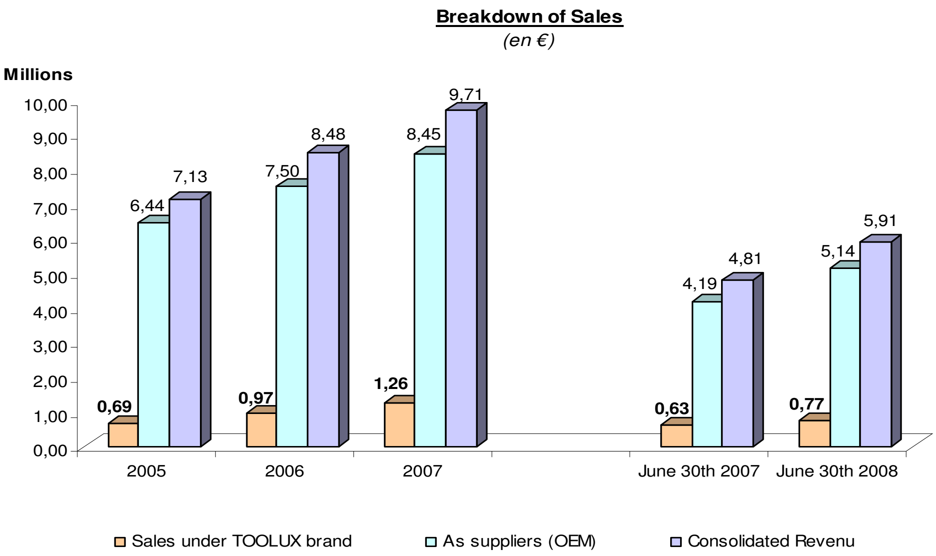






With respect to market positioning, TOOLUX's attention remains focused on premium and midrange product lines but it is also willing to answer satisfy customer requests for special "introductory low-end product ranges", although this is not one of its priorities.

Most sales are the result from the Company's OEM business with retailers or other tool manufacturers. Sales of tools marketed under the company's TOOLUX brand accounted for 13% of consolidated earnings. As it is now deeply committed to a brand-oriented policy, TOOLUX considers growth in sales under its own brand to be a major strategic aim so that it may quickly benefit from a product mix with more value added.



In terms of price range analysis, sales have developed as shown below:

in K€	2005 (*)	2006	2007	June, 30th 2007 (*)	June, 30th 2008
TOOLUX					
- Low-end	-	-	-	-	-
- Midrange	325,00	415,56	606,52	300,55	369,05
- Premium	360,00	559,13	656,13	325,14	399,24
TOOLUX TOTAL SALES	***685,00***	***974,69***	***1 262,65***	***625,70***	***768,29***
OEM					
- Low-end	712,50	822,73	972,15	481,74	591,53
- Midrange	2 963,80	3 319,04	3 650,29	1 808,87	2 221,11
- Premium	2 763,70	3 359,08	3 827,61	1 896,74	2 329,01
OEM TOTALSALES	***6 440,00***	***7 500,84***	***8 450,05***	***4 187,35***	***5 141,65***
TOTAL EARNINGS (consolidated)	**7 125,00**	**8 475,53**	**9 712,70**	**4 813,04**	**5 909,94**

(*) Financial informations non audited

On the one hand, 90% of sales were concentrated in the premium and midrange products and on the other, total earnings from products sold under the TOOLUX brand increased from 9.6% to 13.0%.

Sales revenue was derived solely from exports.

En K€	2005 (*)	2006	2007	June, 30th 2007 (*)	June, 30th 2008
Bits	185,00	315,35	186,46	92,40	113,46
Screwdriver	4 645,00	385,43	598,08	296,37	363,92
Torx & Hex Key	785,00	947,06	1 075,67	533,04	654,52
Set of tools	1 165,00	1 443,62	1 739,72	862,10	1 058,58
Others	345,00	5 384,05	6 112,77	3 029,13	3 719,47
Consolidated Revenu	**7 125,00**	**8 475,53**	**9 712,70**	**4 813,04**	**5 909,94**

(*) Financial informations non audited

Torx & Hex key ***(9 or 7 pieces)***

TOOLUX tool box

bits

Set of insulated srewdriver

Set of precision (screwdrivers)

Putty knife (accessories)

Accessories (others)
(trowels, woodworking knives, gloves, tool bags and tool aprons)

TOOLUX Showroom

7.2.2 Chinese dealers for international customers

As TOOLUX has opted for an indirect marketing approach, a distinction should be made between the company's final customers, who are tool manufacturing and marketing professionals, and customers in the accounting sense of the word.

7.2.2.1 International customers

The approximately 180 final customers are, for the most part, specialist retail chains but there are a few manufacturers. The company's customers include:

- In the United States: STANLEY, HOMEDEPOT, and SEARS
- In the UK: B&Q, DRAPER, BLACK & DECKER
- In France: BRICO DEPOT, CASTORAMA, SAINT-GOBAIN
- In Australia: CRESCENT, SUPERCRAFT, CLARKE
- In Mexico: SANTUL, TRUPER, KNOVA

CLARKE

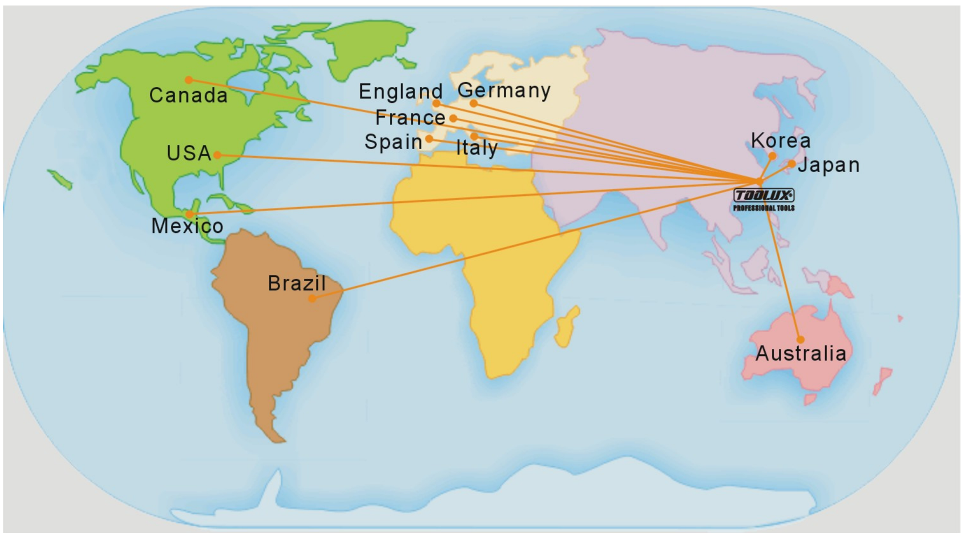
DRAPER

STANLEY

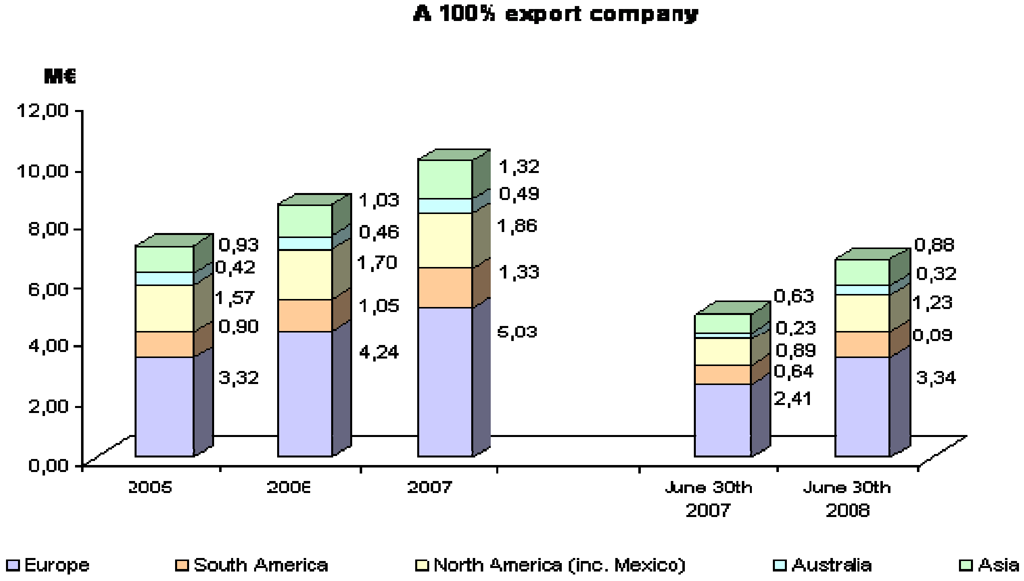
B&Q

None of the company's customers are contractually bound to volume purchases however; the company does not accept orders of less than € 3,500. Even if this amount may vary depending on the items ordered, it generally represents a minimum of approximately 1,000 to 1,500 items per purchase order. Without specifically referencing recurring sales, TOOLUX has acquired the trust of its customers, who, for the most part, have been in business for more than 5 years.

The final customers can be found on five continents and 12 countries. The 7 most important countries are USA, France, England, Germany, Mexico, Australia and Japan.



The chart shown below shows the breakdown of consolidated earnings per geographic area. As can be seen from the chart, contribution to earnings from European sales remains greater than 50%.



Given their nature, TOOLUX customers run little risk of insolvency. Moreover, the Company has set up an order financing system limiting the risk of bad accounts.

Although there was a slight spike in sales during the last quarter because of the Christmas holiday, the company does not really experience seasonality (See paragraph 5.1.6).

7.2.2.2 A network of indirect sales

Because TOOLUX has decided to market its product line indirectly, the group's inside sales force is limited in size, having only 6 sales staff and one manager. The sales staff manages a portfolio of 70 sales representatives and non-exclusive distributors, all of whom are Chinese. Each member of the sales staff manages a portfolio of customers and, rather than being divided up based on geographic areas or product family, the portfolio is based on a mix of sales staff seniority and the specifics of dealer or sales representative concerned (type and location of the final customers, type of products ordered, age of the business relationship with the group, etc.).

As an example, one of these distributors is the company's contact in France for a network of store chains including Castorama, B&Q, Screw Fix and Brico Dépôt. TOOLUX is one of the leading suppliers of fastening products to this chain, providing them with nearly 60% of the hand tools sold in the store.

While TOOLUX maintains business relationships with more than 60 middlemen, the five most active were responsible for generating approximately 62% of consolidated 2007 earnings. Conversely, no final customer accounted for more than 13.2% of group sales (Refer to the section on "Risk Factors").

The decision to maintain an indirect sales network has also allowed TOOLUX to:

- Maintain very little contact with the final customer, thus simplifying the management of orders and logistics relating to deliveries (shipments, customs clearing, etc.);
- Control its internal marketing costs while enjoying a wide network of retailers and representatives.
- Preserve its independence by not entering into any exclusivity agreements with final customers;
- Achieve economies of scale in marketing (customer prospecting, marketing, advertising, etc.)
- And, to avoid directly facing potential conflicts of interest with final customers, most of whom compete with one another.

TOOLUX maintains commercial relations similar dealer-to-dealer relationships, that is:

- No exclusivity is granted to either party;
- TOOLUX maintains control over the final selling price. Generally speaking, TOOLUX sets the selling price to its dealer, and the invoice is billed exclusively in Chinese currency. The dealer is thus free to determine the resale price to the final customer within a predefined range as agreed with the group. Usually, a resale price margin along the lines of 5 to 8% is retained by the dealer based on order volume. In some cases (unusual volume, new customer with strong potential), negotiations on a case by case basis, authorized by TOOLUX, can allow the dealers to step beyond this range;
- The terms of payment are stipulated by TOOLUX and are usually:
  - A deposit of 30% accompanying the order for new customers before start-up of production. However, this deposit is waived for regular customers;
  - For payment of the balance due, a period of 45 days commencing on the shipping date is granted to regular customers. For others, full payment may be requested prior to delivery based on the quality of the exchange during the production phase.

7.2.3 A local relationship with final customers

Although the company has selected an indirect marketing approach, TOOLUX is committed to maintaining a close relationship with its final customers to continually monitor their needs and their expectations. In addition to the large number of customer visits to the company's manufacturing facilities to audit the quality of our products, such proximity to our customers is primarily demonstrated during the development of new tools or the introduction of improvements to existing tools. As an example, during enhancement and improvement of the product catalogue, such exchanges included the following:

<u>Pre-Sales Phase:</u> Once new products are finalized by the R&D Department, the marketing team sends out an e-mail to the final customers containing a pre-catalogue of new products to get their feedback.
A customer who is interested in one of these products can then suggest improvements in the design or any other aspect. A series of consultations with the R&D Department follows until the new product is finalized (including drafting of the product specification). Conversely, if there is no interest, the project is abandoned.

<u>The Sale:</u> When the purchase order is received, an estimate is prepared and forwarded to the customer, accompanied by a specification and a technical description. Again, even at this stage, the customer can insist that certain modifications be made to the product.

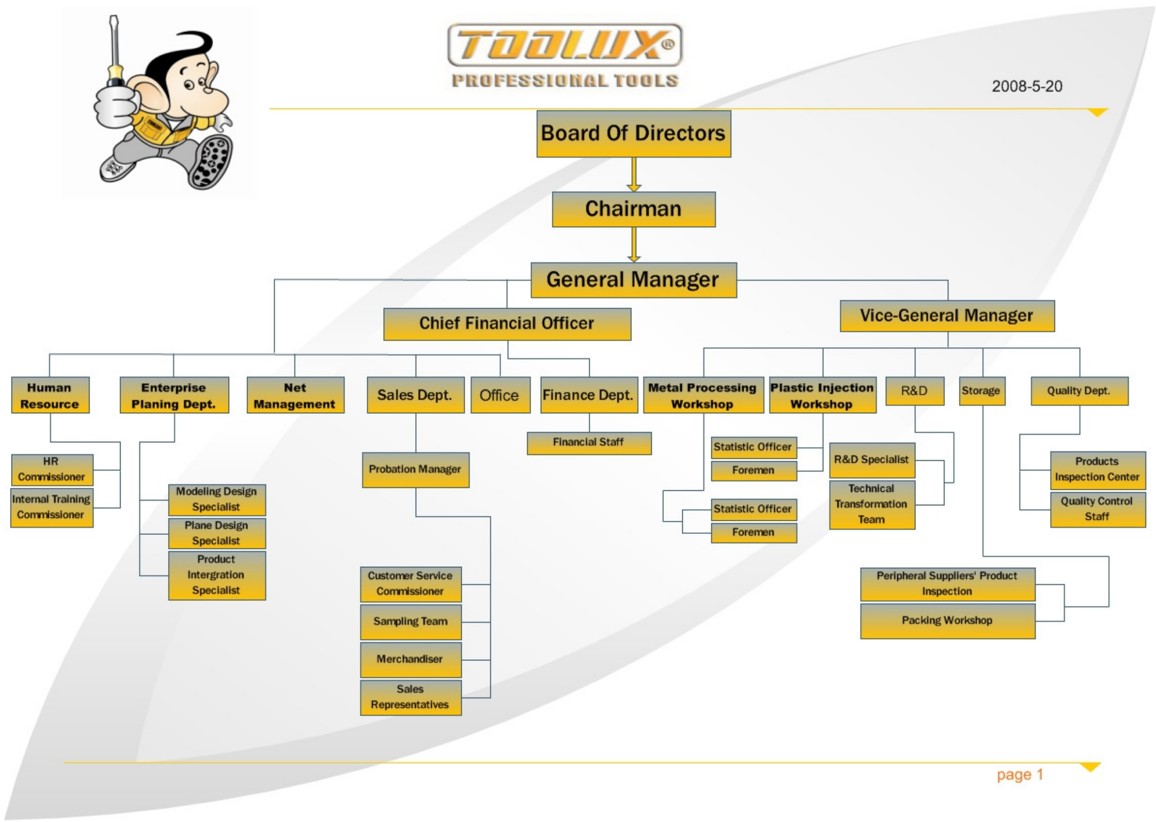
After signature of an agreement between the customer's engineering and design or purchasing department and TOOLUX's marketing team, a product sample is forwarded to the customer with the accompanying quality control and strength testing certificates. Once final approval is received, manufacturing begins and is completed by delivery.

<u>Customer Service:</u> Approximately 10 days after delivery, TOOLUX initiates some form of contact, perhaps a visit to the customer, to ensure that the customer is satisfied and records their feedback. The company then agrees to make any desired improvements (minor manufacturing defects, overly long delivery schedule, etc.).

It is by using this method that TOOLUX has been successfully able to build solid partnerships with its customers. Customer loyalty is assured by selling high-quality products conforming to their specific instructions. The order book window is 2 months.

7.3 The Production Organization

Comprised of two operating units in addition to the holding company, TOOLUX maintains a full time staff of employees, and, as is standard procedure, may bring in part-time employees for to assist the Production Department. The organization chart below outlines the main manufacturing operations, it being understood that from a strictly legal standpoint, most of these operations are distributed over the group's two historical facilities, Shaoxing and Zhejiang, in which TOOLUX holds a 100% indirect interest.



The efficiency of this organization relies on a highly advanced information tool and a unified corporate culture that, within any Chinese company, assumes an importance that French and European manufacturing standards cannot fully appreciate.

►**Tailored Enterprise Resource Planning (ERP)** As TOOLUX has always understood that efficiency relies on cost control and reliable information systems, an Enterprise Resource Plan has been developed for the specific needs of the group. The plan covers the entire product process from per-product cost analysis, to marketing management to managing the network of subcontractors. Today, this ERP is managed by an internal IT team which also receives support from two outside development finance corporations. An IT director has been specifically tasked with updating the ERP, monitoring and control of production in real time. Cost accounting is particularly successful and is able to estimate the cost of production of each tool down to the last Yuan, whether it is produced internally or subcontracted. ERP has proven its worth as a successful management and decision support tool for mangers, who can then fully control their margins.

►**The corporate culture:** For the last few years TOOLUX has been engaged in developing a corporate culture to rally its employees around a common purpose. Because this ambitious goal was laid out by TOOLUX's management in order to strengthen corporate culture, multiple resources have been allocated: Creation of a corporate newsletter (ideally called "The Voice of TOOLUX") to unite the employees with the success of the corporation, knowledge-sharing sessions to improve the know-how and motivation of our project teams and discussion forums to maintain a positive atmosphere and high morale within the company.

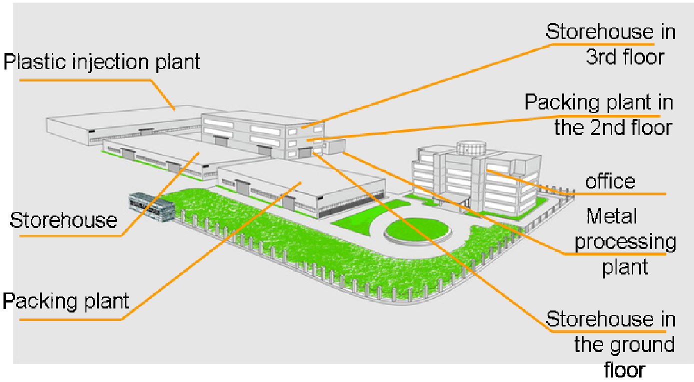
TOOLUX's hiring policies rely on two principles:

- Recruiting qualified and competent men and women having accumulated experience at other companies, and,
- Training and developing our company personnel.

Convinced that employees are the company's greatest asset, TOOLUX management has set the enrichment of corporate culture as one of its primary aims

Their motto is: "The corporate culture of today is the economy of tomorrow".

Strengthened by several key assets, TOOLUX has become one of the largest screwdriver producers in China and one of the largest and most innovative in Asia. Today TOOLUX owns a 55,000 m^2 facility where all its operations are concentrated as well as a few on-site workshops that are leased to subcontractors. The facility represents a cumulative investment of RMB 50 million, which translates into approximately €4.7 million.



7.3.1 The R&D Department

Determined to embark in 2003 on a path of technological improvement, TOOLUX created an R&D department that has allowed the company to assert itself as a manufacturer in its own right, marketing its own range of products, abandoning its former role of a subcontractor. A 15-person research team equipped with advanced IT tools (*Computer-Aided Design*, CAD), the New Products and Research Department is composed of three teams:

One team, based at corporate headquarters at Shengzhou, is responsible for technological advances and works predominately on the strength of materials. The two others, based in Shanghai and Hangzhou, specialize in product ergonomics, design and aesthetics, as well as monitoring market trends.

The goal of the New Products and Research Department is to constantly offer the company's customers new solutions tailored to meet their expectations and new products with high value-added. Thus, TOOLUX has filed for over forty patents, most of which relate to ergonomics and aesthetics but also utility and shape.

The R&D engineers and designers have been assigned the following tasks:

- Development of new products and their primary characteristics such as shape, ergonomics, colour and materials in close collaboration with the purchasing, production and marketing departments.
- Design of the technical specification for each new item (standards and specifications) prepared for the Production Department and subcontractors participating in the manufacture of certain tools.

Each year more than 50 new products are developed internally by the R&D teams of which more than 40 as a result of requests from customers. Strengthened by this capacity for innovation, TOOLUX has been able to build the company into a partner in technology for its customers. Our R&D designers and engineers are thus able to design new products whenever the company's customers request it. Our customers are able to forward their specifications to our design teams. Once complete, the project is forwarded electronically to the customer, including all the technical requirements and characteristics. After a period of consultation, potentially leading to changes, followed by approval of the product by the requestor, a prototype is built. In everage until 35 days (the time is different from diversified products) can be required from the start of design period through customer validation.

Once the new product has been designed and manufactured (in accordance with the customer's request), the customer then acquires the ownership rights and the Company is not permitted to sell the product to others.

Depending on the volumes purchased, TOOLUX can then grant temporary exclusivity to purchasing customer, during one year. In order to protect the interest of each party, an agreement presenting the term is signed.

The R&D Department is also in charge of the testing phase:

Salt spray corrosion testing machine

"Torsion meter"

Strength and hardness testing device

During the last two reporting periods, the R&D budget totalled RMB 2 million in 2006 and RMB 3 million in 2007, or approximately € 200,000 in 2006 and € 300,000 in 2007.

The excellence of our teams has allowed TOOLUX to acquire the principal European and US quality certifications for its flagship products. TOOLUX products have been inspected by international bodies and have even been certified to US ANSI standards and the European Union's "DIN". Our products have also been certified to ISO 9001 and are entitled to carry the German VDE and VPA label of quality.
Advanced technology and unrivalled quality are the key success factors behind TOOLUX products.

7.3.2 Purchasing

The Purchasing Department employs a staff of 2 placed under the supervision of one of the company's principal shareholders.

In addition to industrial raw materials, rolled steel bar and plastic pellets constitute the majority of the company's purchases. Depending on the tool model, the cost of raw materials can represent from 50 to 60% while labour costs account for approximately 15 to 20% of production costs.

Steel is an alloy of iron and carbon. The material strength varies depends on the carbon content. There are two major families of steel: alloyed steel and unalloyed steel. Alloyed steel refers to steel alloyed with other elements besides carbon, which may be added in varying amounts. Hence there is not one type of steel but several types, including one that is stainless and unbreakable. It is mainly the quality of this alloy that ensures the quality and strength of the product, and, along with design, also determines the category in which the product is placed: low-end, midrange and premium.

All purchases are made from Chinese vendors located in the region in which TOOLUX maintains its operations. Although TOOLUX uses intermediaries to order raw materials, it is the company that selects its vendors. The proximity between purchaser and vendor allows the supply and delivery period to be shortened to timeframe of between 2 and 30 days, maximum, and thus raw material inventory management is optimized (1 month of stock), limiting operating capital needs, and facilitating returns, if necessary, if there is a problem with quality. Indeed, materials in inventory undergo preliminary quality control using sample testing.

Several sources of supply have been identified for each raw ingredient to prevent any interruption, and there are rarely shortages of steel and plastic pellets. China is one of the largest producers of steel (36.4% of worldwide production in 2007, according to the International Iron and Steel Institute IISI), well ahead of Japan, the United States, Russia and South Korea.

Usually, the Purchasing Manager signs annual contracts with no commitment on quantity with its suppliers so as to lock in steel and plastic prices. Conversely, these vendors expect full payment of the invoice within 50 days of delivery, without requiring a deposit, and settlement is made exclusively in local currency. Refer to the Section 5.6.1, "Risk Factors". In the event of high volatility in commodity prices, an adjustment to the pricing (upwards or downwards) can be made.

TOOLUX makes it a priority to retain the loyalty of its suppliers, who become in a certain way the company's partners. The company has done business with several of these companies for more than 5 years.

7.3.3 Production

Production occurs only after receipt of the order and after payment of an initial deposit (for new customers only). The quantity requested in orders placed with the Shengzhou location determines whether the order will be filled partially or entirely by the company's local partners.

Concentrating both its investments and efforts on product families with high value added, TOOLUX produces all the tools it markets under its brand and internally produces only premium tools, for which the group intervenes as subcontractor. The remainder of production is outsourced to a network of subcontractor-partners, some of whom are located on the TOOLUX site.

7.3.3.1 Outsourced production

The production of orders for low-end and medium-range tools is handled by external suppliers located in the group's immediate vicinity. For low-price items, production is fully outsourced, while for the medium-range items, TOOLUX can provide the assembly from components produced by subcontractors.

Depending on the volumes and schedules of the orders, the production is handled by one or more subcontractors for the busiest periods (October-November) or the largest orders. Each team works eight hours a day and six days a week, however, in order to fill customer orders as quickly as possible, TOOLUX can impose extremely short production lead times on its subcontractors. Generally, the lead time given is 40 days.

Despite a thorough selection process for its subcontractors, TOOLUX also conducts several quality controls on its finished products.

The normal process is as follows:

- Analyze production capacity and production quality;
- Send detailed specifications to the subcontractor to manufacture a prototype;
- Depending on the level of compliance with the specifications, production of the order will or will not be entrusted to the subcontractor;
- Once the order is fulfilled, TOOLUX conducts a quality control by sampling upon delivery.
    - If the control reveals one or more manufacturing defects (resistance, materials, etc.), the entire order is refused and the subcontractor produces the order again.
    - If the quality proves to be satisfactory, the delivery is accepted and then shipped to the customers concerned.

Due to the thoroughness of the selection process, nearly all of the quality controls conducted are positive. For example, in 2007 TOOLUX reported that only 3% to 5% of all subcontracted products were rejected. Furthermore, 5 to 6 suppliers have been "referenced" for several years, thereby demonstrating the company's intent to work closely with high-quality partners and to establish reciprocal trusting relationships. Subcontracted production represented 53% and 55% of production sold in 2006 and 2007, respectively.

7.3.3.2 Integrated production department

The production of high-end tools is handled in its entirety by TOOLUX internally, regardless of the brand under which the tools will be sold. In 2007, high-end tool production represented a total of nearly 12 kinds of products (nearly 0.1million sets or pieces of products)

The production teams are structured in 4 successive workshops under the responsibility of a factory manager (see below). Within each workshop, team leaders supervise the workers. All have a financial interest in the quantities manufactured.

a) Steel cutting and preparation

This workshop is first in the production line. Its function consists of cutting, stamping, and then, grinding machine-cut steel rods to meet the technical characteristics of each tool (size, shape, dimensions, etc.).

Cutting steel rods

Stamping the workpiece

Various gauges of rods are cut at the cutting station. Each cut is then stamped and then ground at one or more successive stations depending on the complexity of the tool. The workpiece then moves to the forming station (rounding or twisting the workpiece, etc.) before being sent to a finishing station, where the piece will be checked and finished.

Grinding the workpiece

Forming the workpiece

After cutting, the company accounts for only a 3% loss in metal, approximately.

This first stage is completed exclusively by hand. The company uses one of the most important production tools in Asia. “Automation” of the production line (cutters, stamping machines, grinders, etc.) is maximized.

b) Processing the steel workpiece

Once checked and finished, the steel workpieces are then sent to a processing line. The length of this processing will depend on the type of tool:

- Anticorrosion processing: some workpieces will soak in tanks of anticorrosive agents for 15 to 30 days;
- Cleaning;
- Processing for resistance;
- Heat treatment to stabilize and fix the processing (in a high-temperature furnace).

These stages are largely automated throughout the processing line (see photos below). However, 6 people man this workshop. Processing represents an important stage in the manufacturing and production of the tool. Chemical products added during the processing stage proves to be a determining factor in the quality of the tool being produced (resistance, anticorrosion, etc.).

Entering the processing line

Processing line tank

c) Manufacturing the plastic assembly of the product

When manufacturing hand tools such as screwdrivers or multifunction spanners, the steel workpiece must then be assembled with a plastic piece moulded internally. These plastic pieces as well as the moulds are designed and developed internally, and the prototypes are produced by the research and development (R&D) laboratory.

The company purchases granulated plastic material, which is then melted in the company's forty furnaces. Then, the melted plastic is injected into moulds in order to obtain plastic bodies for the tools. It should be noted that in the event a defective plastic body is produced, it can be re-melted and reused, thereby limiting the loss of plastic material to between 1% and 1.5%.

Adding granulated plastic

Preparing the plastic body

The plastic body is then manipulated at a new workstation. In order to provide the user with a better and more comfortable grip on the tool, a more pliable and malleable plastic is then injected. This second injection is the result of research from the R&D department. The plastic body is then finished and ready for assembly with the steel piece.

d) Assembly and packaging of the product

The last stage consists of assembling and packaging the product. The components are assembled and then immediately packaged in two other workshops, where nearly 100 people on four lines can work simultaneously.

Assembly and packaging

Packaged products

Once the products are packaged, they are then sent out to the port of Shanghai by carriers and routinely shipped free on board. Production is launched only after the order has been confirmed. Consequently, TOOLUX has almost no finished product inventory. Major customers visit the workshops on a regular basis.

7.3.4 Continual quality control

The Group now uses the most extensive quality control system in the country for its line of business. From the moment the raw materials enter the factory to the shipment of finished goods, everything is controlled according to strict criteria. Nearly 50% of employees participate in this quality control.

7.3.5 Marketing

The marketing department is responsible for sales support and implementation and for creating marketing tools. Accordingly, TOOLUX participates on a regular basis in the major professional trade shows, such as Cologne, Canton and Las Vegas. At the September of 2008, TOOLUX will participate in the world's largest tool trade show held in Shanghai (***China International Hardware Show 2008, powered by PRACTICAL WORLD***). The company will feature a booth of approximately 200 m² in this leading, worldwide, triennial trade show.

The annual marketing budget is approximately MRMB 0.2.
Several marketing tools are outlined, created and updated on a regular basis, including:

- First and foremost, a general catalogue and several catalogues by product family,
- Sales materials,
- Preparation of booths for trade shows,
- A company video,
- Appearance on a regular basis in the trade papers.

For end customers and distributors and agents, TOOLUX has two different showrooms on site. The first is dedicated to products sold under their private brand, and the second is reserved for its product offering as a subcontractor.

Starting in fiscal year 2008, the Company wants to initiate the necessary steps to increase the name recognition of the company and of the TOOLUX commercial brand in order to increase the contribution of the brand to the company's revenues.

7.4 Strategy

On the basis of its achievements, TOOLUX plans to pursue its strategy to win market share. In order to be able to best meet market demand, the following development areas are a priority:

- ***Increasing production capacity.*** The establishment of a new production line for screwdriver heads is proving to be critical to meet growing demand that cannot currently be fully met;

- ***Establishing a production line of electric tools (screwdrivers) in the next 18 months.*** The Shengzhou region is well known for its manufacturing know-how in miniature electric motors. The R&D department has been working for several months on perfecting a range of top-of-the-line electric screwdrivers. The main players on this market are Taiwanese companies positioned in the low-price and low-end segment. Meanwhile, the market is trending toward demand in the high-end range. This broadening of the range with automatic tools will allow TOOLUX to increase its revenues in higher value-added product lines.

- ***Development of the direct distribution network, particularly under the TOOLUX brand.*** The company plans to use its brand to win name recognition and thus garner new markets. The distributors are already prepared to distribute electric products.

- ***Increased efforts in research and development.*** In addition to the quality of its products, TOOLUX wants to focus its efforts in R&D and design in order to best meet the demands of its customers and to gradually develop its brand policy.

TOOLUX considers an initial public offering (IPO) on Alternext Paris to be the best way to support this business strategy. Both the direct and indirect effects of an IPO will accelerate the implementation of its strategy. The IPO will provide the Company with the financial resources necessary to finance its ambitions by raising funds at the same time. The Company will need a stronger financial structure to implement the development plan described, first and foremost so it can quickly make planned capital expenditures and, secondly, so it can finance the change in working capital needs that will result from the projected growth. Furthermore, in the context of its external growth policy, being listed on a stock exchange will enable the Company to pay for its acquisitions at least partially in company shares, if necessary. Moreover, the IPO will undoubtedly provide visibility and therefore increased name recognition on an international scale, which proves to be extremely important for a Company that sells entirely to the export market and that can sometimes suffer as a result of its geographic distance from its business partners. It will also facilitate the recruitment of senior managers by attracting talent able to participate in the development plan. TOOLUX also plans to use tools to retain its personnel in order to rally its employees around a rewarding and unifying plan.

Lastly, TOOLUX plans to take advantage of the opportunity afforded to it by this plan to gradually raise itself to European standards with regard to corporate governance. This improvement will help meet investor expectations and strengthen the Company's credibility within the financial community in general.

7.5 The market

7.5.1 Characteristics of the tool market

This worldwide market can be broken down according to various approaches: by type of tools (gripping, cutting, impact, measuring, etc.) or by segment (hand tools and electric tools).

►Highly competitive environment

TOOLUX is positioned in a mature and stable market, with a very fragmented customer base of users and where brand name recognition and loyalty from distribution networks are determining factors. Thus, TOOLUX is operating in a highly competitive environment led by Facom (Stanley Works Group), with more than 50% of the market share, and outsiders such as Sam (a French company created in 1906 and listed on Euronext: 2007 consolidated sales: € 32.4 M; net income: € 1.12 M; profitability: 3.4%), LISI Group and Tivoly Group, and the threat of a limited number of Asian manufacturers. In addition, new players penetrate the market on a regular basis, relying on low-cost product offerings without being manufacturers. China and Taiwan are particularly competitive, as they currently benefit from very favourable exchange rates. Originally manufacturing low value-added products, China and Taiwan have been able to demonstrate real know-how in recent years by offering very high quality product ranges now.

►Difficult economic environment

a. A very concentrated market for hand tools for professionals

The hand tool market in France where TOOLUX participates is estimated at €400 M (including €300 M in the professional segment). With 3.5% of the market share in France, TOOLUX is in 3rd place in the sector behind Facom (50% of the market share) and Sam (8%).

Facom, a former subsidiary of the Fimalac group, was acquired in July 2005 by the US company The Stanley Works. This company operates in production and markets tools for individual consumers and professionals in manufacturing, the automobile industry, and construction, mainly under the Stanley, Facom, Bost and Virax brands. In 2004, the group generated consolidated revenues of €411 M and $ 2 134 M in 2007.

The balance of the market share is distributed among other manufacturers' brands (Snap-on, Würth, Mob, Beta, Unior, etc.), distributors' brands, and importers.

b. Mature, stable market

In Europe, the hand tool market is stable, both in terms of volume and price. According to INSEE, since 2000 France has undergone deindustrialization, leading to gradual shift of potential TOOLUX customers from France to Eastern Europe.

An XERFI study from February 2006 estimates that the three determining factors for demand are automobile production, the construction sector, and household consumption of hand tools and mechanical tools.

c. Brand: a true barrier to entry

The production process is relatively simple and labour-intensive due to the small size of the series. The production of hand tools can require the use of costly infrastructure (cold forging, hot forging, heat treatment, metrology, surface treatment, plastic injection, etc.), the amortization of which necessitates a significant level of production. However, this financial barrier can be avoided through outsourcing. This is especially important since brand name recognition, based on objective quality criteria and relying on a crowded distribution network, now constitutes a true barrier to entry into the hand-tool market.

7.5.2 "Do-it-yourself" consumer trends in France

A. Changes in spending for tools and materials

Sales of do-it-yourself products to households grew at an annual rate of 2.9% in the 1980s. Since 1990, changes in the do-it-yourself budget (€712 for France in 2007) would seem to indicate that spending for tools and materials is relatively cyclical. Changes since 1998 are due to an increase in free time (35-hour workweek), but also to a decline in purchasing power. Now, in 2008, 8 out of 10 people in France maintain that they do some handiwork themselves versus 6 out of 10 in 2006.

Do-it-yourself products are gradually expanding into the areas of home decoration and furnishings (artistic activities, pre-assembled furniture, etc.). This diversification is a genuine cause for growth in household spending.

B. Individual homeowners

Another significant trend is reflected by the fact that 60% of consumers are homeowners (58.2% single-family homes, 41.8% apartments). An important statistic is the change in the growing demand from new homeowners (24.1%). This classification is emphasized with the 35-hour workweek and with the fact that more and more new homeowners are buying old houses requiring renovation.

Spending on large tools (spray guns for paint, drilling machines, sanders, electric saws, etc.) is higher among households. These are generally men between 40 and 55 years old, workmen living in small population centres who have the technical background needed to use these tools. Spending on small tools (hammers, screwdrivers, pliers, hand drills, etc.) and hardware items (glue, coatings, nails, bolts, cement, plaster, etc.) is significantly more difficult to profile.

C. Tools and the Internet

Internet sales of hand tools have taken longer to take off than other families of products. For the last several months, sales of portable electric do-it-yourself products have grown rapidly, and should soon catch up with other product families offered on various on-line selling sites.

7.5.3 Markets

a. The screwdriver market in Europe

The European screwdriver market represents more than 200 million units sold per year. Sales are distributed primarily among ten or so players with different profiles, either screwdriver specialists or general tool manufacturers.
For the last several years, the market has been characterized by an increase in sales volumes (approximately +10% in 5 years) but a decline in prices (approximately -20% in 5 years). This situation arises in part from sales at low prices of imports and private-label products.

b. The German market

The tool industry in Germany has experienced explosive growth since the beginning of 2007. Rainer Langelüdecke, Director of the professional association for the tool industry, indicated that in November 2007, revenues in the sector increased by 13.4% for the first six months compared to the prior year. Domestic demand increased by 16.9% and exports grew by 14.7%. According to Mr. Langelüdecke, tool sales totalled 16 billion euros between January and June 2007. The association is also confident for the full year and for 2008. In fact, 84% of manufacturers believe that market conditions will remain favourable. Since the beginning of 2007, the sector has recorded a 10% increase in the export rate in relation to the same period the previous year. The association is above all concerned about low-priced imports. In fact, in the crafts and industrial area alone, 3,500 work-related accidents in Germany are due each year to defective tools. According to Mr. Langelüdecke, these low-priced imports are dangerous due to mediocre production standards, lack of quality controls, and poor-quality raw materials. By meeting German standards, TOOLUX is opening itself to a significant market.

c. The tool market for individual consumers

The market for hand tools for sale to individual consumers is characterized by a preference for medium-range products, which represent good quality at price levels that are significantly lower than those of the high-end product ranges. Frequency of purchase and use of hand tools is occasional, resulting in weak brand loyalty.

d. The tool market for professionals

Today, professional customers are still more sensitive to the performance of the products than to price. Professionals have high demands with regard to quality, precision and durability of tools. Investment in the production line of hand tools has a relatively low cost in relation to the value of this production. Despite this, in the medium term, competition by price could increase. Some brands have outsourced a portion of their production to China and certain Asian manufacturers like TOOLUX are now in a position to manufacture products with quality levels approaching those of high-end products. Among these manufacturers, the Chinese brands King Tony and TOOLUX already have a presence in the French market, but the competition remains limited for the moment and only operates in small product range.

7.5.4 Distribution networks

a. For individual consumers

There is a hand-tool aisle in large, specialized retail stores like Castorama in France or Home Depot in the United States, as well as in general superstores where the shelves offer a limited number of manufacturer's brands and low-priced, private-label brands to meet the demand for mid-range products from individual consumers.

b. For Professionals

Hand-tool distribution is concentrated in the markets for mid- to high-range products, offered exclusively by manufacturers' brands, to meet the quality and innovation requirements of professionals. Some operators believe that there is a need to develop the launch of private-label brands by certain operators (St. Gobain).

7.5.5 The competition

a. Stanley

Stanley is today's worldwide leader in tools and hardware products. The Stanley Works (Stanley) is a diversified global supplier of tools and solutions to professionals, industry, construction and do-it-yourself consumers. Its operations are categorized in three business segments: construction, industry and safety. The group includes subsidiaries Bost and Facom, among others.

b. Bost

Created in 1890, Bost has 500 employees, including 25 exclusive sales representatives in France, Spain, Benelux, and Italy and more than 15 salespeople representing multiple firms throughout the world, including Greece, Argentina, Africa and Thailand. It also has nearly 3000 distributors worldwide as well as two production sites and one packaging site.
Bost is the leading manufacturer of screwdrivers and Allen keys in the European market and the number two manufacturer of pliers in France with the Ega brand. 2005 revenues exceeded €21M.

c. Facom

Facom is a French tool brand created in 1918 and is mainly sold in Europe. It is known for the strength of its products and for their product guarantee among professionals in automobile repair, aeronautics, electricity, electronics and industrial maintenance. Among the most representative product ranges are spanners, screwdrivers, sockets and ratchets, saws, hammers, tool storage, and speciality automotive tools.

d. Tivoly

Created in 1917, Tivoly specializes in the design, manufacturing and marketing of cutting tools (drills, bits, taps, cutters, reamers, screwdriver bits, etc.) The group's activity focuses on two markets:

- The general consumer market and the professional market (no. 1 in France). The company sells its products to large do-it-yourself warehouse stores, hardware stores, maintenance companies, building companies and general industrial supplies distributors.
- Engineering: essentially industrial, distributors of specialized industrial supplies and manufacturers of machine tools. Furthermore, Tivoly offers training and advisory services. At the end of 2004, the group had 4 production sites, with 2 in France, and one each in Spain and the United States. 50.7% of Tivoly sales are international.

e. Sam

Sam specializes in manufacturing and marketing of professional hand tools mainly for the aeronautics, automobile, building and electronics sectors. The group offers clamps, screwdrivers, cutting tools, measuring tools and tool storage, among other product ranges. Sam is listed on Euronext and published consolidated sales in 2007 of €32.4 M, nearly 79% of which was in France, and profitability of €1.1 M (or 3.4% of sales).

f. Snap-on

Snap-on is the leader in the United States. It designs, manufactures and distributes tools and professional equipment. The company was founded in 1920 and employs approximately 11,500 people worldwide. The company is currently valued at $2.4 billion (US).

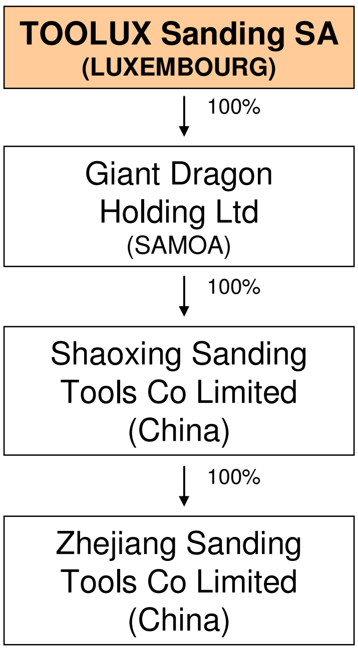
8 ORGANIZATION STRUCTURE

The operational business of the Company is exclusively carried out through Shaoxing sanding Tools Co Ltd ("SHAOXING") and Zhejiang Sanding Tools Co Ltd ("ZHEJIANG"), (limited liability company) incorporated under the laws of PRC and respectively incorporated on September 24, 2001 and February 5, 1999.

The 17th of January 2007, Giant Dragon Holdings Ltd ("GIANT DRAGON" a Samoa registered company) has been incorporated. On December 21, 2007, after some corporate restructurations, GIANT DRAGON entered into a share purchase agreement with SHAOXING and ZHEJIANG to purchase all their shares. Such transfer of shares was approved by the competent PRC authorities, SHAOXING changed into a Wholly Foreign-Owned Enterprise (WOFE) and became effective on December 21st, 2007. Thereafter, GIANT DRAGON became the sole shareholder of SHAOXING.

In anticipation of this offering, TOOLUX Sanding SA was incorporated in Luxembourg on Ocotber, 2nd, 2008 as the listing vehicle. Upon formation of the Company, all shares in GIANT DRAGON were transferred to the Company by means of a share contribution agreement dated October 13th, 2008 as contribution in kind for a total value of 1 M€,to the net asset value of Giant Dragon on June, 30th 2008.

8.1 Legal chart of the Group



Shareholder Commitment:

As TOOLUX Sanding SA is the holding created for the purpose of the admission of the Company on Nyse Euronext Paris, in order to secure new investors on the ownership of the operational company, its shareholders are committed to maintain at least for the five coming years their stake, directly or indirectly, 100% of Giant Dragon Holding Ltd, 100% of Shaoxing Sanding Tools Co Ltd and 100% of Zhejiang Sanding Tools Co Ltd.

The identity of the Economic Beneficiaries of the head Holding Company, and the entirety of the documentation relating to the structure of the capital held of the Chinese operational companies, have been the subject of a verification procedure finalized by the law firm Taylor Wessing and executed by the bank holding the commercial and share accounts, namely the Compagnie Financière Edmond de Rothschild Luxembourg.

In the event of conflict between the subscribers of the Luxembourg company Toolux Sanding S.A. and the reference shareholder (the company Crystal Sky Holdings Ltd governed by the laws of the Samoa Islands), Luxembourg law will prevail

The managing team is composed of highly-skilled people distributed in the main departments of both operating companies of the group:

Xu Ji'nan - Chairman
Birth Date: 1954/2/25

Education Qualification:
1995-1997, Zhejiang University of Technology, Business Management, Junior College, Chinese.
Native Place: Shengzhou City, Zhejiang Province, China.
Activity and experience:

1978-1992:	Eastern Lake Electroplate factory:	Chief
1992-1999:	Second Sheng county Chemical industry factory:	Administrator
1999-2001:	Zhejiang Sanding Tools Co., Ltd:	General Manager
2001-2004	Shaoxing Sanding Tools Co., Ltd:	General Manager
2004-now:	Shaoxing Sanding Tools Co., Ltd:	Chairman

Xu ZhiMing - Deputy General Manager
Birth Date: 1957/9/3

Education Qualification:
1997-1999, Zhejiang University of Technology, Business Management, Junior College, Chinese.
Native Place: Shengzhou City, Zhejiang Province, China.
Activity and experience:

1983-1998:	Sheng county Plastic Tools factory :	Manager and Technician
1999-2001:	Zhejiang Sanding Tools Co., Ltd :	Deputy General Manager and Technology Engineer
2001-now:	Shaoxing Sanding Tools Co., Ltd:	Deputy General Manager

Xu XueMing - General Manager
Birth Date: 1968/3/19

Education Qualification:
2001-2004, Open University of Hong Kong, Master of Business Administration, Master degree, Chinese.
Native Place: Shengzhou City, Zhejiang Province, China.
Activity and experience:

1985-1989:	Second Sheng county Chemical industry factory:	Marketing Manager
1990-2003:	Sheng county Plastic Tools factory:	Marketing Director
2004-now:	Shaoxing Sanding Tools Co., Ltd:	General Manager

Lv Xuefeng - Sales Manager
Birth Date: 1973/2/16

Education Qualification:
2007-now, Zhejiang University, Marketing and Sales, Junior college, Chinese.
Native Place: Shengzhou City, Zhejiang Province, China
Activity and experience:

1991-2000:	Second Sheng county Chemical industry factory:	Sales Manager
2001-2004:	Zhejiang Sanding Tools Co., Ltd:	Assistant Sales Manager
2004-now:	Shaoxing Sanding Tools Co., Ltd:	Sales Manager

Li Wenquan - Design Manager
Birth Date: 1979/9/8

Education Qualification:
1999-2003, Harbin University of Science and Technology, Industrial Design, Bachelor degree, Chinese and English.
Native Place: Lian Yun Kong, Jiangsu Province, China.
Activity and experience:

2003-2004:	Asia Xing Xue Xin Tai Co., Ltd:	Industry Designer
2004 - 3 months:	Shanghai Moma Industry Design Co., Ltd:	Industry Designer
2005 - 6 months:	Shanghai Lanbo Fog industry design centre:	Industry Designer
2005, 6-now:	Shaoxing Sanding Tools Co., Ltd:	Design Manager

Ma Zhuan – Chief Financial Officer
Birth Date: 1979/10/10

Education Qualification:
1999-2002, Xi'an Jiaotong University, Accountant, Bachelor degree, Chinese.
Native Place: Shengzhou City, Zhejiang Province, China
Activity and experience:

1998-2003:	Third Shengzhou Woollen Sweater Factory:	Accountant
2004-2007:	Shengzhou Hang Si Jin Hai Yin Clothes Co :	Chief Financial Officer -
2008-now:	Shaoxing Sanding Tools Co., Ltd:	Chief Financial Officer - CFO

Ni Zhenchao – Quality Control Dept. Manager
Birth Date: 1977/6/25

Education Qualification:
1996-1999, Guangdong University of Business Studies, Finance, Bachelor degree, Chinese.
Native Place: Shengzhou City, Zhejiang Province, China
Activity and experience:

1999-2006:	Dongwan Jiake Electronic Co., Ltd:	Quality Control Dept. Manager
2006-2007:	Shaoxing Jiafeng Lantern Top Factory:	Quality Control Engineer
2007-now:	Shaoxing Sanding Tools Co., Ltd:	Quality Control Dept. Manager

8.2 Details of the subsidiaries

Type	Name	Founding	Capital	Location	Legal representative
SA	TOOLUX Sanding S.A.	02/10/2008	€ 1 350 000	Luxemburg	M. Xu Xueming
Limited	Giant Dragon Holding Limited	17/01/2007	$ 1	Samoa	M. Xu Xueming
Limited	Shaoxing Sanding Tools Co. Limited	24/09/2001	$ 1 712 200	China	M. Xu Ji'nan
Limited	Zhejiang Sanding Tools Co. Limited	05/02/1999	RMB 15 000 000	China	M. Xu Ji'nan

8.3 Details of the group governance

TOOLUX Sanding S.A. (Luxemburg)

Board of Directors :

- M. Xu Xueming, Chairman and CEO,
- M. Xu Ji'nan, Director,
- M. Xu Zhiming, Director
- M. Blondeau Christophe, non executive Director,
- M. Thillens Romain, non executive Director,

Giant Dragon Holdings Ltd. (Samoa)

Legal representative and Director :

- M. Xu Xueming,

Shaoxing Sanding Tools Co. Ltd (PRC)

Executive Director and Legal Representative:

- M. Xu Ji'nan

Directors:

- M. Xu Xueming
- M. Xu Zhiming

Zhejiang Sanding Tools Co. Ltd (PRC)

Sole Executive Director and Legal Representative:

- M. Xu Ji'nan

General Manager:

- M. Xu Xueming

Sole Supervisor:

- M. Xu Zhiming

9 REAL ESTATE PROPERTY, FACTORIES AND EQUIPMENT

9.1 Description of properties

9.1.1 Land use rights

The lands on which are built factories are the object of a contract of use right entered by the Land Administration Bureau of china.

Usage	Area (m²)	Adress	Remark	Deadline
industrial use land	10 453,2 m²	Ganlin industrial Park		June 25, 2051
Industrial use land	12 774,0 m²	Ganlin industrial Park	Morgaged n° 7131071244	June 25, 2051
Industrial use land	11 448,0 m²	Ganlin industrial Park	Morgaged n° 7131071244	June 25, 2051
Industrial use land	2 318,8 m²	Ganlin industrial Park	Morgaged n° 7131071244	June 25, 2051
Industrial use land	7 637,8 m²	Ganlin industrial Park		June 25, 2051
business Residence	2 815,4 m²	Ganlin industrial Park		July 23, 2009

9.1.2 Property ownership

The industrial tool is property of the group.

Adress	Usage	Surface (m²)	Remark
Ganlin Industrial park		3 979,44 m²	insured (property insurance) mortgaged n° 7131071323
Ganlin Industrial park		2 052,75 m²	insured (property insurance) mortgaged n° 7131071503
Ganlin Industrial park		6 358,46 m²	insured (property insurance)
Ganlin Industrial park		2 599,93 m²	insured (property insurance) mortgaged n° 7131071244
		2 307,75 m²	
A section of Ganlin Industrial park	industrial use Rooms	3 082,82 m²	
Building 1, N° 332, Xiushan Road, Ganlin town	residence	6 772,72 m²	
	Business use rooms	1 814,04 m²	
Ganlin Industrial park	industrial use Rooms	3 620,57 m²	
Land along the Changle River in Ganlin	Land	9 030,00 m²	
Land along the Changle River in Ganlin	workshop	984,10 m²	

The company Zhejiang gives to Shaoxing, free of charge, grounds, offices or workshops necessary for the realization of its activities.

9.1.3 Leases

Neither the Company or one of its subsidiairies subscribe any lease or rent contract concerning building or equipments.

On the other hand, the group rents in 9 of his subcontractors of offices or workshops situated within its main site through 10 rental agreements.

Seven out of those ten contracts have been signed for a period exceeding two years and the three others, for a one year period. The annual global revenue generated by those 10 contracts is about 136 600 RMB (13.7 K€).

9.2 Environmental matters which could influence the company'suse of its property, plant and equipment

The written confirmation of the Bureau of Environment Protection of Shengzhou City, confirm that Zhejiang Sanding and Shaoxing Sanding have been discharging waste water in accordance with relevant PRC laws and local policies and have never been fined since they established.

10 REVIEW OF INCOME STATEMENT AND FINANCIAL STANDING

10.1 Presentation of the pro forma consolidated statements TOOLUX Sanding SA

10.1.1 Overview

TOOLUX SANDING SA was established on October, 2nd, 2008 as a purpose vehicle for the admission of SHAOXING SANDING TOOLS CO., Ltd as described in chapters 7 and 8.

In order to give a relevant financial information to the investors, the Company has prepared pro forma consolidated financial statements with its 100% owned subsidiary GIANT DRAGON HOLDING Ltd (SAMOA), with its 100% owned subsidiary SHAOXING SANDING TOOLS CO., Ltd and with its 100% owned subsidiary ZHEJIANG SANDING TOOLS CO., Ltd as if the Company would operate since January 1st 2006.

That's the reason why all the restructuring impact (especially badwill calculation) has been calculated by hypothesis at this date and has been recognized on January 1st 2006 in the proforma statements presented in the present Offering Circular.

(in € thousands under IFRS)	**2006**	**2007**	**June, 30th 2008**
Revenues	8 475.53	9 712.70	5 909.94
Gross Profit	2 307.26	3 471.43	1 949.65
Operating income	1 280.36	2 303.80	1 138.83
Income before tax	1 700.52 ***(*)***	2 297.76	1 142.89
Net income	1 384.55	1 956.31	798.92
Net fixed assets	3 387.29	4 290.96	4 449.28
Shareholders' equity	2 755.57	3 572.98	4 523.49
Financial short term debts	1 555.57	2 420.86	2 253.60
Balance sheet total	9 915.21	12 041.62	12 525.60

(*) Including the badwill of € 412 802.91.

10.1.2 Evolution du résultat entre les exercices 2006 et 2007

The turnover is constituted of sales of large range of hand tools, made by both operating companies Shaoxing and Zhejiang. The sales represent the delivered and invoiced products, net of discount and before tax.

➢ ***Detailed income statement***

€uros	**2006**	**2007**	*Evolution 2006/2007*	**June, 30th 2008**
SALES OF MAIN OPERATIONS	**8 475 534,74**	**9 712 701,08**	***14,6%***	**5 909 939,26**
Less: Cost of main operations	6 142 027,48	6 215 810,92	*1,2%*	3 951 151,46
Sales tax and additions	26 249,23	25 464,57	*-3,0%*	9 141,76
GROSS PROFIT	**2 307 258,03**	**3 471 425,59**	***50,5%***	**1 949 646,04**
Add: Income from other operations	61 161,82	47 278,02	*-22,7%*	4 805,02
Less: Selling expenses	341 019,71	418 808,74	*22,8%*	170 603,10
General and administrative expenses	572 749,59	879 590,13	*53,6%*	612 192,62
Financial expenses	174 291,07	-83 498,50	*-147,9%*	32 824,86
OPERATING INCOME	**1 280 359,48**	**2 303 803,24**	***79,9%***	**1 138 830,48**
Investment Income	0,00	0,00	-	0,00
Subsidiary income	18 615,32	4 796,58	*-74,2%*	5 553,86
Non-operating income	0,00	2 477,04	-	33 013,47
Less:Non-operating expenses	11 255,58	13 315,45	*18,3%*	34 504,86
Badwill	412 802,91	0,00	*-100,0%*	0,00
INCOME BEFORE TAX	**1 700 522,13**	**2 297 761,41**	***35,1%***	**1 142 892,95**
Less: Income tax	315 975,92	341 448,34	*8,1%*	343 974,88
NET INCOME	**1 384 546,21**	**1 956 313,07**	***41,3%***	**798 918,07**

The structure of the income statement is presented in the board below:

	2006	2007	June, 30th 2008
SALES OF MAIN OPERATIONS	**100,00%**	**100,00%**	**100,00%**
Less: Cost of main operations	72,47%	64,00%	66,86%
Sales tax and additions	0,31%	0,26%	0,15%
GROSS PROFIT	**27,22%**	**35,74%**	**32,99%**
Add: Income from other operations	0,72%	0,49%	0,08%
Less: Selling expenses	4,02%	4,31%	2,89%
General and administrative expenses	6,76%	9,06%	10,36%
Financial expenses	2,06%	-0,86%	0,56%
OPERATING INCOME	**15,11%**	**23,72%**	**19,27%**
Investment Income	0,00%	0,00%	0,00%
Subsidiary income	0,22%	0,05%	0,09%
Non-operating income	0,00%	0,03%	0,56%
Less:Non-operating expenses	0,13%	0,14%	0,58%
Badwill	4,87%	0,00%	0,00%
INCOME BEFORE TAX	**20,06%**	**23,66%**	**19,34%**
Less: Income tax	3,73%	3,52%	5,82%
NET INCOME	**16,34%**	**20,14%**	**13,52%**

- ***Revenues***

The consolidated sales increased of 14.6% between 2006 and 2007. In 2007 as in 2006, exports represented 100% of the revenues due to the TOOLUX market positioning focused on mid and premium range of tools (90% of revenues for 2007) too expensive for the domestic market which is more oriented towards Taiwan imports.

Geographical breakdown of revenues is mentioned on section 7.2.2.1 of this Offering Circular. Sales towards Europe represent more than 50% of the global revenues.

Through the majority of its sales derive from mid and premium range tools marketed under the distributor or manufacturer brands, sales under own brand -TOOLUX- increased once again to reach nearly 13% of consolidated sales (9.6% in 2006).

TOOLUX aims to develop a business strategy focused on its own manufacturing products to win a name recognition and take profit of a higher added value range of products in the global sales.

- ***Gross profit***

Production cost increase is about 1,2% in 2007 compared to a 14,6% increase of sales. Raw materials and outsourcing expenses are the two main costs. Raw materials decreased of 48% due to both an increasing appeal to outsourcing (+26%) and a just anticipation of their price increase whose consequence was the constitution of important inventories at the end of 2006.

So, the significant improvement of cost production gross profit in 2007 (more than 50% reaching 3 471 K€ vs 2 307 K€) results from both :

- A more oriented high added value mix of products with an increasing part of mid and premium products in the global revenues (and more particularly TOOLUX products), and
- A control of production costs (72.5% of sales in 2006 for only 64% in 2007).

- ***Operating income***

Operating income faced a 80% increase due to the cumulated effects of:

- a strong control of conditioning and transportation costs which decrease about 3.5% (from 236 K€ to 228 K€) in spite a 14.6% sales increase.
- specific efforts about communication and advertising with an optimised budget,
- a raise of labor force cost due to the aim of the Group to improve the structure added to the global increase of the wages of more than 37% , which is near of the increase level faced all over the country.

- an increase of amortization due to the construction in progress during 2006 but achieved in 2007,
- and a net interest product compared to a net interest expenses in 2006 (+ 83.5 K€ compared to (174.3 K€) in 2006).

➢ *Income befor tax*

The income before tax increased of 35% but almost doubled once corrected of the restructuration effects (a global badwill of 412.8 K€).

This significant increase is the direct consequence of the improvement of the gross profit (+80%) explained here above.

➢ *Net income*

After the consideration of an income tax of 341.4 K€, the net income for 2007 is about 1 956.3 K€. The net margin reached 20.1% compared to 11.5% in 2006 (after correction of badwill) and 16.3% without any correction.

10.1.3 Half yearly result on June 30th, 2008

➢ *Revenues*

Exclusively made of exports, the consolidated sales reached 5 909.9 K€ what is a 38% increase compared to unaudited sales on June 30th 2007. It represents also 60% of the global revenues for 2007.

The majority of sales derive from mid and premium range tools marketed under the distributor or manufacturer brands. Sales under own brand -TOOLUX- is about 13% of consolidated sales at the same level than in 2007.

➢ *Cost production gross profit*

Costs of production increased during the 1st half-year period to reach 66.8% of sales compared to 64.6% at the end of 2007. Raw material have been affected by the steel price increase begun in 2006 and which continued during the six first months of the year 2008 to reach 876.5 K€ on June 2008 compared to 976.5 K€ for 2007. Outsourcing cost is stable and still represents less than 50% of sales.

As a result, the group faced a weak decrease of cost production gross profit of 2% passing from 35.1% à 33.0% between the end of 2007 and June 2008.

➢ *Operating income*

Operating income reached 1 138.8 K€ showing a continuity from 2007 and 2008 with :

- a stability of the conditioning and transportation expenses (les than 2% of sales)
- an increase of administrative and general expenses due to the restructuration costs engaged for the future listing of the group on Alternext as well as the audit and consulting costs 197.8K€ on june 2008 compared to 43,4K€ in 2007.

➢ *Net income*

After the consideration of an income tax of 343.9 K€, the half-yearly net income on June 30, 2008 is about 800K€. The decline of the net margin translates the weight of the not recurring loads evoked above.

11 CASH AND CAPITAL

11.1 Issuer capital

On June 30 2008, on a proforma consolidated financial statements basis, consolidated shareholders equities rise to 4 523 489 € compared to 3 572 983 € on December 2007 because of the profit of period and the Currency exchange difference.

11.2 Cash flow

The cash flow statement table (proforma consolidated) detailed at section 21.1.3 and 21.3.3 of this Offering Circular is summarized in the table below:

(K euros)	**June 30th, 2008**	**2007**	**2006**
Net cash from operating activities	- 1 561	3 309	864
Net cash from investing activities	33	- 1 150	- 1 098
Net cash from financing activities	- 200	- 9	- 558
Net increase (decrease) in cash and cash equivalents	**- 1 728**	**2 150**	**- 823**
Cash and cash equivalents at the end of year	**1 461**	**3 190**	**1 040**

Activities:

On 2007, the net cash performance from operating activities arises not only from the important increase of the operating income (see comments in chapter 10) but also from a noticeable decrease of working capital needs about 1 200 K€.

Investments:

The Company realized so much in 2007 that in 2006 of the important investments concerning the acquisition of lands, installations and equipment, necessary for the extension and the arrangement of the production capacities; as well as in the construction of a building intended for the accommodation of the employees. It results from it a negative net cash of 1 100 K€ per year.

Financing:

On 2006, the negative net cash result of a paid back bank loans of 505 K€.
On the other hand in 2007, the net cash (almost zero) results from the combination of a net subscription of short term debts for 865 K€ and of payment of a dividend of 957 K€.

11.3 Borrowing terms and financing structure

Following the example of most of the Chinese private small and medium sized firms, TOOLUX has no appeal to the banking debts long term (very high rates and constitution of very complex files).

As explained in section 5.6.3 the bank loans are usually provided on short term and the renewed. As of June 30, 2008 the amount of the consolidated loans was 2 253.6K€.

11.4 Possible restrictions on the use of capital

There is no restriction on the use of its capital by the Company.

11.5 Expected sources of financing, needed to honour commitments

Due to the existing cash, to its capital as well as banks financing agreements, the Group has no need to find out any external financing source to honour commitments undertaken on that day.

12 RESEARCH AND DEVELOPMENT, PATENTS, LICENCES, BRANDS AND DOMAIN NAMES

12.1 Research and Development

See section 7.3.1

12.2 Patents and Brands

Registered trademarks are those that have been approved and registered by the Trademark Office. The applying trademarks are those have already been submitted to the Trademark Office and in the process of examination. The owner of registered trademark shall be entitled to the right to exclusive use of their trademarks and shall be protected by law, while the applicants shall not.

This day, the registered trademarks are:

Registered Code	Registered Date	Application Date	Trademark	Applicant	Coverage	Deadline
1 637 809	2001/09/01	2000/07/17	MAXTRONG	Zhejiang Sanding	Screwdriver	2011/09/20
1 637 820		2000/07/03	TOOLUX	Ditto	Screwdriver	
3 368 788	2004/05/14	2002/11/14		Ditto	abrading instruments, garden tools, spanners, hand tools, hand operated, screwdriver, tweezers, masons'hammers, pruning scissors, ratchet	2014/05/13
1 645 959	2001/10/07	2000/07/03	流	Ditto	Screwdriver	2011/10/06
3 055 812	2003/03/07	2001/12/09	TOOLUX	Ditto	Screwdriver	2013/03/06
4 368 879	2007/06/07	2004/11/18	Ditto	Ditto	Abrading instruments, spades, garden tools, slaughtering butchers's animals, harpoons, beard clippers, ratchet, masons' hammers, pruning scissors, side arms, table cutlery (knives, forks, spoons)	2017/06/06
3 659 527	200/03/28	2003/08/04	Ditto	Ditto	abrading instrument, garden tools, wrench hand tools, hand operated, screwdriver, tweezers, masons'hammers, pruning scissors, ratchet	2015/03/27
3 659 545	2005/03/28	2003/03/04	MAXTRONG	Ditto	abrading instrument, garden tools, wrench hand tools, hand operated, screwdriver, tweezers, masons'hammers, pruning scissors, ratchet	2015/03/27

The applying trademarks are:

Application Date	Trademark	Applicant	Coverage	Status
2006/12/11	TOOLUX	Zhejiang Sanding	industrial chemicals, fax paper, fertilizer, adhesives for industrial purpose, isotope for industrial purpose, soldering flux, preventing microbe agent, synthetic resins, unprocessed, fireproofong preparations, metal tempering preparations	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	Dyes, dyestuffs, food dyes, computer, printer, ink box for characater processor, anti-corrosive preparations, natural resins, printing ink, coal-dyeing agent	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	industrial oil, industrial grease, fuel , coal, ozocerite, candle, dust removing, preparation, binder for dust removal, mineral fuel, lubricating oil	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	agricultural machines, printing machines, wrapping machine, pouring plastic machine, foundry machines, dressing (apparatus for -) hand tools, not hand operated, bearings, mixing machines, slide fasterner machine	Application has been accepted
2006/12/11	Ditto	Zhejiang Sanding	medical apparatus and instruments, dental apparatus, physiotherapy apparatus, respirator, feeding bottles, condoms, artificial jaws, abdominal belts, suture materials, esthetic massage apparatus	Application has been accepted
2006/12/11	Ditto	Zhejiang Sanding	automobiles, airplane, motorcycles, bicycles, hand cars, vehicle tyre, sledge, boats, funiculars	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	silver ornaments, rings, necklaces, watches, precious metals, unwrought or semi-wrought, objects of imitation gold, art objects of precious metal, clocks, jade carving jewelry	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	paper, printed matter, packing paper, office requisites, except furniture, stamps, writing instruments, drawing materials, drawing instruments, gummed tape, architect's models	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	Synthetic rubber, searing ring, organic glass, plastic pipe, plastic film other then for wrapping, drainage hose, horseshoes, not of metal, insulating materials, waterproof packing, deafening	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	wood, marble,gypsum, cement, cement column, bricks, refractory material, bitumen, ad column (not metal), coating	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	furniture, containers, not of metal, tables of metal, bamboo woodworking art, wood, wax, plaster and plastic arts, display boards, back cushion for pet, furniture fittings, not of metal, bolster, decorations of plastic for foodstuffs	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	kitchen ustensils, not of precious metal, utility glass ware, porcelain, terracotta or glass works of art, drinking vessels, pail, comb, toothbrushes, cosmetic ustensils, heat insulation materials, floss for dental purpose	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	fabric, felt, wall hangings of textile, white cloth strip, place mats (not of paper), bedspreads, towels of textile, banner, washing mitts, nonwovens	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	clothing, impermeable, waterproof clothing, theatrical costume, shoe, hat, sock, gloves	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	toys, games, chess, balls of games, body-training apparatus, sports apparatus, wrister, fishing tackle, archery ustensil, plastic racetrack	Application has been accepted
2006/12/11	Ditto	Zhejiang Sanding	publicity, organization of trade fairs for commercial or advertising purpose, sales promotion (for others),import-export agencies, employement agencies, relocation services for businesses, systemization of information into computer databases, automatic	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	real estate management, insurance underwriting, fund investments, art object appraisal, brokerage, guarantees, fiduciary, pawn, charitable fund raising, real estate appraisal	Application has been accepted
Ditto	Ditto	Zhejiang Sanding	crating of goods, rental of warehouse, air transport, car rental, rental of driving suits, tourist offices, delivery message, boat transport, car transport, operating canal locks	Application has been accepted

The patents are:

Name of patent	Certification	Type	Patentee	Application Date	Announcement Date
Screwdriver	401753	Design	Zhejiang Sanding	2004/02/13	2004/10/20
Hanging card for hardware	401798	Design	Zhejiang Sanding	2004/03/10	2004/10/20
Screwdriver	402251	Design	Zhejiang Sanding	2004/02/13	2004/10/27
Plastic case	422202	Design	Zhejiang Sanding	2004/07/01	2005/01/19
Screwdriver	446637	Design	Zhejiang Sanding	2004/11/10	2005/05/04
Screwdriver	450719	Design	Zhejiang Sanding	2004/11/10	2005/05/25
Hexagon wrench (Twisted)	455108	Design	Zhejiang Sanding	2004/11/16	2005/06/08
Screwdriver	459638	Design	Zhejiang Sanding	2004/12/02	2005/06/29
Screwdriver	511505	Design	Zhejiang Sanding	2005/04/13	2006/03/01
Putty Knife	511446	Design	Zhejiang Sanding	2005/04/13	2006/03/01
Hexagon wrench (T-type)	511438	Design	Zhejiang Sanding	2005/04/13	2006/03/01
A kind of Plastic Case	715120	Utility Model	Zhejiang Sanding	2004/07/01	2005/08/03
A kind of multi-color screwdriver handle	741146	Utility Model	Zhejiang Sanding	2004/07/19	2005/11/16
A kind of hanging parts with automatic locks	744668	Utility Model	Zhejiang Sanding	2004/12/02	2005/11/30
	Withdraw	Invention	Zhejiang Sanding	2004/08/11	

See section 5.4.2.

12.3 Licenses and authorizations

Sir Xu Zhiming and Xu Xueming are actually owner of some patents used by the operational companies Shaoxing and Zhejiang.

With the aim of the listing on Nyse Alternext, they granted an exclusive operating license for free for the benefit of companies Shaoxing and Zhejiang for a duration minimum of 7years (see board below).

These licenses are actually recording on the Intellectual Properties Agency.

Name of patent	Certification	Type	Patentee	ended period of the Licence	Application Date	Announcement Date
Screwdriver	562564	Design	Xu Xueming	2015/11/09	2005/11/10	2006/09/13
Screwdriver	566769	Design	Xu Xueming	2015/11/09	2005/11/10	2006/09/27
Ratchet handle	569593	Design	Xu Xueming	2015/10/13	2005/11/10	2006/10/04
A kind of screwdriver case of multi-fonction	831402	Utility Model	Xu Xueming	2015/12/01	2005/10/14	2006/10/25
Tools handle	566654	Design	Xu Xueming	2015/12/01	2005/12/01	2006/09/27
A kind of hanging part	847073	Utility	Xu Xueming	2015/12/01	2005/12/01	2006/12/13
Toolbox	579323	Design	Xu Zhiming	2016/01/11	2006/01/12	2006/11/08

Handle of ratchet screwdriver	596006	Design	Xu Zhiming	2016/02/15	2006/02/16	2006/12/27
A kind of toolbox convenient for taking out and safekeeping tools	871943	Utility Model	Xu Zhiming	2016/01/15	2006/01/16	2007/02/21
A kind of one-body socket screwdriver	878709	Utility Model	Xu Zhiming	2016/02/21	2006/02/22	2007/03/14
A kind of hexagonal wrench	907620	Utility Model	Xu Zhiming	2016/05/18	2006/05/19	2007/05/30
Hexagonal Wrench	620039	Design	Xu Zhiming	2016/05/22	2006/05/23	2007/03/07
a Kind of combined ratchet screwdriver	901784	Design	Xu Zhiming	2016/05/24	2006/05/25	2007/05/16
One-body combined screwdriver	909972	Utility Model	Xu Zhiming	2016/05/24	2006/05/25	2007/06/06
Toolbox	651594	Design	Xu Zhiming	2016/05/28	2006/05/29	2007/05/23
Tools handle	658259	Design	Xu Zhiming	2016/08/21	2006/08/22	2007/06/13
Screwdriver new Ding-type grenade style handle	750630	Design	Xu Zhiming	2017/01/07	2007/01/08	2008/02/20
28PC Toolbox for screwdriver (rotary type) 28 pc multi-fonction screwdriver box	781109	Design	Xu Zhiming	2017/05/09	2007/05/14	2008/05/14
28PC Portable toolbox for screwdrivers 28 pc multi fonction screwdriver box	1041095	Utility Model	Xu Zhiming	2017/06/01	2007/06/01	2008/04/02
Toolbox for screwdrivers (collapsible) a combined screwdriver with single-row and double-row	763722	Design	Xu Zhiming	2017/05/27	2007/05/28	2008/04/02
A kind of portable toolbox for screwdrivers combined srcewdrivers with single-row and double-row	1037103	Utility Model	Xu Zhiming	2017/06/01	2007/06/01	2008/04/02
Toolbox (combined screwdriver). Handle for plug-pull insulated blade	N/A	Design	Xu Zhiming	2017/08/02	2007/08/03	
A kind of combined screwdriver. Insulated blade and box	1065402	Utility Model	Xu Zhiming	2017/08/06	2007/08/07	2008/06/25
A kind of insulated screwdriver. Insulated screwdriver with plug-pull insulated blade	1053445	Utility Model	Xu Zhiming	2017/08/07	2007/08/07	2008/05/21
Combined toolbox (box for screwdriver handles) insulated blade and box	N/A	Design	Xu Zhiming	2017/09/11	2007/09/12	
Insulated screwdriver. Screwdriver with plug-pull insulated blades	N/A	Design	Xu Zhiming	2017/09/11	2007/09/12	
A kind of divided-body screwdriver and matching handles. Handle for spring insulated screwdriver.	N/A	Utility Model	Xu Zhiming	2017/09/11	2008/01/02	

The Group has all the necessary business licenses and permits for its business operations in the PRC and it acts in compliance with all applicable Chinese laws and regulations which are material to its business operations.

13 INFORMATION ON TRENDS

13.1 Main trends since the end of the last financial year

See section 10.1.3

13.2 Known trends, uncertainties, demand, commitments or events that can reasonably be expected to influence the Company's prospects

Nihile.

14 PROFIT ESTIMATES AND FORECASTS

Not applicable.

15 BOARD OF DIRECTORS, MANAGEMENT BOARD, SUPERVISORY BOARD AND HEAD OFFICE

15.1 Officers and directors

15.1.1 Background information on officers and directors

The directors were elected on October 2nd, 2008. Their mandate will expire at the general meeting in 2009.

Nom	Position
Xu Xueming	Chaiman & CEO
Xu Ji'nan	Director
Xu Zhiming	Director
Blondeau Christophe	Indépendant director
Thillens Romain	Indépendant director

The professional address of Mr Xu Xueming, Chairman & CEO, Mr Xu Ji'nan and Mr Xu Zhiming is the Company's head office.

These persons' management expertise and experience comes from the various salaried and management positions that they have served in previously (see section 6.4.1).

The sole family ties between the persons listed is that Xu Xueming, Xu Jinan and Xu Zhiming are brothers.
Within the last five years, none of these persons:

- has been convicted of fraud;
- has been involved, as an officer or director with a bankruptcy, seizure or liquidation;
- has been banned from management positions;
- has been the subject of official public allegations or sanctions by statutory or regulatory authorities.]

15.1.2 Other directorships and posts currently held

Sir Xu Xueming, Xu Zhiming and Xu Ji'nan, do not hold any other mandate of director except in TOOLUX Sanding SA and its subsidiairies.

Mr Chistophe Blondeau and Mr Romain Thillens act as non executive directors and hold many mandates.

15.1.3 Biographies

- Mr **Xu Xueming** : Chairman & CEO
  See section 8.1

- Mr **Xu Ji'nan** : Director
  See section 8.1

- Mr **Xu Zhiming** : Director
  See section 8.1

Mr Chistophe Blondeau and Mr Romain Thillensare both Luxembourg citizens and act as professional independent directors.

15.2 Conflicts of interest involving directors, officers and top managers

The Chairman and CEO and directors who make up the managing team are shareholders in the Company. See details in chapter 19. .

With the exception of what is stated above, no potential conflict of interest exists at the level of the directors, officers or top management.

No officer or director holds shares in any of the Company's main clients or suppliers.

16 COMPENSATION AND BENEFITS

16.1 Compensation of directors and officers

The global gross compensation perceived from the Group by current members of the board of directors for work done in 2007 and 2006 are:

- Mr Xu Xueming was paid for its activities in the operational companies Shaoxing and Zhejiang and in conformance with his position of Chairman of Shaoxing. In 2007, its compensation was 72 K RMB against 25.2 K RMB in 2006. Besides, he benefits a company car.

- Mr Xu Jinan was paid for its activities in the operational companies Shaoxing and Zhejiang and in conformance with his position of General Manager's contract of Shaoxing. In 2007, its compensation was 72 K RMB against 25.2 K RMB in 2006. Besides, he benefits a company car.

- Mr Xu Zhiming was paid for its activities in the operational companies Shaoxing and Zhejiang and in conformance with his position of Deputy General Manager's Shaoxing. In 2007, its compensation was 72 K RMB against 25.2 K RMB in 2006. Besides, he benefits a company car.

There is no compensation planned for the two non executive directors.

16.2 Provisions set aside by the Company to pay pensions, retirement and other benefits for directors and officers

The Company has not provisioned sums for the payment of pensions, retirement and other benefits for its directors and officers.

The Company has not granted signing bonuses or departure indemnities for these persons.

17 OPERATION OF ADMINISTRATION AND MANAGEMENT BODIES

17.1 TOOLUX GROUP SA (Luxembourg)

17.1.1 Description of the role and functioning of the board of directors

The following articles are extracted from the Articles of association:

- **Powers of the Board of Directors :**

Art. 9 The Company shall be managed by a board of directors composed of three (3) members at least who need not be shareholders of the Company. However, in case the Company is incorporated by a sole shareholder or that it is acknowledged in a general meeting of shareholders that the Company has only one shareholder left, the composition of the board of director may be limited to one (1) member only until the next ordinary general meeting acknowledging that there is more than one shareholders in the Company.
The directors shall be elected by the shareholders at their annual general meeting which shall determine their number, remuneration and term of office. The term of the office of a director may not exceed six (6) years and the directors shall hold office until their successors are elected.
The directors are elected by a simple majority vote of the shares present or represented.
Any director may be removed with or without cause by the general meeting of shareholders.
In the event of a vacancy in the office of a director because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, by observing the applicable legal prescriptions.

Art. 10 The board of directors shall choose from among its members a chairman, and may choose from among its members a vice-chairman. It may also choose a secretary, who need not be a director, who shall be responsible for keeping the minutes of the meetings of the board of directors and of the shareholders.
The board of directors shall meet upon call by the chairman, or two directors, at the place indicated in the notice of meeting.
The chairman shall preside at all meeting of shareholders and of the board of directors, but in his absence, the shareholders or the board of directors may appoint another director as chairman pro tempore by vote of the majority present at any such meeting.
Written notice of any meeting of the board of directors must be given to directors twenty-four hours at least in advance of the date foreseen for the meeting, except in case of emergency, in which case the nature and the motives of the emergency shall be mentioned in the notice. This notice may be omitted in case of assent of each director in writing, by cable, telegram, telex or facsimile, or any other similar means of communication. A special convocation will not be required for a board meeting to be held at a time and location determined in a prior resolution adopted by the board of directors.
Any directors may act at any meeting of the board of directors by appointing in writing or by cable, telegram, telex or facsimile another director as his proxy.
A director may represent more than one of his colleagues.
Any director may participate in any meeting of the board of directors by way of videoconference or by any other similar means of communication allowing their identification. These means of communication must comply with technical characteristics guaranteeing the effective participation to the meeting, which deliberation must be broadcasted uninterruptedly. The participation in a meeting by these means is equivalent to a participation in person at such meeting. The meeting held by such means of communication is reputed held at the registered office of the Company.
The board of directors can deliberate or act validly only if at least half of the directors are present or represented at a meeting of the board of directors.
Decisions shall be taken by a majority of votes of the directors present or represented at such meeting. In case of tie, the chairman of the board of directors shall have a casting vote.
The board of directors may, unanimously, pass resolutions by circular means when expressing its approval in writing, by cable, telegram, telex or facsimile, or any other similar means of communication, to be confirmed in writing. The entirety will form the minutes giving evidence of the resolution.

Art. 11 The minutes of any meeting of the board of directors shall be signed by the chairman or, in his absence, by the vice-chairman, or by two directors. Copies or extracts of such minutes which may be produced in judicial proceedings or otherwise shall be signed by the chairman, or by two directors. In case the board of directors is composed of one director only, the sole director shall sign these documents.

- **Meetings of the Board of Directors :**

Art. 12 The board of directors is vested with the broadest powers to perform all acts of administration and disposition in the Company's interests. All powers not expressly reserved by Law or by these articles of incorporation to the general meeting of shareholders fall within the competence of the board of directors.
In case the Company has only one director, such director exercises all the powers granted to the board of directors.
According to article 60 of the Law, the daily management of the Company as well as the representation of the Company in relation with this management may be delegated to one or more directors, officers, managers or other agents, associate or not, acting alone or jointly. Their nomination, revocation and powers shall be settled by a resolution of the board of directors. The delegation to a member of the board of directors shall entail the obligation for the board of directors to report each year to the ordinary general meeting on the salary, fees and any advantages granted to the delegate. The Company may also grant special powers by authentic proxy or power of attorney by private instrument.

Art. 13 The Company will be bound by the joint signature of two (2) directors or the sole signature of any persons to whom such signatory power shall be delegated by the board of directors. In case the board of directors is composed of one (1) member only, the Company will be bound by the signature of the sole director.

The Board of Directors is composed of 4 Directors (please refer to chapter 15).

- **Supervision of the Company**

Art. 14 The operations of the Company shall be supervised by one (1) or several statutory auditors, which may be shareholders or not. The general meeting of shareholders shall appoint the statutory auditors, and shall determine their number, remuneration and term of office which may not exceed six (6) years.

17.1.2 Corporate governance

Considering its still limited size, TOOLUX Sanding limited company has not engaged formal reflection relative to the practices in "Corporate Governance" yet. The company arranges no specialized committee, and no procedures allowing to measure the performance of the Board of directors recently set up.

17.2 Contracts between officers and the Company

Nihil.

17.3 Audit and compensation committees

Nihil.

18 EMPLOYEES

18.1 Human resources

On June 30th, 2008, The strength of the group having a contract in duration indefinite is of 48 persons. TOOLUX employs nevertheless regularly of the staff in the form of fixed-term contract (between 100 and 150 supplementary persons) to answer the orders customers.

By fonction, the staff of the Company has progressed as follows:

Staff	2007	June 30th, 2008
R&D	15	18
Production	6	6
Sales	9	9
Administratives	13	15
Total	**43**	**48**

The Company has a great concern of its staff management, the security and the welfare of the employees.

A building next to the plant has been built to accommodate the employees. This building has been finished ended 2007, and all apartments should be at the disposition of the employees. Furthermore the staff benefits from sports installations for outdoor activities such as indoor activities.
The benefits and welfare expenses (mainly for housing) raised from 21 KRMB in 2006 to 42 KRMB in 2007.

Besides, the Company organizes training courses for different staff categories each year. The training expenses represented 35.6 KRMB in 2006 and 48.7 KRMB in 2007.

In 2000 a staff committee was founded in the Company. The contribution of the Company to it amounts to 2% of wages each year (54.9 KRMB in 2006 and 92.8 KRMB in 2007). Among the main functions of this committee we can notice its participation in defining the work conditions of the employees and its organisation of different sorts of events. The existence of a such committee is a legal obligation in WOFE companies.

18.2 Shares and stock options held by directors and officers

	Number of shares and voting rights	% capital and voting rights	BSA	Stock-options
M. Xu Xueming (*)	405 000	30%	-	-
M. Xu Ji'nan (*)	540 000	40%	-	-
M. Xu Zhiming (*)	405 000	30%	-	-
M. Blondeau Christophe	-	-	-	-
M. Thillens Romain	-	-	-	-

(*) Indirectly through the holding "Crystal sky" whose shareholders breakdown is: Xu Jinan 40% ; Xu Xueming 30% et Xu Zhiming 30%.

18.3 Shares held by employees in the Company

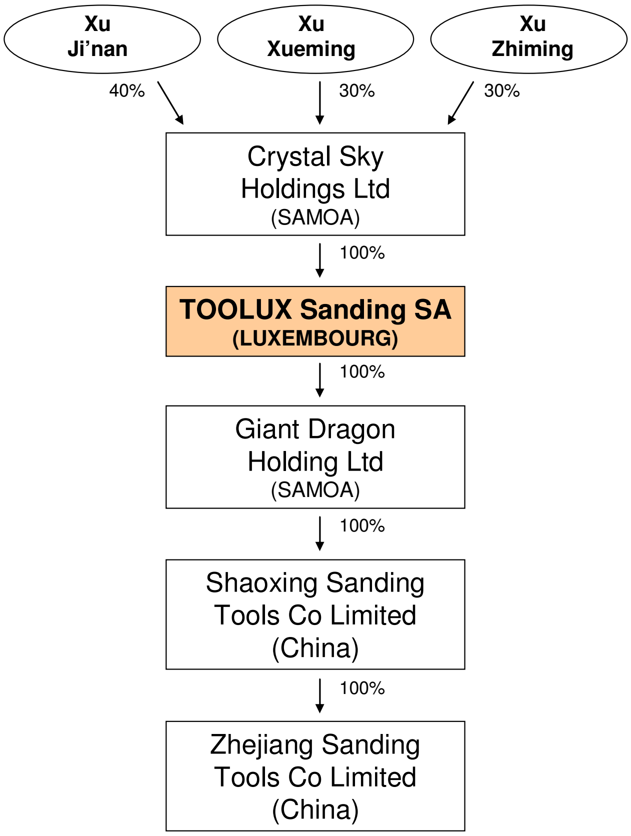
Nihil.

18.4 Profit-sharing contracts

Nihil.

19 MAIN SHAREHOLDERS

19.1 Legal Organization chart on December, 1st 2008



19.2 Shareholders of Toolux Sanding SA on December, 23th 2008

Shareholders	Before issue prior to IPO		After 5 M€ issue prior to IPO	
	Number of shares	% capital and voting rights	Number of shares	% capital and voting rights
Crystal Sky Holdings Ltd (Samoa) *(*)*	1 350 000	100.00%	1 350 000	76.98%
New investors	-	-	403 667	23.02%
Total	**1 350 000**	**100.00%**	**1 753 667**	**100.00%**

(*) The holding "Crystal sky" shareholders breakdown is : Xu Jinan 40% ; Xu Xueming 30% et Xu Zhiming 30%.

19.3 Significant shareholders not represented on the Board of Directors

Nihil.

19.4 Voting rights of the main shareholders

Each share has a single voting right.

19.5 Company control

As of the present Offering Circular, only one shareholder (Crystal Sky Holdings Ltd) has the Company control alone being clarified that control of right of this holding company is not held by a single person (refer § 19.2).

19.6 Agreements potentially leading to a change in control

There are no agreements liable to result in a change of control.

19.7 Shares of the Company or others assets pledged as collateral

Nihil.

19.8 Lock up agreement from the founding shareholders of TOOLUX SANDING SA

The shareholder :

- Crystal Sky Holdings Ltd

is and has been irrevocably committed, since the first trading of TOOLUX SANDING SA's shares on Alternext Nyse Euronext, not to sell, not to pledge, nor to transfer in any way the shares they hold as of this date, according to the following terms:

- 100% shares hold during the 6 months since the first listing of the shares on the NYSE Euronext Alternext market,
- 80% shares hold during the 12 months since the first listing of the shares on the NYSE Euronext Alternext market,

This commitment undertaken towards the Listing Sponsor, Allegra Finance, could be released ahead of time, totally or in part, on express request of the Listing Sponsor, particularly in the context of exceptional events in the market, or on request of one or both signers of the agreement, subject to prior agreement of the Listing Sponsor.

20 RELATED PARTY TRANSACTIONS

20.1 Important agreements signed with related parties

Details regarding related party transactions for the financial years 2006 and 2007 can be found in Section 21 (Financial Information).

21 FINANCIAL INFORMATION ON THE COMPANY'S ASSETS, FINANCIAL SITUATION AND RESULTS

21.1 TOOLUX SANDING SA – IFRS pro forma – consolidated financial statements for the financial year ended 31 December 2006 and 2007

TOOLUX SANDING SA was established on October, 2, 2008 as a purpose vehicle for the admission of SHAOXING SANDING TOOLS CO., Ltd as described in chapters 7 and 8.

In order to give a relevant financial information to the investors, the Company has prepared pro forma consolidated financial statements with its 100% owned subsidiary GIANT DRAGON HOLDING Ltd (SAMOA), with its 100% owned subsidiary SHAOXING SANDING TOOLS CO., Ltd and with its 100% owned subsidiary ZHEJIANG SANDING TOOLS CO., Ltd as if the Company would operate since January 1st 2006.

21.1.1 Report on Pro forma consolidated financial statements of TOOLUX Sanding SA as at December, 31st 2006, 2007.

To the shareholders of Toolux Sanding SA,

We have audited the accompanying pro forma consolidated financial statements of Toolux Sanding SA ("the Company") and its subsidiaries (together the "Group") as at 31 December 2006 and 2007 which comprise the pro forma balance sheet as at 31 December 2006 and 2007, the pro forma consolidated income statement, the pro forma consolidated statement of change in equity and cash flow statement for the financial years ended 31 December 2006 and 2007, 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 pro forma consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of pro forma 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

We conducted our audit in accordance with the International Standard on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the pro forma consolidated financial statements are free from material misstatement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

The objective of the pro forma consolidated financial statements is to present what the historical consolidated income statement and consolidated balance sheet might have been had if the Company, as described above, existed at an earlier date.

The pro forma consolidated income statement and balance sheet of the pro forma Company are not necessarily indicative of the results of the operations or related effects on the financial position that would have been attained if the pro forma Company, as described above, actually existed earlier.

In our opinion, the accompanying pro forma consolidated financial statements present fairly, in all material respects, the financial position of the pro forma Company as at 31 December 2006 and 2007 in accordance with International Financial Standards.

Paris, 14 October 2008.

BCRH AND ASSOCIES

Société d'Expertise Comptable et de Commissariat aux Comptes
Inscrite au Tableau de l'Ordre de la Région Paris Ile de France
Membre de la Compagnie Régionale de Paris

François SORS
Associé Gérant

21.1.2 Pro forma consolidated balance sheet TOOLUX Sanding SA

ITEMS	Dec 31,2007	Dec 31,2006
CURRENT ASSETS:		
Cash	3 189 652,99	1 039 817,51
Short-term investments		
Notes receivable		
Dividends receivable		
Interest receivable		
Accounts receivable	1 588 826,62	1 325 640,22
Other receivable	626 798,83	2 123 968,57
Advanced to suppliers	932 346,40	122 046,68
Subsidy receivable		
Inventories	650 293,80	1 119 545,31
Prepaied expenses		
LT debt investment within one year		
Other current assets		
TOTAL CURRENT ASSETS	**6 987 918,64**	**5 731 018,29**
LONG-TERM INVESTMENTS		
Long-term equity investments	399 912,00	418 321,10
Long-term debt investments		
Equity investments difference		
TOTAL LONG-TERM INVESTMENTS	399 912,00	418 321,10
FIXED ASSETS:		
Fixed assets	5 304 029,06	3 590 610,19
Less:Accumulated depreciation	1 064 412,51	775 371,65
Fixed assets--net value	4 239 616,55	2 815 238,54
Less:Fixed assets impairment provision		
Fixed assets--net book value		
Construction supplies		
Coostruction in process	51 344,15	572 052,53
Fixed assets pending disposal		
TOTAL FIXED ASSETS	**4 290 960,70**	**3 387 291,07**
INTANGIBLE ASSETS AND OTHERS		
Intangible assets	344 517,67	368 354,11
Long-term prepaid assets		
Other long-term assets		
Including: Exchange loss to be written off		
TOTAL INTANGIBLE & OTHER ASSETS	**344 517,67**	**368 354,11**
Deferred taxes		
Deferred tax debits	18 307,75	10 222,73
TOTAL ASSETS	**12 041 616,76**	**9 915 207,30**

ITEMS	Dec 31,2007	Dec 31,2006
CURRENT LIABILITIES:		
Short-term loans	2 420 862,62	1 555 570,80
Notes payable		325 901,32
Accounts payable	1 098 136,75	1 268 405,20
Accounts advanced from customers	77 557,85	62 969,50
Accrued payroll		
Welfare benefits payable	206 004,88	105 760,27
Dividends payable	930 027,90	
Taxes payable	639 072,02	332 252,16
Other levies payable	7 959,53	4 010,04
Other payables	3 020 841,17	3 480 705,78
Accrued expenses	45 652,80	24 057,82
Provisions for foreseeable liabilities		
Deferred revenue		
LT liabilities maturing within one year		
Other current liablities		
TOTAL CURRENT LIABILITIES	**8 446 115,52**	**7 159 632,89**
LONG-TERM LIABILITIES		
Long-term loans		
Debentures payable		
Payables due after one year	22 517,92	
Other long-term payables		
TOTAL LONG-TERM LIABILITIES	**22 517,92**	
Deferred taxes		
Deferred tax credits		
TOTAL LIABILITIES	**8 468 633,44**	**7 159 632,89**
Minority interest		
OWNERS/SHAREHOLDERS' EQUITY		
Registered capital	1 350 000,00	1 350 000,00
Chinese investment(not-RMB)		
Foreign investment(not-RMB)		
Less:Returned investment		
Registered capital--net book value	1 350 000,00	1 350 000,00
Capital surplus		
Reserves		
Including:Statutory accumulation reserve		
Statutory welfare reserve		
Discretionary accumulation		
Reserved funds		
Enterprise expension funds		
Profits capitalised on retum of investments		
Annual profits		
Uncertained investment loss		
Undistributed profits	2 306 013,68	1 384 545,25
Currency exchange difference	-83 030,36	21 029,16
TOTAL OWNERS' EQUITY	**3 572 983,32**	**2 755 574,41**
TOTAL LIABILITIES & OWNERS' EQUITY	**12 041 616,76**	**9 915 207,30**

21.1.3 Pro forma consolidated income statement TOOLUX Sanding SA

ITEMS	Dec 31, 2007	Dec 31, 2006
SALES OF MAIN OPERATIONS	9 712 701,08	8 475 534,74
Less:cost of main operations	6 215 810,92	6 142 027,48
Sales tax and additions	25 464,57	26 249,23
GROSS PROFIT	**3 471 425,59**	**2 307 258,03**
Add: Income from other operations	47 278,02	61 161,82
Less: Selling expenses	418 808,74	341 019,71
General and administrative expenses	879 590,13	572 749,59
Financial expenses	-83 498,50	174 291,07
OPERATING INCOME	**2 303 803,24**	**1 280 359,48**
Investment income(loss expressed with "-")		
Subsidiary revenue	4 796,58	18 615,32
Non-operating income	2 477,04	
Less:Non-operating expenses	13 315,45	11 255,58
Negative goodwill		412 802,91
INCOME BEFORE TAX(LOSS EXPRESSED WITH "-")	**2 297 761,41**	**1 700 522,13**
Less: Income tax	341 448,34	315 975,92
Minority interest		
Uncertained investment loss		
NET INCOME (LOSS EXPRESSED WITH "-")	**1 956 313,07**	**1 384 546,21**

21.1.4 Pro forma Consolidated cash flow statement TOOLUX Sanding SA

ITEMS	31 December 2007	31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	2 297 761	1 700 522
Adjustements for :		
Exchange difference	-83 028	21 029
Negative goodwill		-412 802
Impairement loss for doubtful accounts	26 389	77 224
Depreciation of property, plant and equipment	289 040	287 371
Interest expenses	-83 499	83 499
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**2 446 663**	**1 756 843**
WORKING CAPITAL CHANGES		
Accounts receivables	-268 462	-361 078
Other receivables	1 476 056	85 014
Advances to suppliers	-810 299	-99 439
Inventories	469 251	-426 291
Deffered taxes	-8 085	-10 222
Notes payables	-325 901	-163 352
Accounts payables	-170 268	610 761
Advances from customers	14 588	61 088
Dividends payables	930 028	
Welfare benefit payables	2 299	2 824
Taxes payables	315 992	241 503
Other levies payables	-5 223	1 713
Other payables	-459 865	-556 315
Accrued expenses	44 112	37 057
CASH FROM OPERATING ACTIVITIES	**3 650 886**	**1 180 105**
Income tax	**-341 448**	**-315 976**
NET CASH FROM OPERATING ACTIVITIES	**3 309 438**	**864 129**
INVESTING ACTIVITIES		
Purchase of property, land and equipment	-1 713 419	-262 857
Long term equity investment	18 409	-418 321
Construction in process	520 709	-420 373
Intangible assets	23 837	3 241
NET CASH FROM INVESTING ACTIVITIES	**-1 150 464**	**-1 098 310**
FINANCING ACTIVITIES		
Dividends	-957 929	
Short term loans	865 291	-504 935
Interest expenses	83 499	-83 499
NET CASH FROM INVESTING ACTIVITIES	**-9 139**	**-588 434**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2 149 835**	**-822 616**
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**3 189 653**	**1 039 818**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**1 039 818**	**1 862 434**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2 149 835**	**-822 616**

21.1.5 Profoma consolidated change in equity statement

	CAPITAL	RESERVES	EXCHANGE DIFFERENCE	TOTAL
Balance as at 1th January 2006	**350 000**			**350 000**
Contribution in kind	1 000 000			**1 000 000**
Exchange difference			21 029	**21 029**
Net profit for the financial year		1 384 546		1 384 546
Balance as at 31 December 2006	**1 350 000**	**1 384 546**	**21 029**	**2 755 575**
Exchange differences			-83 030	-83 030
Welfare benefit payables		-97 946		-97 946
Dividends		-957 929		-957 929
Net profit for the financial year		1 956 313		1 956 313
Balance as at 31 December 2007	**1 350 000**	**2 284 984**	**-62 001**	**3 572 983**

21.1.6 Notes to the pro forma company financial statements

I. General Information

The pro forma consolidated financial statements of Toolux Sanding SA ("the Company") and its subsidiaries (collectively referred as "the Group") are prepared for the years ended 31 December 2006 and 2007.
The registered office is located 23, Val Fleuri, L 1526 Luxembourg.

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

On 13 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 is based on GIANT DRAGON HOLDINGS LTD net asset value as at June 30, 2008.

On December 12, 2007, GIANT DRAGON HOLDINGS LTD acquired, 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 principle activities of Shaoxing Sanding Tools Ltd is manufacturing and selling of plastic and metal tools.

II. The restructuring exercise

The pro forma consolidated financial statements of Toolux Sanding SA for the financial periods ended 31 December 2007 and 2007 have been prepared for the Group internal purpose with the objective of submitting a listing application to Alternext and in order to present a pertinent and comparable financial information to investors.

The pro forma consolidated financial statements of the pro forma Group for the years ended 31 December 2006 and 2007 were prepared as if the restructuring exercise and the contribution in kind had been completed in 1st January 2006.

The objective of these pro forma financial statements is to present what the historical activity of the Group, as it exist at the date of listing, might have been had if the Group had been formed on 1st January 2006.

To rationalize the corporate structure a restructuring exercise was carried out as followed :

- Incorporation of Toolux Sanding SA.

Toolux Sanding SA was incorporated on 2nd October 2007 with an authorized and initial capital of 350 000 euros. All the shares were subscribed by the sole shareholder of GIANT DRAGON HOLDINGS Ltd, CRYSTAL SKY HOLDINGS LTD, a company incorporated in Samoa.

- Incorporation of Giant Dragon Holdings Ldt

Giant Dragon Holdings SA was incorporated on 7th January 2007 with an authorized capital of 50 000 USD and an initial issued capital of 1 usd. All the shares were subscribed by Crystal Sky Holdings Ltd.

- Acquisition of Shaoxing Sanding Tools Ltd.

On 12 December 2007, Giant Dragon Holdings Ltd entered in a share transfer agreement with formers shareholders of Shaoxing Sanding Tools Ltd to acquire 100 % of the shares of Shaoxing Sanding Tools Ltd for a consideration of 2 998 000 USD.

After this transfer, Shaoxing Sanding Tools become a wholly foreign owned enterprise.

- Acquisition of Zhejiang Sanding Tools Ltd

On 25 December 2007, Shaoxing Sanding Tools Ltd entered in a share transfer agreement with formers shareholders of Zhejiang Sanding Tools Ltd to acquire 100 % of the share of Zhejiang Sanding Tools Ltd for a consideration of 15 000 000 RMB.

III. Basis of preparation

Basis of accounting

These pro forma consolidated financial statements for the years ended 31 December 2006 and 2007 were prepared on the based of audited financial statements, comprise the following companies :

- Giant Dragon Holdings Ltd (Samoa subsidiary) ;
- Shaoxing Sanding Tools Ltd (PRC subsidiary) ;
- Zhejiang Sanding Tools Ltd (PRC subsidiary) ;

The pro forma consolidated financial statements of the Group, expressed in euros, have been prepared for management purposes 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 pro forma 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 Transaction

Items included in the financial statement 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 PRC subsidiaries is Renminbi (“RMB”) whereas the consolidated financial statements are presented in euros, which is the Group’s presentation currency.

Subsidiary ‘s 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 oversea subsidiary are translated into the Group’s presentation currency using the year end rate for the balance sheet items and the average rate of exchange for the income statements items. Exchange differences are dealt with as a movement exchange reserve.

IV. 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 pro forma 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.

Negative goodwill

Giant Dragon acquired 49 % of the shares of Shaoxing Sanding Tools Ltd in December 2007 for a consideration of 1 469 000 usd. The surplus of interests in the fair value of the assets, liabilities and contingent liabilities acquired with regard to the cost amounted to 179 610,58 euros had been recognized in the income statement after audit of proper identification and evaluation of the assets, liabilities and contingent liabilities acquired.

The capital of Toolux Sanding SA was increased by a contribution in kind of all the shares of Giant Dragon Ldt for an amount of 1 000 000 euros. The surplus of the interest in the fair value of the assets, liabilities and contingent liabilities acquired with regard to the cost amounted to 233 192,33 euros had been recognized in the income statement after audit of proper identification and evaluation of the assets, liabilities and contingent liabilities acquired.

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 receivables are recognized and carried at original amount less an allowance for any uncollectible amounts.

The accounts are considered as bad debits 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 receivables.

The bad debt provision is calculated in accordance with the account receivable age as follows:

Account Receivable Age	Percentage %
Within three months	-
Within three to six months	10
Within six to twelve months	20
Within one to two years	50
Above two years	100

Trade and other payable

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and service received.

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 weight average method. The cost of finished goods comprises raw materials, direct labor, other direct costs and related production overhead 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 bellows:

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 non 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 take place, 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.

Accounting of 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 its expected useful life and recorded in gains and losses. 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 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, the provision for intangible asset devaluation is allocated.

Related parties

Related parties are entities in which one or more common direct/indirect/ shareholders and/or directors has 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 citizen of the PRC, 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 in provided at the current taxation rate based on the tax payable on the income for the financial period that is chargeable to tax. Deferred taxation is provided at the current 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 subsidiary's income tax rate is 33 % 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 local taxation agency in the current year.

V. Notes to the Financial Statements

(I). Balance of Sheets

1. CASH AND CASH EQUIVALENT

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Cash on hand	2 539,52	1 331,65
Cash at bank	3 187 113,47	1 038 485,86
Total	**3 189 652,99**	**1 039 817,51**

2. ACCOUNTS RECEIVABLES

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Trades receivables	1 614 207,37	1 345 745,31
Allowance for doubtful receivables	25 380,76	20 105,09
Total	**1 588 826,62**	**1 325 640,22**

3. OTHER RECEIVABLES

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Other receivables	706 245,25	2 182 301,44
Allowance for doubtful receivables	79 446,42	58 332,88
Total	**626 798,82**	**2 123 968,56**

At the end of financial years ended 31 December 2006 and 2007, the majors other receivables were as described as bellow:

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Loans to corporations	530 740,60	1 507 014,52
Loans to individuals	57 196,72	437 777,90
Other	118 307,93	237 509,03
Total	**706 245,25**	**2 182 301,44**

4. ADVANCES TO SUPPLIERS

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Prepayment to suppliers	932 346,40	122 046,68
Total	**932 346,40**	**122 046,68**

5. INVENTORIES

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Raw materail	306 467,40	583 886,30
Finished products	114 321,16	27 684,77
In process products	229 505,25	507 974,24
OEM's materials		
Total	**650 293,80**	**1 119 545,31**

6. LONG-TERM EQUITY INVESTMENT

Name	Place of etablishment and operation	Registered /Paid up capital (euros)	Equity interest attribuable to the Group	Type of legal entities	Book Value (euros)	As at 31 December 2007 (euros)		
						Turnover	Net income	Owner's Equity
Zhejiang Dinglian Import & Export Ltd	The PRC	465 014	36%	Limited liability company	167 405	2 331 555	-4 115	492 873
Zhejiang Dingwei Import & Export Ltd	The PRC	465 014	50%	Limited liability company	232 507	2 940 263	6 452	471 465

This subsidiaries are not consolidated in the pro forma financial statements because they are outside of the scope the Group submitted to Euronext listing in 2008:

- Zhejiang Dinglian Import & Export is sold at its net book value on February 2008.
- Zhejiang Dingwei Import & Export had no significant activities and is dissolved on March 2008.

7. PROPERTY, PLANT AND EQUIPMENT

Original value	Building	Production Equipment	Office equipment	Vehicules	Other	Total
Balance as at 31 Dec 2005	2 056 980,06	919 636,88	106 982,98	361 848,38	0,00	3 445 448,30
Increase	5 644,23	113 571,75	19 834,26	6 111,65	0,00	145 161,88
Decrease						0,00
Balance as at 31/12/2006	**2 062 624,28**	**1 033 208,63**	**126 817,24**	**367 960,03**	**0,00**	**3 590 610,18**
Increase	1 307 690,20	32 227,58	42 792,11	330 708,97	0,00	1 713 418,86
decrease						0
Balance as at 31/12/2007	**3 370 314,49**	**1 065 436,21**	**169 609,34**	**698 669,00**	**0,00**	**5 304 029,05**

During financial year ended 31 December 2006, the company began to built apartments for employees. These apartments were achieved at the end of 2007 and rented to employees on 2008.

Accumulated depreciation	Building	Production Equipment	Office equipment	Vehicules	Other	Total
Balance as at 31 Dec 2005	190 159,84	198 922,90	44 801,33	67 471,99	0,00	501 356,05
Increase	97 997,74	88 982,90	20 003,77	67 031,20	0,00	274 015,60
Decrease						0,00
Balance as at 31/12/2006	**288 157,58**	**287 905,79**	**64 805,09**	**134 503,19**	**0,00**	**775 371,65**
Increase	92 476,50	83 129,98	23 697,25	89 737,14	0,00	289 040,86
decrease						0,00
Balance as at 31/12/2007	**380 634,08**	**371 035,77**	**88 502,34**	**224 240,32**	**0,00**	**1 064 412,52**

8. INTANGIBLE ASSETS

	Financial years ended 31 December 2007 EURO	2006 EURO
Land use right brut	352 143,90	377 518,26
Decrease	7 626,23	9 164,15
Total	**344 517,67**	**368 354,11**

The term of lands in use right is 2051

9. CONSTRUCTION IN PROCESS

	Financial years ended 31 December 2007 EURO	2006 EURO
Employees Apartment		
Opening Balance	546 878,15	156 833,15
Increase	418 611,76	415 219,38
Decrease	-965 489,91	
Heat Treatment workshop		
Opening Balance		
Increase	51 344,15	
Decrease		
Total	**51 344,15**	**572 052,53**

10. SHORT TERM LOANS

Financial years ended 31 December 2007 EURO

	Amount	Maturity	Rate
	167 405,02	2008.05.10	7.227
	224 136,72	2008.07.10	7.227
	186 005,58	2008.06.10	7.227
	279 008,37	2008.05.22	7.227
	279 008,37	2008.06.22	7.227
	265 987,98	2008.08.16	7.524
	132 993,99	2008.08.16	7.524
	93 002,79	2008.08.27	7.722
	93 002,79	2008.09.24	8.019
	67 892,04	2008.12.19	8.217
	465 013,95	2008.07.15	9.477
	167 405,02	2008.10.15	6.075
Total	**2 420 862,62**		

11. ACCOUNTS PAYABLES

	Financial years ended 31 December 2007 EURO	2006 EURO
Suppliers payables	1 098 136,74	1 268 405,19
Total	**1 098 136,74**	**1 268 405,19**

12. ADVANCES RECEIVED

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Advances received	77 557,85	62 969,50
Total	**77 557,85**	**62 969,50**

13. DIVIDENDS PAYABLES

	Financial years ended 31 December	
1,4721	2007	2006
	EURO	EURO
Xu jinan	372 011,16	
Xu xueming	279 008,37	
Xu zhiming	279 008,37	
Total	**930 027,90**	**0,00**

Mr Xu Jinan, Mr Xu Xueming and Mr Xu Zhiming are the former shareholders of Zhejiang Sanding Tools.

14. TAX PAYABLES

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Income tax	442 280,64	274 517,22
VAT	207 889,68	55 058,91
Other	1 329,47	485,29
Tax on rural land use	7 345,36	0,00
Hydrolic Construction Fund	-25 738,66	1 212,50
Estate tax	1 966,68	0,00
Construction tax	3 998,86	978,23
Total	**639 072,04**	**332 252,16**

15. OTHER LEVIES PAYABLES

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Local Education surtax	7 953,68	3 900,73
Stamp duty	5,85	109,30
Total	**7 959,53**	**4 010,03**

16. OTHER ACCOUNTS PAYABLES

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Due to formers shareholders of the subsidiairies	2 368 755,29	2 574 673,48
Due to non consolidated subsdiaries	93 002,79	364 171,28
Due to shareholders	357 991,98	5 846,62
Other	201 091,09	536 014,39
Total	**3 020 841,15**	**3 480 705,77**

17. ACCRUED EXPENSES

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Processing fees	45 652,80	24 057,82
Total	**45 652,80**	**24 057,82**

18. PAID UP CAPITAL

Shareholder	Issued capital EURO	Registered capital EURO
Cristal Sky Ltd		
Total	**0**	**0**

(II) INCOME STATEMENT

1. REVENUE

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Domestic	9 712 701,08	8 475 534,74
Export		
Total	**9 712 701,08**	**8 475 534,74**

All the sales are contracted in Renminbi with Chinese distributors which export through foreign final customers.

2. COST OF MAIN OPERATIONS

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Purchase semi finished products	4 840 640,59	3 840 593,58
Raw materials	973 504,59	1 899 794,08
Workshop fees	11 425,46	8 819,02
Welfare benefits	8 125,41	13 842,76
Other	2 609,34	5 882,67
Energie&water	64 705,88	64 679,45
Maintenance	14 974,93	35 945,24
Freight	767,45	7 201,03
Depreciation PPE	171 592,91	141 064,33
wages	127 464,35	124 205,32
Total	**6 215 810,92**	**6 142 027,48**

3. SELLING EXPENSES

	Financial years ended 31 December 2007 EURO	2006 EURO
Transportation expenses	119 064,53	128 940,14
Packing expenditure	109 317,64	107 662,94
Commission	70 701,61	0,00
Salaries and wages	54 877,02	54 022,62
Sales bonus	11 703,66	0,00
Advertising expenses	9 671,92	3 675,42
Expenses for bussiness trip	8 922,48	13 587,16
Adjustement for 07 accrual expenses	6 764,95	0,00
Postage	6 448,95	7 573,38
Others	5 113,73	0,00
Expenses on fair participation	4 330,16	17 629,12
Welfare	4 198,45	3 906,30
Printing cost	1 892,85	0,00
Laboratory examination	1 437,06	2 289,05
Testing cost	1 383,81	0,00
Others	1 303,42	1 733,58
Accreditation expenses	1 199,15	0,00
Office expenses	412,70	0,00
Sales service charges	64,66	0,00
Total	**418 808,74**	**341 019,71**

4. GENERAL & ADMINISTRATIVE EXPENSES

	Financial years ended 31 December 2007 EURO	2006 EURO
Depreciation	188 233,53	130 843,55
wages	91 322,69	66 702,35
Expenses on bussiness entertainment	71 627,70	44 342,68
Communication	67 056,21	49 419,26
Expenses on Maintenance & repair	47 278,25	12 028,52
Training expenditure	45 283,95	1 384,28
Audit&consulting	43 365,89	4 744,09
Others	35 824,24	27 365,65
Automobile related expenses	34 885,77	25 159,31
Housing fund	34 535,39	17 977,61
Provision for bad debts	25 585,25	77 223,70
Interior furnishing expenses	25 557,38	0,00
Pension program	23 717,59	16 088,09
Tax	20 426,54	9 617,85
Expenses on design service	19 607,27	9 488,18
Insurance premium	18 113,25	6 718,24
Expenses for business trip	17 382,47	6 784,21
Office expenditure	15 508,55	8 786,91
Registration fees	13 711,39	14 364,31
Service charge	9 495,31	0,00
Welfare	8 907,22	3 906,30
Intangible assets amts	7 866,39	9 408,28
Telecommunication expenditure	6 561,72	19 580,01
Rental	4 796,58	4 993,78
Employees education fund	1 576,16	4 716,33
Work injury insurance	1 133,01	1 106,10
Testing expenditure	230,43	0,00
Total	**879 590,13**	**572 749,59**

5. FINANCIAL EXPENSES

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Net interest expenses	-98 950,41	94 655,26
Settlement cost	876,88	1 467,97
Exchanges loss	14 575,03	78 167,85
Total	**-83 498,50**	**174 291,07**

6. INCOME FROM OTHER OPERATIONS

	Financial years ended 31 December					
	2007			2006		
	EURO			EURO		
	Revenue	Expenses	Total	Revenue	Expenses	Total
Electricity	78 131,35	72 131,11	6 000,24	91 340,23	98 514,30	-7 174,07
Procession income	54 679,99	32 026,40	22 653,59	35 949,97	6 543,54	29 406,42
Molding expenses	13 151,65	606,75	12 544,91	36 417,94	1 098,99	35 318,95
House leasing	7 386,74	1 307,45	6 079,28	4 993,78	1 383,28	3 610,50
Total	153 349,73	106 071,71	**47 278,02**	168 701,92	107 540,11	**61 161,82**

7. NON OPERATING INCOME

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Income from specific subsidies	2 477,04	
Total	**2 477,04**	**0,00**

8. NON OPERATING EXPENSES

	Financial years ended 31 December	
	2007	2006
	EURO	EURO
Penalty fee for overdue payment	1 247,11	349,56
Donation	884,90	8,42
Hydraulic construction fund	11 183,44	8 639,41
Other		2 257,68
Total	**13 315,45**	**11 255,08**

VI. EMPLOYEES

	Financial years ended 31 December	
	2 007	2 006
Manual staff	188	184
Production staff	11	11
Selling staff	29	35
Administrativ staff	36	21
	264	**251**

VII. MORTGAGE AGREEMENTS

Pledged Assets	Area	Amount (rmb)	Mortgagee
Land Use Right House Property	26 540 m² 2 307 m²	6 210 000	Shengzhou Branch of China Branch
House Property 7131071323	3 979 m²	1 430 0000	Shengzhou Branch of China Branch
House Property 7131071503	2 053 m²	730 0000	Shengzhou Branch of China Branch
TOTAL		**8 370 000**	

VIII. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The staff members 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 31 December 2007, the company's financial instruments mainly consist of cash equivalents, receivables and payables.

IX. POST BALANCE SHEET EVENTS

The company had no significant post balance events.

21.2 Date of last Financial Information

June, 30th 2008.

21.3 Intermediaries Financial Information

21.3.1 Report on Pro forma consolidated financial statements of TOOLUX Sanding SA at June 30th 2008

To the shareholders of Toolux Sanding SA,

We have reviewed the accompanying pro forma financial statements of Toolux Sanding SA ("the Company") as at 30 June 2008 which comprise the pro forma balance sheet, the pro forma income statement, change in equity and cash flow statement for the financial period from 1 January 2008 to 30 June 2008, and a summary of significant accounting policies and other explanatory notes. These pro forma financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these pro forma financial statements base on our review.

We conducted our review in accordance with the International Standard on Review Engagement. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the pro forma financial statements are free of material misstatement. A review is limited primarily to inquire of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express and audit opinion.

The objective of the pro forma financial statements is to present what the historical income statement and pro forma balance sheet might have been had if the Company, as described above, existed at an earlier date. The pro forma income statements and balance sheet of the pro forma Company are not necessarily indicative of the results of the operations or related effects on the financial position that would have been attained if the pro forma Company, as described above, actually existed earlier.

Based on review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with International Accounting Standards.

Paris, 14 October 2008.

BCRH AND ASSOCIES

Société d'Expertise Comptable et de Commissariat aux Comptes
Inscrite au Tableau de l'Ordre de la Région Paris Ile de France
Membre de la Compagnie Régionale de Paris

François SORS
Associé Gérant

21.3.2 Semestrial Pro forma consolidated balance sheet TOOLUX Sanding SA

ITEMS	June 30, 2008	Dec 31,2007	Dec 31,2006
CURRENT ASSETS:			
Cash	1 461 201,92	3 189 652,99	1 039 817,51
Short-term investments			
Notes receivable			
Dividends receivable			
Interest receivable			
Accounts receivable	1 993 358,93	1 588 826,62	1 325 640,22
Other receivable	2 659 225,33	626 798,83	2 123 968,57
Advanced to suppliers	753 752,83	932 346,40	122 046,68
Subsidy receivable			
Inventories	811 967,07	650 293,80	1 119 545,31
Prepaied expenses			
Long-term debt investment within one year			
Other current assets			
TOTAL CURRENT ASSETS	**7 679 506,08**	**6 987 918,64**	**5 731 018,29**
LONG-TERM INVESTMENTS			
Long-term equity investments		399 912,00	418 321,10
Long-term debt investments			
Equity investments difference			
TOTAL LONG-TERM INVESTMENTS		399 912,00	418 321,10
FIXED ASSETS:			
Fixed assets	5 688 575,54	5 304 029,06	3 590 610,19
Less:Accumulated depreciation	1 239 299,77	1 064 412,51	775 371,65
Fixed assets--net value	4 449 275,77	4 239 616,55	2 815 238,54
Less:Fixed assets impairment provision			
Fixed assets--net book value			
Construction supplies			
Coostruction in process		51 344,15	572 052,53
Fixed assets pending disposal			
TOTAL FIXED ASSETS	**4 449 275,77**	**4 290 960,70**	**3 387 291,07**
INTANGIBLE ASSETS AND OTHERS			
Intangible assets	378 354,59	344 517,67	368 354,11
Long-term prepaid assets			
Other long-term assets			
Including: Exchange loss to be written off			
TOTAL INTANGIBLE & OTHER ASSETS	**378 354,59**	**344 517,67**	**368 354,11**
Deferred taxes			
Deferred tax debits	18 461,25	18 307,75	10 222,73
TOTAL ASSETS	**12 525 597,69**	**12 041 616,76**	**9 915 207,30**

ITEMS	June 30, 2008	Dec 31,2007	Dec 31,2006
CURRENT LIABILITIES:			
Short-term loans	2 253 595,55	2 420 862,62	1 555 570,80
Notes payable	375 130,35		325 901,32
Accounts payable	984 400,97	1 098 136,75	1 268 405,20
Accounts advanced from customers	101 571,94	77 557,85	62 969,50
Accrued payroll	24 897,59		
Welfare benefits payable	197 655,72	206 004,88	105 760,27
Dividends payable	937 825,86	930 027,90	
Taxes payable	594 507,27	639 072,02	332 252,16
Other levies payable	4 460,93	7 959,53	4 010,04
Other payables	2 496 475,20	3 020 841,17	3 480 705,78
Accrued expenses	20 287,89	45 652,80	24 057,82
Provisions for foreseeable liabilities			
Deferred revenue			
Long-term liabilities maturing within one year			
Other current liablities			
TOTAL CURRENT LIABILITIES	**7 990 809,27**	**8 446 115,52**	**7 159 632,89**
LONG-TERM LIABILITIES			
Long-term loans			
Debentures payable			
Payables due after one year	11 298,95	22 517,92	
Other long-term payables			
TOTAL lONG-TERM LIABILITIES	11 298,95	22 517,92	-
Deferred taxes			
Deferred tax credits			
TOTAL LIABILITIES	**8 002 108,22**	**8 468 633,44**	**7 159 632,89**
Minority interest			
OWNERS'(OWNER'S)/SHAREHOLDERS' EQUITY			
Registered capital	1 350 000,00	1 350 000,00	1 350 000,00
Chinese investment(not-RMB)			
Foreign investment(not-RMB)			
Less:Returned investment			
Registered capital--net book value	1 350 000,00	1 350 000,00	1 350 000,00
Capital surplus			
Reserves			
Including:Statutory accumulation reserve			
Statutory welfare reserve			
Discretionary accumulation			
Reserved funds			
Enterprise expension funds			
Profits capitalised on retum of investments			
Annual profits			
Uncertained investment loss			
Undistributed profits	3 021 901,39	2 306 013,68	1 384 545,25
Currency exchange difference	151 588,08	-83 030,36	21 029,16
TOTAL OWNERS' EQUITY	**4 523 489,47**	**3 572 983,32**	**2 755 574,41**
TOTAL LIABILITIES & OWNERS' EQUITY	**12 525 597,69**	**12 041 616,76**	**9 915 207,30**

21.3.3 Semestrial Pro forma consolidated income statement TOOLUX Sanding SA

ITEMS	June 30, 2008	Dec 31,2007	Dec 31,2006
SALES OF MAIN OPERATIONS	5 909 939,26	9 712 701,08	8 475 534,74
Less:cost of main operations	3 951 151,46	6 215 810,92	6 142 027,48
Sales tax and additions	9 141,76	25 464,57	26 249,23
GROSS PROFIT	**1 949 646,04**	**3 471 425,59**	**2 307 258,03**
Add: Income from other operations	4 805,02	47 278,02	61 161,82
Less: Selling expenses	170 603,10	418 808,74	341 019,71
General and administrative expenses	612 192,62	879 590,13	572 749,59
Financial expenses	32 824,86	-83 498,50	174 291,07
OPERATING INCOME	**1 138 830,48**	**2 303 803,24**	**1 280 359,48**
Investment income(loss expressed with "-")			
Subsidiary revenue	5 553,86	4 796,58	18 615,32
Non-operating income	33 013,47	2 477,04	
Less:Non-operating expenses	34 504,86	13 315,45	11 255,58
Negative goodwill			412 802,91
INCOME BEFORE TAX(LOSS EXPRESSED WITH "-")	**1 142 892,95**	**2 297 761,41**	**1 700 522,13**
Less: Income tax	343 974,88	341 448,34	315 975,92
Minority interest			
Uncertained investment loss			
NET INCOME (LOSS EXPRESSED WITH "-")	**798 918,07**	**1 956 313,07**	**1 384 546,21**

21.3.4 Semestrial Pro forma consolidated cash flow statement TOOLUX Sanding SA

ITEMS	30 June 2008	31 December 2007	31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	1 142 893	2 297 761	1 700 522
Adjustements for :			
Exchange difference	151 588	-83 028	21 029
Negative goodwill			-412 802
Impairement loss for doubtful accounts	17 175	26 389	77 224
Depreciation of property, plant and equipment	174 888	289 040	287 371
Interest expenses	32 825	-83 499	83 499
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**1 519 369**	**2 446 663**	**1 756 843**
WORKING CAPITAL CHANGES			
Accounts receivables	-410 935	-268 462	-361 078
Other receivables	-2 043 199	1 476 056	85 014
Advances to suppliers	178 593	-810 299	-99 439
Inventories	-161 673	469 251	-426 291
Deffered taxes	-153	-8 085	-10 222
Notes payables	375 133	-325 901	-163 352
Accounts payables	-113 736	-170 268	610 761
Advances from customers	24 014	14 588	61 088
	24 898		
Dividends payables	7 798	930 028	
Welfare benefit payables	-8 349	2 299	2 824
Taxes payables	-52 525	315 992	241 503
Other levies payables	4 461	-5 223	1 713
Other payables	-524 366	-459 865	-556 315
Accrued expenses	-36 583	44 112	37 057
CASH FROM OPERATING ACTIVITIES	**-1 217 253**	**3 650 886**	**1 180 105**
Income tax	**-343 975**	**-341 448**	**-315 976**
NET CASH FROM OPERATING ACTIVITIES	**-1 561 228**	**3 309 438**	**864 129**
INVESTING ACTIVITIES			
Purchase of property, land and equipment	-384 547	-1 713 419	-262 857
Long term equity investment	399 912	18 409	-418 321
Construction in process	51 344	520 709	-420 373
Intangible assets	-33 838	23 837	3 241
NET CASH FROM INVESTING ACTIVITIES	**32 871**	**-1 150 464**	**-1 098 310**
FINANCING ACTIVITIES			
Dividends		-957 929	
Short term loans	-167 269	865 291	-504 935
Interest expenses	-32 825	83 499	-83 499
NET CASH FROM INVESTING ACTIVITIES	**-200 094**	**-9 139**	**-588 434**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-1 728 451**	**2 149 835**	**-822 616**
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**1 461 202**	**3 189 653**	**1 039 818**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**3 189 653**	**1 039 818**	**1 862 434**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-1 728 451**	**2 149 835**	**-822 616**

21.3.5 Profoma consolidated change in equity statement

	CAPITAL	RESERVES	TOTAL
Balance as at 1th January 2006	**350 000**		**350 000**
Contribution in kind	1 000 000		**1 000 000**
Exchange difference		21 029	**21 029**
Net profit for the financial year		1 384 546	1 384 546
Balance as at 31 December 2006	**1 350 000**	**1 405 575**	**2 755 575**
Exchange differences		-83 030	-83 030
Welfare benefit payables		-97 946	-97 946
Dividends		-957 929	-957 929
Net profit for the financial year		1 956 313	1 956 313
Balance as at 31 December 2007	**1 350 000**	**2 222 983**	**3 572 983**
Exchange differences		151 588	151 588
Net profit for the six months period year		798 918	798 918
Balance as at 30 June 2008	**1 350 000**	**3 173 489**	**4 523 489**

21.3.6 Notes to the pro forma consolidatedcompany financial statements TOOLUX Sanding SA

I. General Information

The pro forma consolidated financial statements of Toolux Sanding SA ("the Company") and its subsidiaries (collectively referred as "the Group") are prepared for the six months period ended 30 June 2008.

The registered office is located at Level 23, Val Fleuri, L 1526 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 is based on Giant Dragon Holdings Ltd net asset value as at June 30, 2008.

On December 12, 2007, Giant Dragon Holdings Ltd acquired, for a consideration of 2 998 000 usd, 100 % of the share capital of Shaoxing Sanding Tools Ldt, a Chinese company with registered office at Industrial Park, Ganlin Town, Shengzou City, Zhejiang Province, China.

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

II. The restructuring exercise

The pro forma consolidated financial statements of Toolux Sanding SA for the six months period ended 30 June 2008 have been prepared for the Group internal purpose with the objective of submitting a listing application to Alternext and in order to present a pertinent and comparable financial information to investors

The pro forma consolidated financial statements for the pro forma Group for the six months period ended 30 June 2008 were prepared as if restructuring exercise and the contribution in kind had been completed on 1st January 2006.

The objective of these pro forma financial statements is to present what the historical activity of the Group, as it exist at the date of listing, might have been had if the Group had been formed on 1st January 2006.

To rationalize the corporate structure a restructuring exercise was carried out as followed :

- Incorporation of Toolux Sanding SA.

Toolux Sanding SA was incorporated on 2th October 2008 with an authorized and initial capital of 350 000 euros. All the shares were subscribed by the sole shareholder of GIANT DRAGON HOLDINGS Ltd, CRYSTAL SKY HOLDINGS LTD, a company incorporated in Samoa.

On 13th October 2008, the capital of Toolux Sanding SA was increased by the issuance of 1 000 000 new shares of a nominal value of 1 euro each against the contribution in kind described hereafter.

The new shares were entirely subscribed by Crystal Sky Holdings.

- Incorporation of Giant Dragon Holdings Ldt

Giant Dragon Holdings SA was incorporated on 7th January 2007 with an authorized capital of 50 000 usd and an initial issued capital of 1 usd. All the shares were subscribed by Crystal Sky Holdings Ltd.

- Acquisition of Shaoxing Sanding Tools Ltd.

On 12 December 2007, Giant Dragon Holdings Ltd entered in a share transfer agreement with formers shareholders of Shaoxing Sanding Tools Ltd to acquire 100 % of the shares of Shaoxing Sanding Tools Ltd for a consideration of 2 998 000 usd.

After this transfer, Shaoxing Sanding Tools become a wholly foreign owned enterprise.

- Acquisition of Zhejiang Sanding Tools Ltd

On 25 December 2007, Shaoxing Sanding Tools Ltd entered in a share transfer agreement with formers shareholders of Zhejiang Sanding Tools Ltd to acquire 100 % of the share of Zhejiang Sanding Tools Ltd for a consideration of 15 000 000 rmb.

III. Basis of preparation

Basis of accounting

These pro forma financial statements were prepared on the basis of reviewed financial statements of the following companies:

- Giant Dragon Holdings Ltd (the Company) ;
- Shaoxing Sanding Tools Ltd (PRC subsidiary) ;
- Zhejiang Sanding Tools Ltd (PRC subsidiary) ;

The pro forma consolidated financial statements of the Group, expressed in euros, have been prepared for management purposes 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 Transaction

Items included in the financial statement 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.

Subsidiary‘s 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 oversea subsidiary are translated into the Group’s presentation currency using the year end rate for the balance sheet items and the average rate of exchange for the income statements items. Exchange differences are dealt with as a movement exchange reserve.

IV. 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.

Negative goodwill

Giant Dragon acquired 49 % of the shares of Shaoxing Sanding Tools Ltd in December 2007 for a consideration of 1 469 000 usd. The surplus of interests in the fair value of the assets, liabilities and contingent liabilities acquired with regard to the cost amounted to 179 610,58 euros had been recognized in the income statement after audit of proper identification and evaluation of the assets, liabilities and contingent liabilities acquired.

The capital of Toolux Sanding SA was increased by a contribution in kind of all the shares of Giant Dragon Ldt for an amount of 1 000 000 euros. The surplus of the interest in the fair value of the assets, liabilities and contingent liabilities acquired with regard to the cost amounted to 233 192,33 euros had been recognized in the income statement after audit of proper identification and evaluation of the assets, liabilities and contingent liabilities acquired.

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 receivables are recognized and carried at original amount less an allowance for any uncollectible amounts.

The accounts are considered as bad debits 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 receivables.

The bad debt provision is calculated in accordance with the account receivable age as follows:

Account Receivable Age	Percentage %
Within three months	-
Within three to six months	10
Within six to twelve months	20
Within one to two years	50
Above two years	100

Trade and other payable

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and service received.

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 weight average method. The cost of finished goods comprises raw materials, direct labor, other direct costs and related production overhead 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 bellows:

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 non 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 take place, 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.

Accounting of 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 its expected useful life and recorded in gains and losses. 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 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, the provision for intangible asset devaluation is allocated.

Related parties

Related parties are entities in which one or more common direct/indirect/ shareholders and/or directors has 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 citizen of the PRC, 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 in provided at the current taxation rate based on the tax payable on the income for the financial period that is chargeable to tax. Deferred taxation is provided at the current 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 subsidiary's income tax rate is 33 % 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 local taxation agency in the current year.

V. Notes to the Financial Statements

(I). Balance of Sheets

1. CASH AND CASH EQUIVALENT

	30/06/2008 EURO	31/12/2007 EURO
Cash on hand	8 932,66	2 539,52
Cash at bank	1 452 269,26	3 187 113,47
Total	**1 461 201,92**	**3 189 652,99**

2. ACCOUNTS RECEIVABLES

	30/06/2008 EURO	31/12/2007 EURO
Trades receivables	2 025 142,14	1 614 207,37
Allowance for doubtful receivables	31 783,22	25 380,76
Total	**1 993 358,93**	**1 588 826,62**

3. OTHER RECEIVABLES

	30/06/2008 EURO	31/12/2007 EURO
Other receivables	2 749 444,26	706 245,26
Allowance for doubtful receivables	90 218,93	79 446,42
Total	**2 659 225,33**	**626 798,84**

The majors other receivables are as described as bellow :

	30/06/2008 EURO	31/12/2007 EURO
Former related parties	403 265,12	
Loans to corporations	1 947 395,41	530 740,60
Loans to individuals	198 835,96	57 196,72
Other	199 947,76	118 307,94
Total	**2 749 444,26**	**706 245,26**

4. ADVANCES TO SUPPLIERS

	30/06/2008 EURO	31/12/2007 EURO
Prepayment to suppliers	753 752,83	932 346,40
Total	**753 752,83**	**932 346,40**

5. INVENTORIES

	30/06/2008	31/12/2007
	EURO	EURO
Raw materail	465 165,66	306 467,40
Finished products	84 057,02	114 321,16
In process products	262 744,39	229 505,25
OEM's materials		
Total	**811 967,07**	**650 293,80**

6. PROPERTY, PLANT AND EQUIPMENT

Original value	Building	Production Equipment	Office equipment	Vehicules	Other	Total
Balance as at 31/12/2006	**2 062 624,28**	**1 033 208,63**	**126 817,24**	**367 960,03**	**0**	**3 590 610,18**
Increase	1 307 690,20	32 227,58	42 792,11	330 708,97	0,00	1 713 418,86
decrease						0
Balance as at 31/12/2007	**3 370 314,49**	**1 065 436,21**	**169 609,34**	**698 669,00**	**0**	**5 304 029,05**
Increase	269 443,37	35 435,34	16 160,80	63 506,99	0,00	384 546,50
decrease						0
Balance as at 30/06/2008	**3 639 757,86**	**1 100 871,55**	**185 770,14**	**762 175,99**	**0**	**5 688 575,54**

During financial year ended 31 December 2006, Zhejiang Sanding Tools began to built apartments for employees. These apartments were achieved at the end of 2007 and rented to employees on 2008;

Accumulated depreciation	Building	Production Equipment	Office equipment	Vehicules	Other	Total
Balance as at 31/12/2006	**288 157,58**	**287 905,79**	**64 805,09**	**134 503,19**	**0**	**775 371,65**
Increase	92 476,50	83 129,98	23 697,25	89 737,14	0,00	289 040,86
decrease						0
Balance as at 31/12/2007	**380 634,08**	**371 035,77**	**88 502,34**	**224 240,32**	**0**	**1 064 412,52**
Increase	66 863,21	53 391,55	10 757,39	43 875,11	0,00	174 887,26
decrease						0
Balance as at 30/06/2008	**447 497,28**	**424 427,32**	**99 259,73**	**268 115,44**	**0,00**	**1 239 299,78**

7. INTANGIBLE ASSETS

	30/06/2008 EURO	31/12/2007 EURO
Land use right brut	355 096,51	352 143,90
Decrease	7 690,17	7 626,23
Trademark registration	30 948,25	
Total	**378 354,59**	**344 517,67**

The term of lands in use right is 2051.

8. SHORT TERM LOANS

	Amount	30/06/2008 EURO Maturity	Rate
	268 218,20	2008.08.16	7,524
	134 109,10	2008.08.16	7,524
	93 782,59	2008.08.27	7,722
	93 782,59	2008.09.24	8,019
	68 461,29	2008.12.19	8,217
	507 363,79	2008.09.10	6,899
	281 347,76	2008.09.26	6,899
	168 808,66	2008.09.19	6,899
	168 808,66	2008.10.15	6,075
	468 912,93	2008.07.15	7,898
Total	**2 253 595,55**		

9. NOTES PAYABLES

	30/06/2008 EURO Amount	Maturity
	375 130,34	2008.12.12
Total	**375 130,34**	

10. ACCOUNTS PAYABLES

	30/06/2008 EURO	31/12/2007 EURO
Supplier payables	984 400,97	1 098 136,74
Total	**984 400,97**	**1 098 136,74**

11. ADVANCES RECEIVED

	30/06/2008 EURO	31/12/2007 EURO
Advances received	101 571,94	77 557,85
Total	**101 571,94**	**77 557,85**

12. DIVIDENDS PAYABLES

	30/06/2008 EURO	31/12/2007 EURO
Xu jinan	375 130,35	372 011,16
Xu xueming	281 347,76	279 008,37
Xu zhiming	281 347,76	279 008,37
Total	**937 825,86**	**930 027,90**

Mr Xu Jinan, Xu Xueming and Mr Xu Zhiming are the former shareholders of Zhejiang Sanding Tools.

13. TAX PAYABLES

	0/06/2008 EURO	31/12/2007 EURO
Income tax	523 545,30	442 280,64
VAT	91 963,32	207 889,68
Other	1 437,87	1 329,47
Tax on rural land use	0,00	7 345,36
Hydrolic Construction Fund	-26 545,37	-25 738,66
Estate tax	0,00	1 966,68
Construction tax	4 106,14	3 998,86
Total	**594 507,26**	**639 072,04**

14. OTHER LEVIES PAYABLES

	30/06/2008 EURO	31/12/2007 EURO
Local Education surtax	4 442,63	7 953,68
Stamp duty	18,31	5,85
Total	**4 460,93**	**7 959,53**

15. OTHER ACCOUNTS PAYABLES

	30/06/2008 EURO	31/12/2007 EURO
Du to former shareholders of the subsidiairies	35 023,52	2 368 755,29
Former related parties	464 009,71	93 002,79
Du to shareholders	994 106,68	357 991,98
Other	1 003 335,29	201 091,09
Total	**2 496 475,20**	**3 020 841,15**

16. ACCRUED EXPENSES

	30/06/2008 EURO	31/12/2007 EURO
Processing fees	11 284,76	45 652,80
Electricity	9 003,13	
Total	**20 287,89**	**45 652,80**

17. PAID UP CAPITAL

Shareholder	Issued capital USD	Registered capital USD
Cristal Sky Ltd	1 350 000,00	1 350 000,00
Total	**1 350 000,00**	**1 350 000,00**

(II) INCOME STATEMENT

1. REVENUE

	30/06/2008 EURO	31/12/2007 EURO
Domestic	5 909 939,26	9 712 701,08
Total	**5 909 939,26**	**9 712 701,08**

All the sales are contracted in Renminbi with Chinese distributors which export through foreign final customers

2. COST OF MAIN OPERATIONS

	30/06/2008 EURO	31/12/2007 EURO
Purchase semi finished products	2 928 095,73	4 840 640,59
Raw materials	876 534,90	973 504,59
Workshop fees	6 396,30	11 425,46
Welfare benefits	148,53	8 125,41
Other	3 277,06	2 609,34
Energie&water	31 619,46	64 705,88
Maintenance	5 616,49	14 974,93
Freight	185,67	767,45
Depreciation PPE	73 070,10	171 592,91
Wages	26 207,21	127 464,36
Total	**3 951 151,46**	**6 215 810,92**

3. SELLING EXPENSES

	30/06/2008 EURO	31/12/2007 EURO
Transportation expenses	44 162,16	119 064,53
Packing expenditure	55 008,35	109 317,64
Commission		70 701,61
Salaries and wages	23 118,30	54 877,02
Sales bonus		11 703,66
Advertising expenses	2 993,75	9 671,92
Expenses for bussiness trip	13 473,09	8 922,48
Adjustement for 07 accrual expenses		6 764,95
Postage	679,64	6 448,95
Others	9 870,02	5 113,73
Expenses on fair participation	7 863,98	4 330,16
Welfare		4 198,45
Printing cost		1 892,85
Laboratory examination	861,22	1 437,06
Testing cost	9 623,72	1 383,81
Others	1 791,83	1 303,42
Accreditation expenses	1 157,05	1 199,15
Office expenses		412,70
Sales service charges		64,66
Total	**170 603,11**	**418 808,74**

4. GENERAL & ADMINISTRATIVE EXPENSES

	30/06/2008 EURO	31/12/2007 EURO
Depreciation	106 297,61	188 233,53
wages	54 545,53	91 322,69
Expenses on bussiness entertainment	27 942,69	71 627,70
Communication	22 085,83	67 056,21
Expenses on Maintenance & repair	16 286,91	47 278,25
Training expenditure	12 093,52	45 283,95
Audit&consulting	197 897,07	43 365,89
Others	17 743,36	35 824,24
Automobile related expenses	16 275,67	34 885,77
Housing fund	16 661,57	34 535,39
Provision for bad debts	16 084,32	25 585,25
Interior furnishing expenses		25 557,38
Pension program	8 242,72	23 717,59
Tax	9 847,24	20 426,54
Expenses on design service		19 607,27
Insurance premium	6 151,20	18 113,25
Expenses for business trip	15 750,03	17 382,47
Office expenditure	21 637,29	15 508,55
Registration fees		13 711,39
Service charge	37 025,70	9 495,31
Welfare	939,18	8 907,22
Intangible assets amts	4 929,93	7 866,39
Telecommunication expenditure	3 628,52	6 561,72
Rental		4 796,58
Employees education fund	126,71	1 576,16
Work injury insurance		1 133,01
Testing expenditure		230,43
Total	**612 192,61**	**879 590,13**

5. FINANCIAL EXPENSES

	30/06/2008 EURO	31/12/2007 EURO
Net interest expenses	14 105,03	-98 950,41
Settlement cost	1 683,20	876,88
Exchanges loss	17 036,62	14 575,03
Total	**32 824,86**	**-83 498,50**

6. INCOME FROM OTHER OPERATIONS

		30/06/2008 EURO			31/12/2007 EURO	
	Revenue	Expenses	Total	Revenue	Expenses	Total
Electricity				78 131,35	72 131,11	6 000,24
Procession income				54 679,99	32 026,40	22 653,59
Molding expenses	4 805,02		4 805,02	13 151,65	606,75	12 544,91
House leasing				7 386,74	1 307,45	6 079,28
Total	4 805,02	0,00	**4 805,02**	153 349,73	106 071,71	**47 278,02**

7. NON OPERATING INCOME

	30/06/2008 EURO	31/12/2007 EURO
Rent revenue	27 769,28	
Other	5 244,19	
Income from specific subsidies		2 477,04
Total	**33 013,47**	**2 477,04**

8. NON OPERATING EXPENSES

	30/06/2008 EURO	31/12/2007 EURO
Penalty fee for overdue payment	90,06	1 247,11
Donation	30 451,34	884,90
Hydraulic construction fund	3 963,46	11 183,44
Other		
Total	**34 504,86**	**13 315,45**

VI. EMPLOYEES

	30/06/2008	31/12/2007
Manual staff	147	188
Production staff	10	11
Selling staff	28	29
Administrativ staff	33	36
	218	**264**

VII. MORTGAGE AGREEMENTS

Pledged Assets	Area	Amount (rmb)	Mortgagee
Land Use Right House Property	26 540 m² 2 307 m²	6 210 000	Shengzhou Branch of China Branch
House Property 7131071323	3 979 m²	1 430 0000	Shengzhou Branch of China Branch
House Property 7131071503	2 053 m²	730 0000	Shengzhou Branch of China Branch
TOTAL		**8 370 000**	

VIII. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The staff members 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 30 June 2008, the company's financial instruments mainly consist of cash equivalents, receivables and payables.

IX. POST BALANCE SHEET EVENTS

The company had no significant post balance events.

21.4 Dividend pay-out policy

21.4.1 Dividend paid in the last three years

Nihil.

TOOLUX Sanding SA has been created on September 2008.

21.4.2 Dividend pay-out policy

TOOLUX SA intends to pay a dividend arround 50 % of the Group net profit, in the limit of specific invesments needs.

21.5 Legal and arbitration procedures

None.

21.6 Significant changes in the financial or commercial position

None.

22 SUPPLEMENTARY INFORMATION

As of the registration of the Offering Circular, the Company is Société anonyme regulated by Luxembourg law and regulations in force, as well as by the Company's by-laws.

22.1 SHARE CAPITAL

22.1.1 Amount of share capital

The share capital is composed of 1 350 000 shares of 1.00 € each, corresponding to a total amount of 1 350 000 euros.

22.1.2 Equity not representing capital capital

Nihil.

22.1.3 Treasury shares and shares repurchase

Nihil.

22.1.4 Potential capital

By-laws of the Company, article 5:

The authorized capital is fixed at fourteen million euro (EUR 14.000.000.-).The board of directors is authorized, during a period of five years ending on the 2nd October 2013 to increase in one or several times the subscribed capital, within the limits of the authorized capital. Such increased amount of capital may be subscribed for and issued in the form of shares with or without an issue premium, to be paid-up in cash, by contribution in kind, by compensation with uncontested, current and immediately exercisable claims against the company, or even by incorporation of profits brought forward, of available reserves or issue premiums, or by conversion of bonds in shares as mentioned below.

The board of directors is especially authorized to proceed to such issues without reserving to the then existing shareholders a preferential right to subscribe to the shares to be issued.

The board of directors may delegate to any duly authorized director or officer of the company, or to any other duly authorized person, the duties of accepting subscriptions and receiving payment for shares representing part or all of such increased amounts of capital.

After each increase of the subscribed capital performed in the legally required form by the board of directors, the present article is, as a consequence, to be adjusted to this amendment.

Considering the operations presented in § 22.1.6, on December the 18th, 2008, the balance of the authorized capital amounts to 12 246 333 €.

Moreover, the board of directors is authorized to issue ordinary or convertible bonds, or bonds with warrants, in bearer or other form, in any denomination and payable in any currency or currencies. It is understood that any issue of convertible bonds or bonds with warrants can only be made under the legal provisions regarding the authorized capital, within the limits of the authorized capital as specified hereabove and specially under the provisions of art. 32-4 of the company law. The board of directors shall fix the nature, price, rate of interest, conditions of issue and repayment and all other terms and conditions thereof.

22.1.5 Information concerning the share capital of any Group member subject to an option or a conditional or unconditional agreement stipulating that it should be subject to an option and details of said options (includingthe identity of persons to whom they relate)

To the knowledge of the Company, there is no purchase or sell option or other commitments in favour of the shareholders of the Company or given by them related to the shares of the Company.

22.1.6 Changes in share capital

The table below highlights changes in the Company share capital since the incorporation.

Dates	Transaction	Capital increase	Nominal value	Premium	Number of shares issued	Total number of shares	Capital post transaction
02/10/2008	Incorporation		1€		350 000	350 000	350 000
13/10/2008	Contribution in kind	1 000 000.00	1€		1 000 000	1 350 000	1 350 000
18/12/2008	Capital increase by private placement	403 667	1€	4 678 500.53	403 667	1 753 667	1 753 667

TOOLUX SANDING SA is a new company established for the purpose of the listing on Alternext. Its sole asset is 100% of Giant Dragon Holding Ltd (SAMOA), the holding vehicle controlling 100% of the operating company in China, Shaoxing Sanding Tools Co., Ltd, controlling 100% of the operating company in China, Zhejiang Sanding Tools Co., Ltd.

Since its incorporation the sole operation on TOOLUX SANDING SA capital is the capital increase due to the contribution of 100% of the shares of GIANT DRAGON Holding Ltd (SAMOA) by CRYSTAL SKY Holding Ltd to TOOLUX Sanding SA.

The breakdown of the capital is presented to the paragraph 19.2.

22.2 By-Laws

22.2.1 Company Object (art 3 of the by-laws)

The purpose of the Company is the holding of participations, in any form whatsoever, in Luxembourg and foreign companies and any other form of investment, the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or otherwise of securities of any kind and the administration, control and development of its portfolio.

The Company may further guarantee, grant loans or otherwise assist the companies in which it holds a direct or indirect participation or which form part of the same group of companies as the Company.

The Company may carry out any commercial, industrial or financial activities which it may deem useful in accomplishment of these purposes.

22.2.2 Form of the shares (article 6 of the by-laws)

The shares of the Company may be in registered form or in bearer form or partly in one form or the other form, at the option of the shareholders subject to the restrictions foreseen by Law.

A register of registered shares will be kept at the registered office, where it will be available for inspection by any shareholder. This register will contain all the information required by article 39 of the Law. Ownership of registered shares will be established by inscription in the said register. Certificates of these inscriptions shall be issued and signed by two directors or, if the Company as only one director, by this director.

The Company may issue certificates representing bearer shares. The bearer shares will bear the requirements provided for by article 41 of the Law and will be signed by two directors or, if the Company as only one director, by this director.

The signature may either be manual, in facsimile or affixed by mean of a stamp. However, one of the signature may be affixed by a person delegated for that purpose by the board of directors. In such a case, the signature must be manual. A certified copy of the deed delegating power for this purpose to a person who is not a member of the board of directors, must be filed in accordance with §§1 and two of the Law.

The Company will recognize only one holder per share; in case a share is held by more than one person, the persons claiming ownership of the share will have to name a unique proxy to present the share in relation to the Company. The Company has the right to suspend the exercise of all rights attached to that share until one person has been appointed as the sole owner in relation to the Company.

22.2.3 Amendment to shareholders Rights

22.2.3.1 Voting right

One voting right is attached to each share.
Under Luxembourg law governing corporate entities, multiple voting rights are prohibited.

22.2.3.2 Right to profits and payment of dividends

Article 72 of the law dated 10 August 1915 governing trading companies stipulates “Each year, the management draws up an inventory showing the company’s investment and real assets and all outstanding debt and liabilities, with an appendix summarizing all its undertakings, its management’s, director’s and agent’s debts. The management draws up the balance sheet and profit and loss account, in which the required amortizations must be booked. The balance sheet make separate reference to fixed assets and current assets and, under liabilities, the company’s internal debts, bonds, mortgaged or pledged debts and non guaranteed debts. At least a twentieth of net profit is deducted each year and allocated to a reserve; this deduction ceases to be compulsory when the reserve reaches one tenth of the share capital, but is resumed if this amount becomes less than one tenth.

One month prior to the shareholders’ ordinary annual meeting, the management provides these documents and a report on the Company’s operations to the statutory auditors, who must draw up a report containing their proposals.”

Article 72-1 of the above-mentioned law stipulates: “except in the event of a decrease of the issued share capital, no distribution may be made to the shareholders when, on the date of closing of the last financial year, net equity as shown in the annual accounts is, or would, as a result, be less than the issued share capital, plus reserves which are non distributable according to law or the articles of association. […] The amount of any distribution made to the shareholders may not exceed the amount of net income for the last financial year, plus retained profits and amounts withdrawn from reserves available for such purpose and less any retained losses and amounts to be allocated to reserves in compliance with the law or the articles of association. […]”

Article 72-2 of the above-mentioned law stipulates: “No interim payment of dividends may take place unless the Board of Directors is authorised to do so by the articles of association. Such payment is moreover subject to certain conditions. […] Where interim payments exceed the amount subsequently fixed for the dividend by the shareholders, they will, in such case, be considered as payments to be deducted from the following dividend.”

22.2.3.3 Lapsing of dividends

Article 157 of the above-mentioned law stipulates: “Any action for restitution of unduly distributed dividends […] shall be limited to a period of five years as from the date of distribution […].”

22.2.3.4 Right to liquidation surplus

Article 148 of the above-mentioned law stipulates: “after payment or deposit of amounts required for paying off debts, any amounts or assets which can be equally allocated shall be distributed to the members by the liquidators; they will also remit to them the property which should have been maintained in order to be shared out […].”

22.2.3.5 Preferential subscription right

All the Company’s shares give entitlement to preferential subscription rights for share capital increases.

Article 32-3 (1) of the law governing trading companies stipulates: “shares to be paid up in cash must be preferentially offered to shareholders in proportion to the percentage of capital which their shares represent. […]; the subscription right may be exercised for a period fixed by the Board of Directors, which may not however be less than thirty days from the opening date of the subscription period, and announced in a public notice fixing the subscription period published in the *Memorial*[1] and in two Luxembourg newspapers. However, when all shares are nominative, the shareholders may be informed by registered mail. […] The articles of association may neither withdraw nor limit preferential rights. They may however authorise the Board of Directors to withdraw or limit such rights in the event a share capital increase is carried out within the limits of the authorised share capital. The duration of such authorisation may not exceed the provisions of Article 32 (5), i.e. 5 years from the date of publication or modification of the articles of association. The shareholders' meeting called to rule, as required for decisions regarding the amendment of the articles of association, on a share capital increase or on approval of a share capital increase, may limit or withdraw the preferential subscription rights or authorise the Board of Directors to do so. Such resolution must be clearly indicated in the convening notice. Details justifying such decision must be set forth in a report drawn up by the Board of Directors, regarding in particular the proposed issuing price, and presented to the shareholders. […]"

22.2.3.6 Restriction of voting rights

Voting rights attached to the shares may not be restricted by any clause in the articles of association.

22.2.3.7 Identifiable bearer shares

Non applicable.

Article 41 of the law governing trading companies stipulates: "The bearer share is signed by two Directors. Unless otherwise provided for in the articles of association, these two signatures or one of them must be either written, printed or affixed by way of a signature stamp. […]

The share indicates:
- the date of the Company's articles of association and of publication thereof;
- the amount of the share capital, the number and type of shares in each class, and the nominal value of the shares or percentage of share capital they represent;
- a summary of contributions and terms and conditions under which they are made;
- special benefits granted to founding partners;
- term of the Company;
- the date, time and place in which the annual shareholders' meeting is held."

22.2.3.8 Redemption by the Company of its own shares

The Company may, under the conditions provided for by the law dated 10 August 1915 governing trading companies, as amended (the "Law"), redeem its own shares. The shareholders general meeting did not define yet the way of the redemption.

In application of Article 49-2 of the above-mentioned law: "the company may only purchase its own shares, either in its own name or in the name of a party acting on its behalf under the following conditions:

1. the shareholders authorise the acquisition and fix the terms and conditions thereof, in particular the maximum number of shares to be purchased, the period for which the authorisation is granted, which may not exceed eighteen months, and in the case of acquisition against payment, the minimum and maximum value;

2. the nominal value or, if no nominal value, the accounting par value of the shares purchased, including those shares which the company may have purchased previously and which its holds in its portfolio as well as the shares purchased by a party acting in its own name but on behalf of the company, may not exceed 10% of the issued share capital;

3. the acquisition must not result in net equity decreasing to less than the issued share capital, plus reserves which are non distributable according to law or the articles of association;

4. only fully paid-up shares may be purchased.

[1] Legal gazette in Luxembourg

The Board of Directors must ensure that, at the time of each authorised acquisition, the conditions indicated in paragraphs 2, 3 and 4 above are complied with.

Where the acquisition of its own shares is necessary for the company to avoid serious and imminent damage, the condition in paragraph 1 above does not apply. In such case, the following shareholders' meeting must be informed, by the Board of Directors, of the reasons and the purpose of the acquisitions carried out […].

Likewise, the condition in paragraph 1 above does not apply where the shares purchased, either by the company itself, or by a party acting in its own name but on behalf of the company, are to be distributed to the personnel thereof. Such shares must be distributed within 12 months of the date of their acquisition."

Article 49-3 of the above-mentioned law provides for a series of exceptions to the foregoing.

"Shares purchased in breach of the provisions must be transferred within a period of one year from the acquisition thereof. Failing their transfer within this time limit, the shares must be cancelled.
In the event the purchase of the company's own shares is possible, such shares are held subject to the following conditions (Article 49-5 of the above-mentioned law):

a) among the rights attached to the shares, voting rights pertaining to the company's own shares are suspended;
b) if such shares are booked in the balance sheet as assets, a non distributable reserve shall be booked under liabilities for the same amount;
c) where a company purchases its own shares, the management report must indicate the reasons for which the acquisition was made, the number and nominal value or, if no nominal value, the accounting par value of the shares purchased and transferred during the financial year …"

As of the registration of the Document the shareholders did not authorise such acquisitions.

22.2.4 Terms for modifying shareholders' rights

Article 67-1 (1) of the law governing trading companies stipulates: Unless otherwise provided for by the articles of association, the extraordinary shareholders' meeting, ruling as required hereunder (quorum of shareholders present: at least one half, and voting quorum: 2/3rds of the voting rights of the shareholders present or represented) may amend any of the provisions of the articles of association. However, any change of nationality of the company and extension of the shareholders' undertakings may only be decided with the unanimous approval of the shareholders and bondholders."
Where several classes of shares exist and the shareholders' deliberations concern the modification of their respective rights, such deliberations must, in order to be valid, comply with the above-mentioned requirements for quorum and majority voting for each class of shares.

22.2.5 General Shareholders Meetings (articles 7 and 8 of the by-laws)

A – Reminder of the provision governing shareholders' meetings under Luxembourg law

Article 67 (2) of the law governing trading companies stipulates: "the articles of association fix the terms of deliberation of shareholders' meetings and the required formalities for admission. In the absence of any provisions, appointments are made and decisions are taken according to the rules for ordinary shareholders' meetings; the Minutes are signed by the Officers appointed for each meeting and by the shareholders who so wish […].

Article 67 (3) of the above-mentioned law stipulates: "Notwithstanding any provision to the contrary, and in compliance with the articles of association, all shareholders are entitled to vote themselves or by proxy."

Several types of shareholders' meetings exist with various attributions:

A. <u>shareholders' meeting :</u>

<u>The annual general shareholders' meeting</u> is held each year and plays and important role in the company's corporate existence.

1) Convening of the annual general shareholders' meeting

As stipulated by Article 70 of the law governing trading companies: "At least one shareholders' meeting must be held each year in the place and at the time indicated in the articles of association."

2) Convening of other ordinary shareholders' meetings

The compulsory annual general meeting which is held at the date indicated in the articles of association may not necessarily be the only ordinary shareholders' meeting. Indeed, such meetings may be convened at any time.

3) Attributions of the annual general shareholders' meeting

3.1) Approval of the annual accounts: the annual general shareholders' meeting is required to approve the annual accounts prepared by management.
3.2) Amendment of a balance sheet for a previous year
3.3) Allocation of earnings: the annual general shareholders' meeting has sovereign power to decide on the distribution of profits.
3.4) Granting discharge to management.

B. Extraordinary general shareholders' meetings :

The formalities for convening these meetings are the same as those used for ordinary shareholders meetings: the convening notice must indicate the agenda.

Extraordinary general shareholder's meetings take place, in principle, in the same way as ordinary shareholders' meetings. However, if a meeting is not held for lack of the required quorum, a second meeting shall be convened for which increased formalities are required.

1) time limits and form of the convening notices: they are made by inserting two announcements at an interval of at least eight days and at least eight days prior to the meeting, in the *Memorial*[2] and in a Luxembourg newspaper.

2) conditions for the quorum: whereas no quorum is required for an ordinary shareholders' meeting, there is a quorum for extraordinary shareholders' meetings, but only apply to the first meeting convened.
3) conditions for majority voting: in the two meetings, resolutions must be taken with a two thirds majority of the shareholders present or represented in order to be valid.

B – Provisions of the articles of association

Art. 7 Any regularly constituted meeting of shareholders of the Company shall represent the entire body of shareholders of the Company. It shall have the broadest powers to order, carry out or ratify acts relating to the operations of the Company. In case the Company has only one shareholder, such shareholder exercises all the powers granted to the general meeting of shareholders.

The general meeting is convened by the board of directors. It may also be convoked by request of shareholders representing at least one tenth of the Company's share capital.

Art. 8 The annual general meeting of shareholders shall be held in Luxembourg at the registered office of the Company, or at such other place in Luxembourg as may be specified in the notice of meeting, on the third Thursday *of June at 5 p.m.*. If such day is a legal holiday, the annual general meeting shall be held on the next following business day.

Other meetings of shareholders may be held at such place and time as may be specified in the respective notices of meeting.

The quorum and time required by Law shall govern the notice for and conduct of the meetings of shareholders of the Company, unless otherwise provided herein.

Each share is entitled to one vote. A shareholder may act at any meeting of shareholders by appointing another person as his proxy in writing, cable, telegram, telex or facsimile.

[2] Legal gazette in Luxembourg

Except as otherwise required by Law, resolutions at a meeting of shareholders duly convened will be passed by a simple majority of those present or represented.

The board of directors may determine all other conditions that must be fulfilled by shareholders for them to take part in any meeting of shareholders.

If all of the shareholders are present or represented at a meeting of shareholders, and if they state that they have been informed of the agenda of the meeting the meeting may be held without prior notice or publication.

Decision taken in a general meeting of shareholders must be recorded in minutes signed by the members of the board (*bureau*) and by the shareholders requesting to sign. In case of a sole shareholder, these decisions are recorded in minutes.

All shareholders may participate to a general meeting of shareholders by way of videoconference or by any other similar means of communication allowing their identification. These means of communication must comply with technical characteristics guaranteeing the effective participation to the meeting, which deliberation must be broadcasted uninterruptedly. The participation in a meeting by these means is equivalent to a participation in person at such meeting.

22.2.6 Statutory provisions affecting the occurrence of a change in control

As far as the Company is aware, there is no provision in the By-laws that can delay or prevent the Company undergoing a change in control.

22.2.7 Breach of equity investment thresholds

Luxembourg law governing trading companies does not make any provision to declare a breach of threshold.

The Company's articles of association do not make any provision to declare a breach of threshold, except as specified in Article 22.2.8 hereafter.

22.2.8 Acquisition of a majority interest in share capital or voting rights: Guaranteed market value

In the event a natural person or legal entity, acting jointly or on their own behalf, being hereby specified that in the case of several persons or entities acting jointly with the Initiator, they shall be jointly and severally liable for the obligations to which the Initiator is subject under the present article), purchases or agrees to purchase, directly or through one or more companies controlled by the Initiator, or which it may control in future, a block of shares which, in view of the shares or voting rights already held by it, gives it a majority interest in the share capital or voting rights of the Company, the Initiator shall propose to the other shareholders to purchase the entirety of the shares held by them on the date the above-mentioned majority interest is acquired. Such bid shall be final and irrevocable and may not be subject to any share minima or any other condition precedent whatsoever. Notice of the bid shall be published in a legal gazette and in a national daily economic and financial newspaper and shall notably indicate the identity of the Initiator and, if applicable, of the persons or entities acting jointly with it, as well as the percentage held in the share capital and voting rights of the Company by the Initiator and, if applicable, the persons or entities acting jointly with it, the price offered per share, the name and address of the stock broking agent, a timetable of operations indicating the opening and closing dates of the bid (which shall not be more than ten (10) market days apart) and the date of delivery versus payment.

The price at which the Initiator shall submit its bid to the market shall be the price at which the sale of the block was or is to be carried out, and solely at such market value or price.

All holders of securities giving entitlement to shares who wish to benefit from the terms of the bid shall, if the terms and conditions of the securities they hold provide for such, as from the date of publication of the above-mentioned notice in a legal gazette and until five market days prior to the closing of the above-mentioned bid, exercise, subscribe for or convert the entirety of the securities giving entitlement to shares of the Company they then hold so as to become owners of shares and to be in a position to participate in the bid. In the event such securities are not exercisable or convertible during the bidding period, the Initiator shall extend the bidding period in order to allow those concerned to propose their shares to it, on the same conditions as the initial bid, on the date on which they are able to exercise or convert the securities they hold.

The Initiator shall immediately reply to all information requests it may receive from the Company in respect of the stipulations of the present article.

23 SIGNIFICANT CONTRACTS

All the major contracts of the Company and its subsidiaries are linked to current business.

24 INFORMATION FROM THIRD PARTIES, DECLARATIONS FILED BY EXPERTS AND DECLARATIONS OF INTEREST

24.1 Report issued

Messieurs les Actionnaires,

A. Indépendance et reconnaissance du Réviseur d'Entreprises

REVILUX S.A. est indépendant de TOOLUX SANDING S.A. (la société), sa direction et ses actionnaires.
REVILUX S.A. est nommé par le Ministère de la justice comme Réviseur d'Entreprises en application de l'article 3 de la loi du 28 juin 1984, établissant la profession de Réviseur d'Entreprises.
REVILUX S.A. et ses membres ne sont ni actionnaire, ni directeur de la société.

B. Objectif du rapport

Conformément à la mission qui nous a été confiée par le Conseil d'Administration en date du 6 octobre 2008 et en application des articles 26-1 et 32-1 de la loi sur les sociétés commerciales, nous avons l'honneur de vous faire rapport sur l'augmentation de capital de votre société par apport de 1 action de la société GIANT DRAGON HOLDING LTD – Samoa et qui sera constaté par le notaire Maître Jean-Joseph WAGNER en date du 13 octobre 2008.

C. Identification de la transaction

1. Identification de la société qui reçoit les actifs

La société TOOLUX SANDING S.A. (la société), dont le siège social est situé à Luxembourg (1526), 23, Val Fleuri, est une société anonyme de droit luxembourgeois, constituée le 2 octobre 2008 et inscrite au Registre de Commerce et des Sociétés sous Section B numéro « en cours d'attribution ».

2. Dispositions statutaires spécifiques

La société a pour objet la prise de participations, sous quelque forme que ce soit dans des sociétés luxembourgeoises ou étrangères et toutes autres formes de placements, l'acquisition par achat, souscription ou toute autre manière ainsi que l'aliénation par la vente, échange ou toute autre manière de valeurs mobilières de toutes espèces et la gestion, le contrôle et la mise en valeur de ces participations.
La société peut également garantir, accorder des prêts à ou assister autrement des sociétés dans lesquelles elle détient une participation directe ou indirecte ou des sociétés qui font partie du même groupe de sociétés que la société.
La société peut exercer toutes activités de nature commerciale, industrielle ou financière estimées utiles pour l'accomplissement de ses objets.

3. Etat du capital

La société TOOLUX SANDING S.A. est actuellement dotée d'un capital de EUR 350.000,00 divisé en 350.000 actions d'une valeur nominale de EUR 1,00 chacune. Le capital est entièrement libéré.

4. Identification de la société qui apporte les actifs

La société CRYSTAL SKY HOLDINGS LTD, dont le siège social est situé à Apia (Samoa), Development Bank of Samoa Building, Level 5 Beach Road Apia, est une société par actions (Limited by shares) de droit de Samoa, constituée le 21 septembre 2007 et inscrite au Registre de Commerce et des Sociétés sous le numéro 34510 Le capital de la société est de USD 1,00 et est entièrement libéré.

5. Opérations projetées

L'assemblée générale extraordinaire de TOOLUX SANDING S.A., prévue le 13 octobre 2008, est amenée à décider entre autres sur les éléments suivants :

-Augmentation de capital pour le porter de **TROIS CENT CINQUANTE MILLE EUROS (EUR 350.000,00)** à **UN MILLION TROIS CENT CINQUANTE MILLE EUROS (EUR 1.350.000,00)** par la création et l'émission de **UN MIILION (1.000.000)** d'actions nouvelles, avec une valeur nominale de EUR 1,00, investies des mêmes droits et obligations que les anciennes.

-Souscription et libération de **UN MILLION (1.000.000)** d'actions nouvelles par la société **CRYSTAL SKY HOLDING LTD** libérées intégralement moyennant l'apport de 1 action qu'elle détient dans la société **GIANT DRAGON HOLDING LTD** pour un montant de **UN MILLION D'EUROS (EUR 1.000.000,00)**.

La souscription sera entièrement réalisée par la société **CRYSTAL SKY HOLDING LTD**.

D. Description, évaluation et rémunération de l'apport autre qu'en numéraire.

1. Description, de l'apport autre qu'en numéraire

La société GIANT DRAGON HOLDINGS LTD est une société de droit de Samoa, au capital de USD 1,00, ayant son siège social à SAMOA, Level 2, Nia Mall, Vaea Street, Apia, constituée le 17 janvier 2007 et inscrite au registre du Commerce sous le n° 30466. L'unique action qui compose le capital social est détenue par la société CRYSTAL SKY HOLDINGS LTD qu'elle détient depuis le 16 juin 2008, conformément à l'acte de transfert de l'unique titre de la société GIANT DRAGON HOLDINGS LTD conclu entre la société CRYSTAL SKY HOLDING LTD et QI YUN – 16/F, ZHEJIANG JIANGDONG MANSION – NO.20, WENSAN ROAD, HANGZHOU CITY, ZHEJING PROVINCE, CHINA.

En date du 13 octobre 2008, la société CRYSTAL SKY HOLDING LTD apportera l'intégralité de l'action unique de la société GIANT DRAGON HOLDINGS LTD à la société TOOLUX SANDING S.A. dans le but d'accroître les actifs de cette société en vue d'une introduction en bourse.

2. Mode d'évaluation adopté

Les administrateurs de la société TOOLUX SANDING S.A. ont évalué l'apport à EUR 1.000.000,00 sur base de l'actif net au 30 juin 2008 tel qu'il se dégage des comptes audités de GIANT DRAGON HOLDINGS LTD.

Au 30 juin 2008 :

-L'actif immobilisé de la société GIANT DRAGON HOLDINGS LTD se compose exclusivement d'une participation dans la société SHAOXING SANDING TOOLS CO LTD qu'elle détient à hauteur de 100%. Cette participation est valorisée à USD 2.998.000,00 dans les comptes de la société GIANT DRAGON HOLDINGS LTD.

-Les actifs courants s'élèvent à USD 18.509,78 et correspondent à un avoir en banque.

-Les produits à recevoir correspondent uniquement à des dividendes que la société doit percevoir de sa filiale, pour un montant total de USD 1.644.226,21 (qui est la contrevaleur de RMB 11.270.000,00).

-Les dettes de la société GIANT DRAGON HOLDINGS LTD s'élèvent à USD 3.015.492,00 est se composent :

- d'une dette envers la société CRYSTAL SKY LTD pour un montant de USD 1.546.492,00,
- d'une dette envers la société GREAT STAR LTD pour une montant de USD 1.469.000,00.

En résumé :

Total actif (USD) :	4.660.735,99
Total dettes (USD) :	3.015.492,00
Actif net (USD) :	1.645.243,99

Par conséquent, la valeur de l'actif net de la société GIANT DRAGON HOLDINGS LTD au 10 octobre 2008 peut être évaluée à au moins USD 1.366.940,00, soit une contrevaleur de EUR 1.000.000,00.

Cette valeur sert de base à l'apport autre qu'en numéraire et à la rémunération de cet apport.

3. Rémunération

En contrepartie de l'apport de 100% des actions de la société GIANT DRAGON HOLDINGS LTD par la société CRYSTAL SKY HOLDINGS LTD, celle-ci recevra 1.000.000 d'actions d'une valeur nominale de EUR 1,00 chacune, représentant la 74.07 % de la totalité des actions de la société TOOLUX SANDING S.A.. Ainsi, la société CRYSTAL SKY HOLDING LTD détiendra 100% du capital social de la société TOOLUX SANDING S.A. qui est représenté par 1.350.000 actions.

E. Vérification effectuées

Conformément à la loi, la description et l'évaluation de l'apport relèvent de la responsabilité des administrateurs de la société TOOLUX SANDING S.A.. Notre responsabilité consiste, sur base de nos diligences, à émettre un rapport sur l'opération de la valeur globale des apports par rapport au nombre et à la valeur nominale des actions à émettre en contrepartie.

Nous avons effectué les diligences que nous estimons nécessaires selon les recommandations de l'Institut des Réviseurs d'Entreprises applicables à l'article 26-1. Ces recommandations professionnelles requièrent que nous planifiions et réalisions nos travaux pour obtenir une assurance modérée que la valeur globale des apports, par rapport au nombre et à la valeur nominale des actions à émettre en contrepartie, ne comporte pas d'anomalies significatives.

Nos travaux sur la société, dont les actions sont apportées, se limitent essentiellement à des entretiens avec le personnel et les mandataires de la société ou des procédures analytiques appliquées aux données financières et ils fournissent donc un niveau d'assurance moins élevé qu'un audit. Nous n'avons pas effectué un audit, et, en conséquence, nous n'exprimons pas d'opinion d'audit.

Nous avons vu les comptes audités au 30 juin 2008 de la société GIANT DRAGON HOLDINGS LTD et nous avons vu tous les documents légaux (actes définitifs et/ou projets) et financiers qui se rattachent à l'opération.

Nous nous sommes assurés que jusqu'à la date de notre rapport il n'y a pas eu d'évènements qui remettent en cause la valeur de l'apport.

F. Conclusion

Sur base de nos diligences, aucun fait n'a été porté à notre attention qui nous laisse à penser que la valeur globale de l'apport ne correspond pas au moins au nombre et à la valeur nominale des actions à émettre en contrepartie.

Luxembourg, le 13 octobre 2008

REVILUX S.A.
Claude FABER
Réviseur d'Entreprises

25 PUBLICLY AVAILABLE DOCUMENTS

Copies of this Offering Circular are available at no cost from the Company headquarters, as well as on the Company website (www.toolux.com)

Can be consulted:

(a) the By-Laws of the Company;

(b) all reports, mails and other documents, historical financial statements, evaluations and declarations, prepared by an expert on demand of the Company and partly included or referred to in the Document;

The Company intends to release its financial results in accordance with the requirements of laws and regulations.

26 INFORMATION ON EQUITY INTERESTS

27 OTHER INFORMATION

Nihil.