
HISTORY AND CORPORATE STRUCTURE

OUR HISTORY

Our roots in Europe

The business of our Group can be traced back nearly 200 years with the founding by Mr Christoph Schramm in 1810 of a business in Germany manufacturing paint and varnish for various products such as dolls and bowls. Under the “Schramm” name, the business began manufacturing coatings for interior parts used by the automotive industry in 1845, including coatings for parts of trams, coaches and cars. The “Schramm” name therefore boasts one of the longest histories in the coatings industry in Europe.

In 1983, our Group (as it then was) was acquired by Grebe, a company in Germany also engaged in the coatings industry. By then, we had started to provide coatings to various other industries, specialising in paint systems for metal and plastic in the automotive industry, electrical insulating varnishes, coil-coating paints and powder paints.

Our international expansion

Our primary market had been Europe since our incorporation. In order to gain a foothold in the Asian market, our Company entered into a strategic joint venture with SSCP in 2005. SSCP is a Korean company founded in 1973 which was listed on the KOSDAQ in October 2005. SSCP is a reputable supplier of coatings solutions in Asia, with its core strengths in developing and manufacturing coatings for technology products in Korea. Our alliance with SSCP initially took the form of a joint venture company in Korea (namely Schramm Korea, which subsequently became a wholly-owned subsidiary of our Company), which was established in April 2005 with a common capital stock of KRW 100,000,000 owned initially as to 50% each by us and SSCP. The main scope of business of Schramm Korea was, and has remained, the marketing, promotion, sales and distribution of plastic coatings for automotive interior and exterior components and metal coatings for underbody components and related automotive coatings in Korea.

After several years of successful cooperation with SSCP, leveraging on SSCP’s strength in the Korean market, our brand name and our know-how in Europe in the automotive sector, we were able to enter the Korean automotive interior trim coatings market which has led us to become a recognized coatings supplier in this market. As a result of this successful cooperation, SSCP acquired the entire issued share capital of our Company from Grebe and the remaining shareholders in November 2007. Since then, SSCP has been our sole shareholder until July 2008, when we undertook the first round of financing with several financial investors by issuing approximately 10% of our then issued share capital to three financial investors. Please refer to the paragraph headed “Investments by Financial Investors” in this section for further details of the financings in our Group.

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After the SSCP Acquisition, it was decided that, save for the manufacture of coatings for mobile handsets and consumer electronics solely in Korea and coatings for leather products, which would be retained as a minority part of SSCP's business, our Group would take lead in managing and operating the coatings business independently from the SSCP Group. Further details of the retained coating business of SSCP are set out in the section headed "Relationship with Controlling Shareholders" in this prospectus. This was primarily because we had know-how in more advanced and environmentally friendly technologies (such as water-borne technology, powder coatings and coil coatings) and, through "Schramm", had a reputable and well established brand name in the coatings industry, particularly in the automotive sector. As a result, and in line with our objective to expand our global reach to more readily support our multinational customers, we subsequently acquired the coatings business from SSCP in the PRC and Thailand through our acquisitions of the equity interest in Schramm Shanghai and Schramm Huizhou in December 2008, and Schramm Tianjin and Schramm Thailand in September 2009. We believe these acquisitions will allow our Group to take advantage of those subsidiaries' production capabilities and customer relationships in the key markets of the PRC and South-East Asia and to enhance those existing operations by leveraging the "Schramm" brand and our German-led technologies. In addition, we have also set up branch offices in Yantai, PRC in August 2006 and Taiwan in July 2009 to provide technical services and logistical assistance to our Tianjin Facility and to market to Taiwan-based set-makers, respectively. Please refer to the paragraph headed "Reorganisation and Acquisitions" in this section for further details of our recent acquisitions.

We have also established cross-licensing arrangements with United Paint and Cashew Company Limited that manufacture certain of our products using our licensed technology in the United States and Japan respectively, and a distributorship arrangement with Victus to market our products in Australia.

Our Group today

We have grown from a small production facility in Germany to an international manufacturer with production facilities in Germany, Spain, China (Shanghai, Huizhou and Tianjin) and Thailand and manufacturing partnerships in Korea, Japan and the United States. Today, our Group has developed and established ourselves as an innovative global manufacturer and supplier of a focused range of technical and custom-tailored coatings solutions for customers across the globe.

Please refer to the section headed "Business" in this prospectus for further details of our business today. Please also refer to the paragraph headed "Our Corporate Structure" in this section for the corporate structure of our Group.

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Our business milestones

The following illustrates the key milestones in the history of our business:

<i>Time</i>	<i>Business Milestones</i>
1810	Founded in Germany by Mr Christoph Schramm manufacturing paint and varnish for products including dolls and bowls.
1845	Commencement of production of paints for coaches and trams.
1885	Merger creating “Schrammsche Lack- und Farbenfabrik AG”. Commencement of production of paints for plastics.
1983	Takeover by Grebe. Manufacturing coatings for the general industry, paint systems for metal and plastic in the automotive industry, electrical insulating varnishes, coil-coating-paints and powder paints.
November 2002	Our German factory received our Group’s first ISO/TS 16949 and DIN EN ISO 9001:2000 certifications for its quality management system.
November 2003	Our German factory received our Group’s first ISO/TS 16949:2002 certification for its quality management system.
February 2005	Entered into a distributorship agreement with Victus in Australia
April 2005	Commencement of joint venture with SSCP in Korea.
August 2007	Entered into licence agreement with United Paint for the manufacture and sales of our products in the United States.
November 2007	Takeover by SSCP.
July 2008	Acquisition of Schramm Korea from SSCP Group and investment in Schramm Hong Kong.
November 2008	Mutual licence agreement with Cashew Company Limited for the manufacture of our products in Japan.
December 2008	Acquisition of Schramm Shanghai and Schramm Huizhou from SSCP Group. Our German factory received our Group’s first DIN EN ISO 14001:2005 and BS OHSAS 18001:2007 certifications.
July 2009	Establishment of branch office in Taiwan to market to Taiwan-based customers.
September 2009	Acquisition of Schramm Tianjin and Schramm Thailand from SSCP Group.

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GOING FORWARD

It is our objective to further take advantage of the synergies between our European operations and our Asian operations. We plan to transfer our technological know-how and product range from our European operations to our PRC operations, with a priority on the transfer of our water-borne formulations as we believe that the PRC market would be increasingly converting from solvent-borne products to their more environmentally friendly water-borne counterparts. We also aim to leverage the reputation of the “Schramm” brand, one of the oldest names in the paint industry in Europe in our PRC operations.

It is increasingly important for our multinational customers to have coatings supply and support networks which closely match their own production networks. We believe that we are already well-placed to meet this demand with our existing international network. We will continue expanding our reach globally, through organic growth or acquisitions and consolidations of smaller regional players as and when the right opportunities arise.

Please refer to the paragraph headed “Business — Business Strategies” in this prospectus for further details on the business strategies of our Group.

CORPORATE DEVELOPMENT OF OUR GROUP

Our Company

Our Company was incorporated in Germany as a limited partnership (*Kommanditgesellschaft*) on 24 October 1985 under the name Grebe GmbH & Co. KG (**Grebe KG**) and was converted on 26 June 2000 (by way of a German legal process termed a “transformation”) from a limited partnership into a company with limited liability (*GmbH*) under the name Schramm Coatings GmbH. In preparation for the Listing, our Company was further converted from a GmbH into a joint stock company (*AG*) on 21 November 2008 and changed its name from Schramm Coatings GmbH to its current name of Schramm Holding AG. Please refer to the section headed “Appendix V — Summary of German Legal and Regulatory Provisions” in this prospectus for further details of an AG.

Our Company was originally established as an operating company and its previous corporate purposes were to engage in the development, production and sale of industrial coatings. Pursuant to the Spin-off Agreement, our Company effected a transfer of its entire operational business (except for certain service contracts and legal title of certain specified assets) and beneficial interest in Schramm Spain, Schramm Korea, Schramm Hong Kong and Schramm Cashew Limited to our direct wholly-owned subsidiary, Schramm Coatings. Pursuant to the Spin-off Agreement, all business transacted and all acts performed by our Company in relation to its business operations were deemed to have been transacted and performed for the account of Schramm Coatings with effect from 1 January 2008. The transfers had been registered with the commercial registers of both our Company and Schramm Coating on 8 October 2008. Since then, our Company has acted principally as a holding company of our Group with Schramm Coatings as our main operating subsidiary in Germany.

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Please refer to the paragraph headed “Reorganisation and Acquisitions — Reorganisation of our Company and Schramm Coatings” in this section for further details of the reorganisation of our Company.

Schramm Coatings

Schramm Coatings is our wholly-owned subsidiary and is the principal operating company of our Group in Europe, principally manufacturing coatings for the automotive and general industries, coil coatings and electrical insulation coatings for our clients in Europe. It also serves as the core technological centre for our Group in Europe and for water-borne technology for our Group globally. It was established in Germany on 15 July 2008 and was registered with the commercial register on 22 August 2008 as a company with limited liability, originally under the name Schramm Operatives Germany GmbH. Its name was subsequently changed to Schramm Coatings GmbH on 1 December 2008.

Schramm Spain

Schramm Spain is our wholly-owned subsidiary and principally manufactures and sells coatings for the automotive and general industries for our clients in Spain, Portugal and Italy. It was incorporated on 2 March 1998, with Weilburger Lacke — Handelsgesellschaft, MBH, a member of the Grebe group, being its sole shareholder until 21 December 2007. Following the SSCP Acquisition, our Company acquired the entire equity interest in Schramm Spain on 21 December 2007 for a cash consideration of €1,500,000. Schramm Spain was subsequently transferred from our Company to Schramm Coatings pursuant to the Spin-off Agreement.

Schramm Hong Kong and Schramm Taiwan (branch)

Schramm Hong Kong is our wholly-owned subsidiary and acts principally as an investment holding company holding the entire equity interest in the PRC Subsidiaries and Schramm Thailand. It was incorporated in Hong Kong in 2005 as a limited liability company and was acquired by SBHK in August 2007. After the SSCP Acquisition, our Company subscribed for shares in Schramm Hong Kong and thereby becoming the majority shareholder of Schramm Hong Kong since March 2008. Further to the completion of the Spin-off Agreement and the subsequent acquisition of the remaining interest in Schramm Hong Kong held by SBHK, Schramm Hong Kong became our wholly-owned subsidiary.

Schramm Taiwan (branch) was established as a branch office of Schramm Hong Kong on 10 July 2009. It is primarily engaged in marketing Taiwan-based set makers whose products are manufactured in the PRC.

Ultra Million

Ultra Million is our wholly-owned subsidiary and acts as an investment holding company holding the entire equity interest in Schramm Huizhou. It was incorporated in Hong Kong on 22 October 2008 as a limited liability company and was directly wholly-owned by SBHK until its acquisition by

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Schramm Hong Kong. With a view to acquiring the interest in Schramm Huizhou, Schramm Hong Kong acquired the entire equity interest in Ultra Million from SBHK on 28 December 2008 pursuant to a share purchase agreement dated 30 November 2008 for a cash consideration of US\$15,000,000.

Uranus

Uranus is our wholly-owned subsidiary and acts as an investment holding company holding the entire equity interest in Schramm Shanghai. It was incorporated in Hong Kong on 20 November 2008 as a limited liability company. Uranus was directly wholly-owned by SBHK until its acquisition by Schramm Hong Kong. With a view to acquiring the interest in Schramm Shanghai, Schramm Hong Kong acquired the entire equity interest in Uranus from SBHK in December 2008 pursuant to a share purchase agreement dated 30 November 2008 for a cash consideration of US\$12,000,000.

Schramm Huizhou

Schramm Huizhou is our wholly-owned subsidiary and is principally engaged in the manufacture of coatings for mobile handsets, with its major customers including tier suppliers to Samsung Electronics and other mobile handsets makers. It was incorporated as a wholly foreign-owned enterprise in PRC on 27 August 2002. Schramm Huizhou was originally wholly-owned by SBHK, but was subsequently acquired by Ultra Million pursuant to an equity purchase agreement dated 28 November 2008. Schramm Huizhou has become a wholly-owned subsidiary of our Group since our acquisition of Ultra Million pursuant to a share purchase agreement dated 30 November 2008.

Schramm Shanghai

Schramm Shanghai is our wholly-owned subsidiary and is principally engaged in the manufacture of coatings for computer electronics and automotives using water or solvent-borne technology, with its major customers being tier suppliers to Samsung and automotive OEM makers. It was incorporated as a wholly foreign-owned enterprise in Shanghai, PRC on 25 June 2002. Schramm Shanghai was previously owned by SBHK and SSCP, but was subsequently acquired by Uranus pursuant to an equity purchase agreement dated 28 November 2008. Schramm Shanghai has become a wholly-owned subsidiary of our Group since our acquisition of Uranus pursuant to a share purchase agreement dated 28 November 2008.

Schramm Tianjin and Schramm Yantai (branch)

Schramm Tianjin is our wholly-owned subsidiary and is principally engaged in the manufacture of coatings for mobile electronics, with its major clients being tier suppliers to LG and other mobile handsets makers. It was incorporated as a wholly foreign-owned enterprise in PRC on 9 April 2003. Schramm Tianjin was originally wholly-owned by SBHK, but its entire equity interest was transferred to Schramm Hong Kong pursuant to an equity purchase agreement dated 1 August 2009 for a consideration of €7,612,500.

In August 2006, Schramm Tianjin established Schramm Yantai (branch), a branch office in Yantai, PRC. Schramm Yantai (branch) principally provides technical services and logistical assistance for Schramm Tianjin.

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Schramm Thailand

Schramm Thailand is our 99.96% owned subsidiary and is principally engaged in the manufacture of coatings for home appliances, with its major customers being tier suppliers to LG and Samsung. It is a foreign-owned enterprise in Rayong, Thailand and came into legal existence on 25 December 2008 through the amalgamation of SSCP's previous entity in Thailand (also called Samsung Chemical Paint (Thailand) Co. Limited) and Techno Coat Co., Limited (a Thai incorporated company majority owned by SBHK and which was also engaged in the coatings industry). Before our acquisition of Schramm Thailand, it was held as to 99.96% by SBHK and 0.04% by six employees of Schramm Thailand. The entire equity interest held in Schramm Thailand by SBHK was transferred to Schramm Hong Kong pursuant to a sale and purchase agreement dated 1 August 2009 for a consideration of HK\$1.00.

Schramm Korea

Schramm Korea is our wholly-owned subsidiary and principally markets and sells our automotive coatings products in Korea. It was established as a stock company (*jusik hoesa*) on 11 April 2005 and was originally jointly owned by SSCP and our Company. Pursuant to a stock purchase agreement dated 1 July 2008, our Company acquired, on 31 December 2008, the 50% of the equity interest in Schramm Korea held by SSCP for a cash consideration of US\$1,000,000 and since then, Schramm Korea has become our wholly-owned subsidiary. Schramm Korea was subsequently transferred by our Company to Schramm Coatings pursuant to the Spin-off Agreement.

Please refer to the section headed "Business" in this prospectus for further details on the business of our Group.

REORGANISATION AND ACQUISITIONS

Reorganisation of our Company and Schramm Coatings

In contemplation of the Listing, Reorganisation has been implemented in order to allow our Company to hold, directly or indirectly, members of our Group. Pursuant to the Spin-off Agreement, as part of the Reorganisation, our Company spun-off its entire operational business and its equity interest in Schramm Spain, Schramm Korea, Schramm Hong Kong and Schramm Cashew Limited to Schramm Coatings in accordance with the German Transformation Act (*Umwandlungsgesetz*). Under this agreement, certain specified assets, in particular our Company's interest in Schramm Coatings, the profit and loss transfer agreement with Schramm Coatings and its legal title to real estate, were retained by our Company.

The spin-off took legal effect as at 8 October 2008 with its registration with the commercial register and pursuant to the Spin-off Agreement, all business transacted and all acts performed by our Company in relation to its business operations were deemed to have been transacted and performed for the account of Schramm Coatings with effect from 1 January 2008. As consideration for the spin-off, a new share in Schramm Coatings was issued to our Company by way of capital increase amounting to €5,000.

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As a result of the Reorganisation, our Company has become an investment holding company of our group companies, and Schramm Coatings has become the principal operating company of our Group in Europe.

Divestment of Schramm Cashew Limited

In 2008, our Company disposed of its entire interest in Schramm Cashew Limited, a joint venture company incorporated in Japan and held in equal proportions by our Company and Cashew Company Limited, to Cashew Company Limited for a consideration of ¥100,000,000 and since then, our Group has ceased to hold any equity interest in Schramm Cashew Limited. We believe that it would be more appropriate to continue the relationship between our Group and Cashew Company Limited through a cross licensing agreement, further details of which are set out in the section headed “Business — Sales Channels” in this prospectus.

Acquisitions of Schramm Huizhou, Schramm Shanghai, Schramm Tianjin and Schramm Thailand

Reorganisation involving our acquisitions of Schramm Huizhou, Schramm Shanghai, Schramm Tianjin and Schramm Thailand from SSCP Group have also been implemented for strategic reasons in order to expand our global reach and to better enhance the synergies of our Group. This involved acquisitions by Schramm Hong Kong of four operating subsidiaries of SSCP engaged in coating businesses, namely Schramm Huizhou, Schramm Shanghai, Schramm Tianjin and Schramm Thailand.

Schramm Huizhou

Pursuant to a sale and purchase agreement dated 30 November 2008, Schramm Hong Kong agreed to acquire the entire issued share capital of Ultra Million from SBHK at a cash consideration of US\$15,000,000, on condition of the completion of the acquisition by Ultra Million of the entire equity interest in Schramm Huizhou. The acquisition of Ultra Million was completed on 28 December 2008. As a result of the above, both Ultra Million and Schramm Huizhou have become our wholly-owned subsidiaries.

Schramm Shanghai

Pursuant to a sale and purchase agreement dated 30 November 2008, Schramm Hong Kong agreed to acquire the entire issued share capital of Uranus Limited from SBHK for a cash consideration of US\$12,000,000, on condition of the completion of the acquisition by Uranus of the entire equity interest in Schramm Shanghai. The acquisition of Uranus was completed on 28 December 2008. As a result of the above, both Uranus and Schramm Shanghai have become our wholly-owned subsidiaries.

Schramm Tianjin

Pursuant to a sale and purchase agreement dated 1 August 2009, Schramm Hong Kong agreed to acquire the entire equity interest of Schramm Tianjin from SBHK for a consideration of €7,612,500. The acquisition of Schramm Tianjin was completed in September 2009, as a result of which Schramm

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Tianjin has become our wholly-owned subsidiary. Pursuant to mutual agreement between SBHK and our Company, the cash consideration payable by Schramm Hong Kong to SBHK for the acquisition of Schramm Tianjin remained as an outstanding loan from SBHK to Schramm Hong Kong upon completion, which was subsequently capitalised by the issuance of 1,750,000 Shares by our Company to SBHK. Following the capitalisation of the loan, SBHK became our Shareholder holding 1,750,000 Shares.

Schramm Thailand

Schramm Thailand was a non wholly-owned subsidiary of SBHK which was held as to 99.96% by SBHK and the remaining interest by six employees of Schramm Thailand. Pursuant to a sale and purchase agreement dated 1 August 2009, Schramm Hong Kong agreed to acquire 99.96% of the share capital of Schramm Thailand from SBHK for a nominal consideration of HK\$1.00. The acquisition of Schramm Thailand was completed in September 2009, as a result of which Schramm Thailand has become our non wholly-owned subsidiary.

INVESTMENTS BY FINANCIAL INVESTORS

To expand our investor base and to finance our acquisition of the PRC Subsidiaries and Schramm Thailand for our business expansion, we invited various financial investors to invest in our Company (the “**Investments**”). The Investments were conducted in two stages by way of (i) a subscription of new shares in our Company by three financial investors in July 2008, and (ii) a subscription of Exchangeable Bonds by the Exchangeable Bondholders in December 2008.

(I) **First round of the Investments**

On 28 July 2008, our Company passed a resolution relating to an increase of its share capital by an amount of €870,000 (from €7,900,000 to €8,770,000). The new shares were subscribed by three new shareholders:

- (1) Myriad Fine Investment Limited for a contribution of €300,000, representing approximately 3.42% of the share capital of our Company immediately after the subscription. Myriad Fine Investment Limited, a company incorporated in Hong Kong, is an investment holding company wholly-owned by Mr Kim Sung Yoon, our Director.
- (2) Pacific Finance Limited for a contribution of €350,000, representing approximately 3.99% of the share capital of our Company immediately after the subscription. Pacific Finance Limited, a company incorporated in Hong Kong, is an investment holding company wholly-owned by an Independent Third Party.
- (3) Apex Link Investment Limited for a contribution of €220,000, representing approximately 2.51% of the share capital of our Company immediately after the subscription. Apex Link Investment Limited, a company incorporated in Hong Kong, is an investment holding company wholly-owned by an Independent Third Party.

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The capital increase has been registered in the commercial register and became effective on 22 August 2008.

The proceeds of the first round of the Investments have been applied by our Group for general working capital for business expansion and acquisition.

The total cost of investment of the financial investors under the first round of the Investments was €870,000 (approximately HK\$9,135,000), representing a discount of approximately 63.79% to the Offer Price per Share (based on the low end of the indicative Offer Price range of HK\$29.00 per Share) to a discount of approximately 76.67% to the Offer Price per Share (based on the high end of the indicative Offer Price range of HK\$45.00 per Share).

(II) Second round of the Investments

On 1 December 2008, Humble Humanity, an entity controlled by SSCP, as the issuer, entered into four exchangeable bond subscription agreements with E*Trade Korea Co., Ltd. and KDB Asia Limited collectively as joint lead arrangers (the “**Arrangers**”). E*Trade Korea Co., Ltd is a registered securities dealer in Korea principally providing brokerage, underwriting and dealing services in Korea. E*Trade Korea Co., Ltd is an Independent Third Party, and to the best of our Directors’ knowledge, is independent of the Exchangeable Bondholders. SSCP and Mr Oh act as the guarantors under the Exchangeable Bonds Subscription Agreements.

Pursuant to the Exchangeable Bonds Subscription Agreements, Humble Humanity agreed to issue to the Arrangers zero coupon guaranteed exchangeable bonds due 2010, which are exchangeable into Common Stocks of an aggregate principal amount of US\$16,939,200 and HK\$26,460,000 (approximately HK\$157,738,800 in aggregate). The Exchangeable Bonds Subscription Agreements are basically of identical terms and conditions, except for the principal amount, currency, denomination and foreign exchange adjustment provisions.

Exchangeable Bonds

Subscription Agreements	Principal amount	Denomination	Subscribers
Exchangeable Bonds Subscription Agreement (A)	HK\$13,230,000	HK2,646,000	KDB Asia Limited
Exchangeable Bonds Subscription Agreement (B)	HK\$13,230,000	HK2,646,000	Korea Development Bank
Exchangeable Bonds Subscription Agreement (C)	US\$10,128,200	US\$405,128	SSCP
Exchangeable Bonds Subscription Agreement (D)	US\$6,811,000	US\$3,405,500	Korea Investment Partners Co., Ltd.
		US\$3,405,500	Darwin Venture Capital Co., Ltd.

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Pursuant to purchase agreements dated 29 January 2009, LB Investment Inc. purchased from SSCP Exchangeable Bonds in a principal amount of US\$4,051,280 at a consideration of US\$4,123,618, which was determined with reference to the interest accrued on the Exchangeable Bonds. Pursuant to a purchase agreement dated 30 June 2009, STM, a company wholly owned by Mr Oh, purchased from SSCP Exchangeable Bonds in a principal amount of US\$6,076,920 at a consideration of approximately US\$6,484,341, which was determined with reference to the interest accrued on the Exchangeable Bonds.

Pursuant to the Exchangeable Bonds Subscription Agreements, Humble Humanity shall have the right, subject to giving relevant notice as required under the terms and conditions of the Exchangeable Bonds, at any time on or after 3 June 2009 and prior to 3 August 2009, to redeem or transfer up to 40% of the aggregate principal amount of the Exchangeable Bonds held by the Exchangeable Bondholders (the “**Call Option**”). In consideration of Mr Oh agreeing to release SSCP’s guarantee in respect of the Exchangeable Bonds under the Call Option, Humble Humanity has, on 14 July 2009, assigned the Call Option to STM, a company wholly owned by Mr Oh. Our Company was advised by our Korean legal adviser that the assignment of the Call Option to STM and the exercise of the Call Option by STM are legal, valid and enforceable and are not restricted by Korean law or any listing rules of the Korean Exchange. Our Company was also advised by our Malaysian legal adviser that there is no legal or practical impediment for Humble Humanity to issue the Exchangeable Bonds to Mr Oh or his associates directly.

On 20 July 2009, STM exercised the Call Option to acquire from the Exchangeable Bondholders 40% of the aggregate principal amount of the Exchangeable Bonds. After the exercise of the Call Option, STM has become the largest Exchangeable Bondholder:

Exchangeable Bonds Subscription Agreements	Principal amount	Exchangeable Bondholders
Exchangeable Bonds Subscription Agreement (A)	HK\$7,938,000	KDB Asia Limited
	HK\$5,292,000	STM
Exchangeable Bonds Subscription Agreement (B)	HK\$7,938,000	Korea Development Bank
	HK\$5,292,000	STM
Exchangeable Bonds Subscription Agreement (C)	US\$2,430,768	LB Investment Inc.
	US\$7,697,432	STM
Exchangeable Bonds Subscription Agreement (D)	US\$2,043,300	Korea Investment Partners Co., Ltd.
	US\$2,043,300	Darwin Venture Capital Co., Ltd. ^{Note}
	US\$2,724,400 ^{Note}	STM ^{Note}

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Note: Pursuant to the Call Option, Korea Investment Partners Co., Ltd. was required to transfer Exchangeable Bonds in a total principal amount of US\$1,362,200 to STM. The Exchangeable Bonds owned by Korea Investment Partners Co., Ltd. were held through three investment funds, each of these investment funds is therefore required to transfer a respective portion of the Exchangeable Bonds held by it to STM following the exercise of the Call Option. In this connection, the transfer of 40% of the Exchangeable Bonds by each of the three investment funds managed by Korea Investment Partners Co., Ltd. would not be possible before the subdivision of the Exchangeable Bonds into smaller denomination. As provided in the Exchangeable Bonds Subscription Agreements and restricted by Korean securities laws, the Exchangeable Bonds may not be subdivided into any smaller denomination than the respective denomination at any time prior to the first anniversary of the date of issue. Due to the legal restrictions and practical difficulty in completing the transfer as stated above, STM and Korea Investment Partners Co., Ltd. have agreed to postpone the completion date to December 2009, i.e. the time when the Exchangeable Bonds can be divided into smaller denomination.

Principal terms of the Exchangeable Bonds

The Exchangeable Bonds were issued by Humble Humanity to the Arrangers (with SSCP and Mr Oh as guarantors) on 3 December 2008 (the “**Issue Date**”). The proceeds from the issue of Exchangeable Bonds were applied by Humble Humanity for the subscription of 4,385,000 Common Stocks, representing approximately 33.33% of the then issued share capital of our Company on an enlarged basis. The proceeds of the second round of the Investments have been applied by our Group mainly for the acquisition of Schramm Shanghai and Schramm Huizhou.

The Exchangeable Bonds have a term of two years commencing from (and including) the Issue Date, and shall mature on the last day of the second anniversary of the Issue Date (i.e. 3 December 2010) (the “**Initial Maturity Date**”). In the event that the Exchange Shares (as defined below) become listed on any stock exchange at any time prior to the Initial Maturity Date, the maturity date of the Exchangeable Bonds will be adjusted to the date which is one month and one week from the expiration date of the lock-up period applicable to the Exchange Shares (the “**New Maturity Date**”). As provided in the Exchangeable Bonds Subscription Agreements and under the relevant Korean securities laws, the Exchangeable Bonds may not be subdivided into any smaller denomination than the respective denomination as specified in the respective Exchangeable Bonds Subscription Agreements before the first anniversary of the Issue Date (i.e. 3 December 2009).

The Exchangeable Bondholders shall have the right to exchange their Exchangeable Bonds into Shares (the “**Exchange Shares**”) and such other property as may be available from time to time for exchange pursuant to the terms and conditions of the Exchangeable Bonds (together, the “**Exchange Property**”) in full or in part (or any beneficial interest therein) at any time from and including the date on which the lock-up period applicable to the Exchange Shares expires up to the day falling seven days prior to the New Maturity Date.

In case Humble Humanity does not have sufficient number of Shares to be delivered to the Exchangeable Bondholders exercising the Exchange Right, Humble Humanity will, or cause SSCP to, immediately deposit such number of additional Shares as may be required to be delivered to such Exchangeable Bondholders, provided that if there is insufficient number of Shares to be delivered to such Exchangeable Bondholders, Humble Humanity and/ or SSCP shall pay to the Exchangeable Bondholders in cash such shortfall. In the event that an Exchangeable Bondholder cannot lawfully exchange its Exchangeable Bonds for Exchange Shares and/or other Exchange Property or in case there is insufficient number of Shares to be delivered to such Exchangeable Bondholder at any time for any reason, Humble Humanity undertakes (so long as it is lawful to do so), or cause SSCP to

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undertake, to pay to the Exchangeable Bondholder such amount of cash equal to the closing price of the Shares (which such Exchangeable Bondholder would have been entitled on exchange) on the Stock Exchange on the day specified in the relevant notice requiring exchange of the Exchangeable Bonds (the “**Exchange Date**”).

In the event that the Shares are listed on the Stock Exchange before the first anniversary of the Issue Date, the exchange price will be the lower of (i) €4.00 per Share and (ii) 75% of the Offer Price (both converted into KRW on the Price Determination Date for Exchangeable Bonds Subscription Agreements (B), (C) and (D)). In the event that the Shares are listed on the Stock Exchange on or after the first anniversary of the Issue Date, the exchange price will be the lower of (i) €4.00 per Share and (ii) 70% of the Offer Price (both converted into KRW on the Pricing Date (as defined in Appendix VIII — Statutory and General Information Section to this prospectus for Exchangeable Bonds Subscription Agreements (B), (C) and (D))).

Our Company is not a contractual party to the Exchangeable Bonds Subscription Agreements, therefore, before the Exchangeable Bondholders become our registered shareholders, they do not enjoy any shareholder rights (whether common rights or preferential rights) or contractual rights against our Company. Upon registered as shareholders of our Company following the exercise of the Exchange Rights, the Exchangeable Bondholders who become our Shareholders shall enjoy the same rights as generally available to other Shareholders. Under the Exchangeable Bonds Subscription Agreements, the Exchangeable Bondholders enjoy certain standard and conventional rights commonly granted to bondholders, including but without limitation the redemption rights, exchange rights, right to call for bondholders meeting and to vote for certain matters relating to the rights attaching to and administrative matters of the Exchangeable Bonds. Except for the difference in subscription terms of Exchangeable Bonds as disclosed in the prospectus, all Exchangeable Bondholders are treated alike with no preferential rights granted to any of them. Their rights as holders of the Exchangeable Bonds will subsist after Listing until such time when the Exchangeable Bonds are fully redeemed or exchanged. The Exchangeable Bondholders do not have any right to nominate or appoint any member to the Management Board or the Supervisory Board.

Further details of the Exchangeable Bonds are set out in the section Appendix VIII — Statutory and General Information Section headed “Terms and conditions of the Exchangeable Bonds” in this prospectus.

Background of the Exchangeable Bondholders

Immediately before Listing, the Exchangeable Bondholders are:

- (i) KDB Asia Limited, a company incorporated in Hong Kong, is a subsidiary of Korea Development Bank which focuses on investment activities in Korea and Asian region;
- (ii) Korea Development Bank, a company incorporated in Korea and a registered banking corporation in Korea, is principally engaged in banking business in Korea;

HISTORY AND CORPORATE STRUCTURE

- (iii) Korea Investment Partners Co., Ltd., a company incorporated in Korea and a subsidiary of Korea Investment Holding Co., Ltd. (a company listed on the KOSDAQ), and Darwin Venture Capital Co., Ltd., a company incorporated in Korea and a venture capital fund in Korea, which are principally engaged in investment activities in Korea and Asian region;
- (iv) LB Investment Inc., a company incorporated in Korea and a venture capital fund in Korea, is principally engaged in investment activities in Korea and Asian region; and
- (v) STM, a company incorporated in Korea, is an investment holding company wholly-owned by Mr Oh.

Based on our Directors' best knowledge and belief and after having made due enquiry and investigation, KDB Asia Limited, Korea Development Bank, LB Investment Inc., Korea Investment Partners Co., Ltd. and Darwin Venture Capital Co., Ltd. are Independent Third Parties.

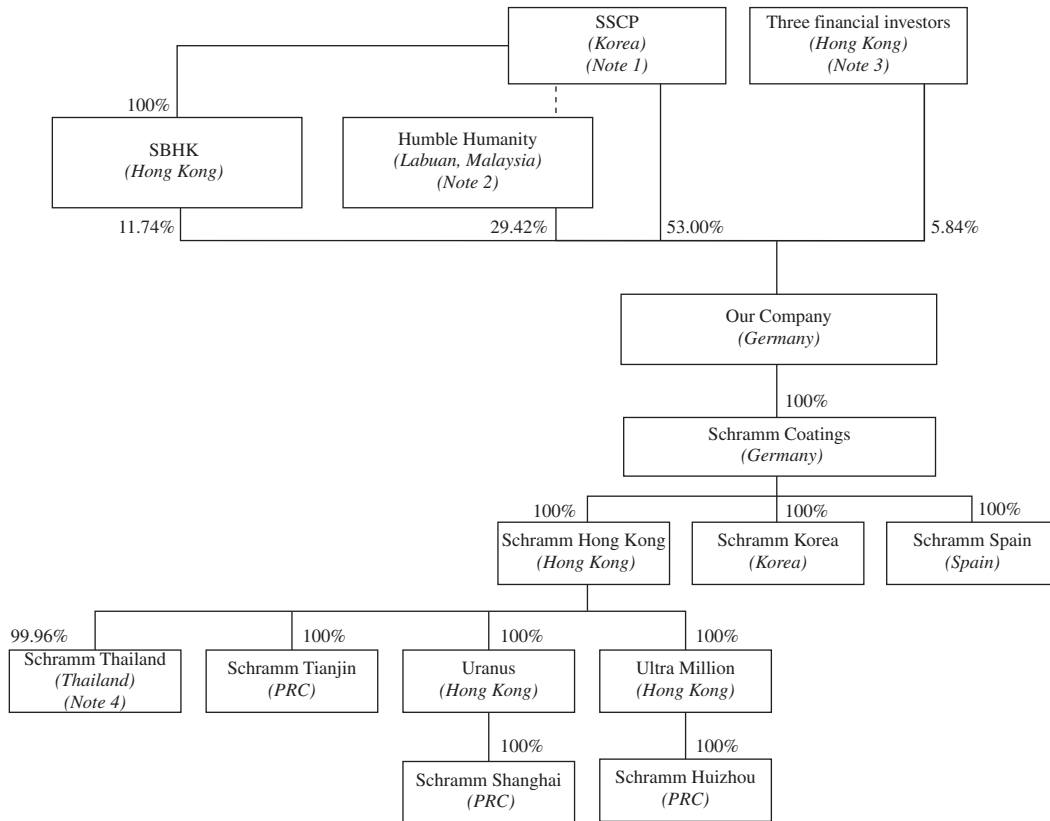
The total cost of investment of the Exchangeable Bondholders under the second round of the Investments was US\$16,939,200 and HK\$26,460,000 (approximately HK\$157,738,800 in aggregate). Assuming the Exchange Rights are exercised in full, the cost of investment for the second round of the Investments represent a discount of approximately 30% to the Offer Price per Share.

The first round and second round Investments were both completed around the financial crisis which occurred in the second half of 2008, during which the availability of credit in global lending markets was severely tightened. Having considered the extra risk exposure and the financial costs that had been taken on by the financial investors, our Directors consider that the discounts in the investment costs of the first and second round investors to the Offer Price was reasonably justified.

HISTORY AND CORPORATE STRUCTURE

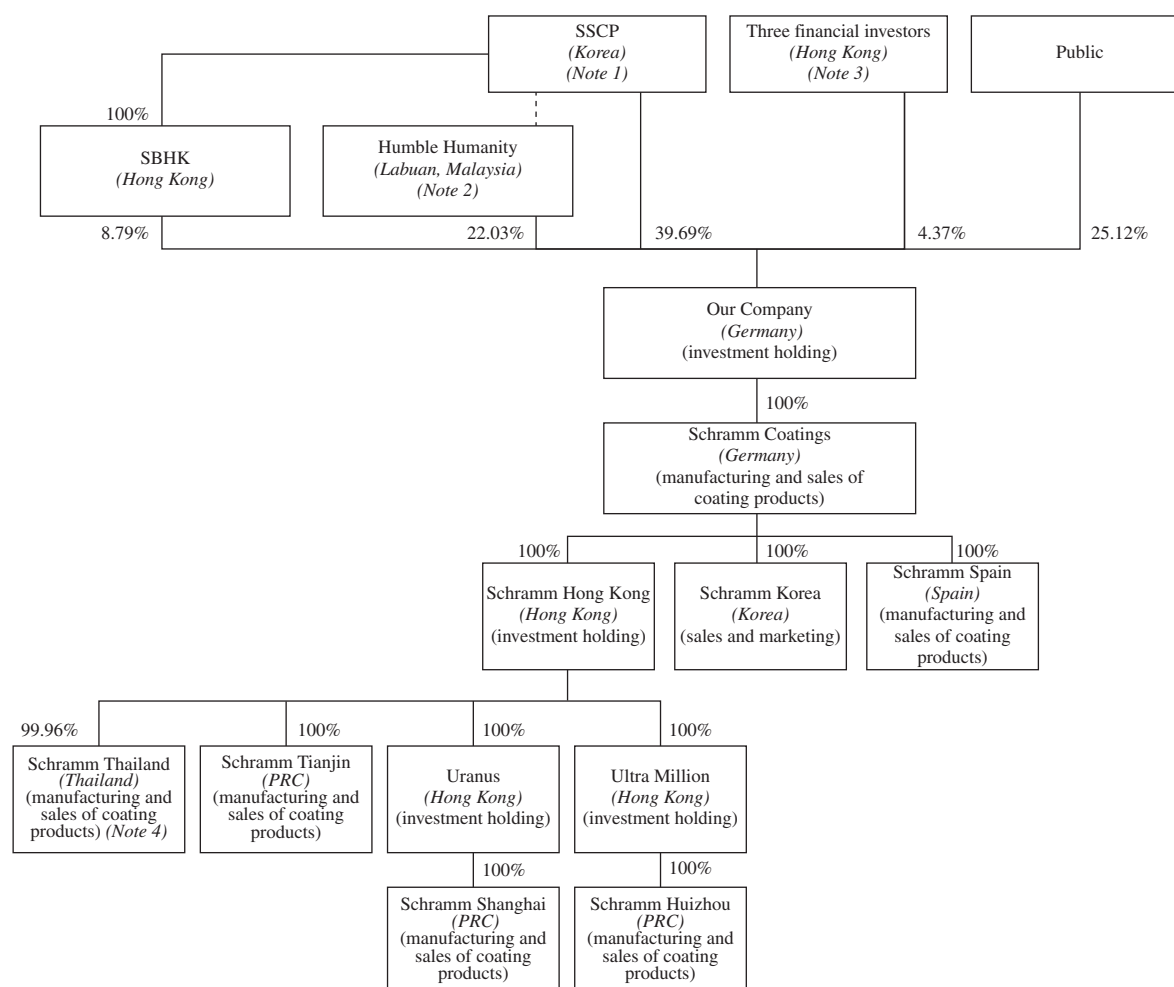
OUR CORPORATE STRUCTURE

The following sets out our corporate and shareholding structure immediately prior to Listing:



HISTORY AND CORPORATE STRUCTURE

The following sets out our corporate and shareholding structure immediately after completion of the Global Offering:

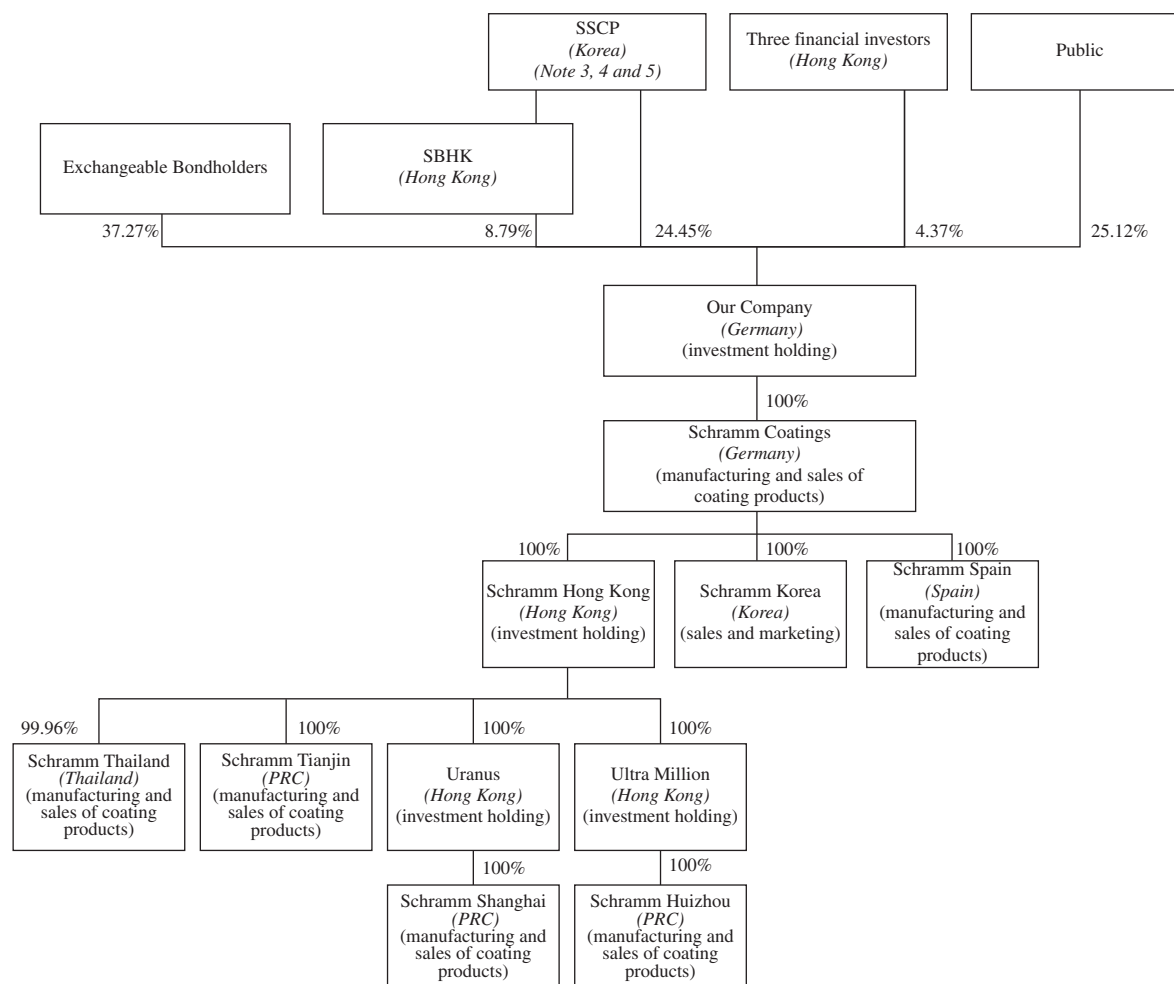


Notes:

- (1) SSCP is a company incorporated in Korea and listed on the KOSDAQ.
- (2) Humble Humanity, a company incorporated in Labuan, Malaysia, is the issuer of the Exchangeable Bonds. Through its arrangements with the legal and beneficial owners of Humble Humanity, SSCP has, since the incorporation of Humble Humanity, maintained the right to control the ownership, management and operations of Humble Humanity.
- (3) These are the three financial investors of the first round Investment, namely Myriad Fine Investment Limited, Pacific Finance Limited and Apex Link Investment Limited, details of which are set out in the section headed “Investments by Financial Investors — First Round of the Investments” in this section of this prospectus.
- (4) The remaining 0.04% of the share capital of Schramm Thailand is held by the employees of Schramm Thailand.

HISTORY AND CORPORATE STRUCTURE

For illustration purpose only, assuming the Exchange Rights attaching to the Exchangeable Bonds are exercised in full, the following sets out our corporate and shareholding structure immediately after completion of the Global Offering and the exchange of the Exchangeable Bonds (assuming no change of the shareholding structure in our Company or any of our group companies after the Listing):



Notes:

- (1) The above percentage shareholding interests of our Shareholders are for illustration purposes only as the actual number of Shares to be held by the Exchangeable Bondholders depends on the applicable currency exchange rates as at the Price Determination Date and the Offer Price as finally determined. The above corporate and shareholding structure is based on the assumption that the Exchange Rights are exercised in full, and there will be no change of the shareholding structure in our Company or any of our group companies after the Listing. According to the Exchangeable Bonds Subscription Agreements, the Exchangeable Bondholders shall have the right to exchange their Exchangeable Bonds, in full or in part, into the Exchange Shares at any time from and including the date on which the lock-up period applicable to the Exchange Shares expires up to the day falling seven days prior to the New Maturity Date. Given that Humble Humanity, being one of the Controlling Shareholders, is subject to the restrictions on disposal of Shares under Rule 10.07 of the Listing Rules, the Exchangeable Bonds may only be exchanged into Exchange Shares after the expiry of the lock-up period imposed on Humble Humanity under the Listing Rules.

HISTORY AND CORPORATE STRUCTURE

- (2) The above corporate and shareholding structure is also based on (i) the assumption that the Offer Price is determined at HK\$37.00, being the mid-point of the indicative offer price range of HK\$29.00 to HK\$45.00, and (ii) the currency exchange rates as at the Latest Practicable Date for calculation of the Exchange Price pursuant to the terms and conditions of the Exchangeable Bonds.
- (3) According to the Exchangeable Bonds Subscription Agreements, in case Humble Humanity does not have sufficient number of Shares to be delivered to the Exchangeable Bondholders exercising the Exchange Right, Humble Humanity shall, or shall cause SSCP to, immediately deposit such number of additional Shares as may be required to be delivered to such Exchangeable Bondholders. In the event that an Exchangeable Bondholder cannot lawfully exchange its Exchangeable Bonds for Exchange Shares and/or other Exchange Property or in case there is insufficient number of Shares to be delivered to such Exchangeable Bondholder at any time for any reason, Humble Humanity undertakes (so long as it is lawful to do so), or cause SSCP to undertake, to pay to the Exchangeable Bondholder such amount of cash equal to the closing price of the Shares (which such Exchangeable Bondholder would have been entitled on exchange) on the Stock Exchange on the Exchange Date.
- (4) In the event that the Offer Price is determined at HK\$29.00, being the lowest indicative offer price range, Humble Humanity and SSCP will be required to deliver to the Exchangeable Bondholders a total of 9,465,789 Shares under the Exchangeable Bonds Subscription Agreements, resulting in SSCP's and its associated companies' (including SBHK) interest in our Company being reduced to approximately 22.96%. In the event that the delivery of Shares to the Exchangeable Bondholders by SSCP and/or Humble Humanity under the Exchangeable Bonds Subscription Agreements would result in SSCP and its associated companies (including SBHK) ceasing to be our Controlling Shareholders, SSCP and/ or Humble Humanity shall, instead of transferring Shares, make compensation to such Exchangeable Bondholders for such shortfall in cash. Under this circumstance, SSCP is required to pay to the respective Exchangeable Bondholders cash compensation in an aggregated amount of approximately HK\$40,666,381 (assuming the closing price of the Shares on the Stock Exchange on the Exchange Date equals to HK\$29.00, being the lowest indicative offer price range), and immediately after the exchange in full of the Exchangeable Bonds and assuming such compensation is paid to STM, STM will be interested in approximately 20.49% in our Company. The number and percentage are for illustration purposes only. The actual number of Shares and STM's percentage interest in our Company depends on the applicable currency exchange rates as at Price Determination Date and the Exchange Date and the Offer Price as finally determined.
- (5) The Controlling Shareholders will ensure compliance with Rule 10.07 of the Listing Rules in delivering the Exchange Shares to the Exchangeable Bondholders. SSCP, together with its associated companies (including SBHK), shall remain as Controlling Shareholders immediately after exchange of the Exchangeable Bonds.