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OVERVIEW

We are the first German joint stock company to become listed on the Hong Kong Stock Exchange.

With nearly 200 years of history, our Group has developed and established ourselves as an innovative global manufacturer and supplier of a targeted range of state-of-the-art, technical and custom-tailored coatings solutions. We supply our coatings, to manufacturers of a range of goods marketed by many household brands and other international leaders in their respective fields. In addition, for a number of years, our designers and research teams have been working with our clients in the development of numerous technologically-advanced products, continually providing them with tailor-made coating solutions.

Unlike some of the major mass-market players in the coatings industry who generally concentrate on high volume, lower profit margin commodity coatings products, we adopt a defined strategy to focus both our technological development and product range to target specific niches within selected application areas that we believe to be profitable and high-growth, where high levels of product performance, sophistication and customisation are required, and which commodity products cannot satisfy. As a result, our technical product range tends to command higher profit margins than commodity products available in the market. The selected “specialty” sectors where we currently focus specifically on for their profitability and growth potential are respectively:

- automotive and general industry coatings;
- coil coatings (for pre-coated metals); and
- electrical insulation paints and varnishes.

Our automotive and general industry sector is further divided into the key focus business streams of (i) automotive (ii) mobile electronics and (iii) home appliances and consumer electronics.

For the automotive market, we supply complete interior coating solutions for plastic trim to tier suppliers of a prestigious yet diverse range of leading global OEM car-makers as well as functional coatings for metal components to such global leaders of car parts makers as Stabilus.

For the mobile handset market, we supply coatings for handsets marketed by the leading global set makers including Samsung and LG, as well as component manufacturers such as Flextronics and their downstream applicators.

For the home appliances and consumer electronics market, we supply coatings for home appliances and consumer electronics marketed by many of the world’s leading brands such as Samsung and LG.

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Just as our Group aspires to further consolidate our market reputation of innovation, technologically-advanced product range, consistency of quality and reliability, and comprehensive customer services, we are equally committed to our environmental responsibilities. Our resource sensitive values are integral to our business, from our research and development objectives to our production facilities, operations and product range, which allow us to capture new business and serve customers who themselves are becoming increasingly aware of the value of eco-friendly business and products, and who demand the same standards as we do in our products. We believe that this selective, innovative and responsible approach has led us to become one of Europe's market leaders in the specialty coating industry and has given us a growing presence in other markets around the world. For example, in the market for coatings materials used in shock absorbers, we are a supplier to three of the world's market leaders in the shock absorber industry, each of which ranks amongst the top three in terms of market shares in Europe and North America. In the market for pigmented insulating resins used for lighting ballasts, aggregate supplies to customers in Europe approximated 1,700 and 1,350 tonnes in 2007 and 2008, respectively, representing approximately 85% and 68%, respectively, of total demand for this product in Europe in those years (based on a total estimated annual demand in Europe of about 2,000 tonnes) as we steadily expand our sales to China, India, South America and Australia.

The following table shows the breakdown of our Group's turnover, operating profit and profit attributable to our equity holders for the three years ended 31 December 2008 and the six months ended 30 June 2008 and 2009.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	€ '000	€ '000	€ '000	€ '000	€ '000
	<i>(unaudited)</i>				
Sales	60,211	70,510	93,605	49,234	37,507
Operating profit	4,836	5,500	9,140	6,266	1,733
Profit attributable to our equity holders	2,967	2,904	5,772	4,386	518

The following table shows the breakdown of our Group's performance by product segments for the three years ended 31 December 2008 and the six months ended 30 June 2008 and 2009.

	For the year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
Sales from	€ '000	% of total	€ '000	% of total	€ '000	% of total	€ '000	% of total	€ '000	% of total
	<i>(unaudited)</i>									
Automotive and General Industry	34,482	57.27%	41,057	58.23%	65,371	69.84%	34,727	70.54%	26,436	70.48%
Coil Coatings	17,784	29.54%	21,952	31.13%	21,426	22.89%	10,602	21.53%	8,941	23.84%
Electrical Insulations	7,945	13.19%	7,501	10.64%	6,808	7.27%	3,905	7.93%	2,130	5.68%
Total Sales	<u>60,211</u>	<u>100.0%</u>	<u>70,510</u>	<u>100.0%</u>	<u>93,605</u>	<u>100.0%</u>	<u>49,234</u>	<u>100%</u>	<u>37,507</u>	<u>100%</u>

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Our Group has grown from a small production facility in Germany to an international manufacturer with production facilities in Germany, Spain, China and Thailand and licensed manufacturing partnerships in Korea, Japan and the US. Our Group-owned production facilities have a combined designed production capacity of approximately 41,600 tonnes of coatings per year. For the year ended 31 December 2008, we produced approximately 20,200 tonnes of coatings.

The table below sets out our sales by geographical markets for the three years ended 31 December 2008 and the six months ended 30 June 2008 and 2009:

	For the year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	€ '000	% of total	€ '000	% of total	€ '000	% of total	€ '000	% of total	€ '000	% of total
Germany	39,346	65.35%	44,637	63.31%	41,416	44.25%	22,301	45.30%	15,646	41.72%
France	4,172	6.93%	3,565	5.06%	2,944	3.14%	1,739	3.53%	945	2.52%
Belgium	2,129	3.54%	3,106	4.40%	4,007	4.28%	2,385	4.84%	1,522	4.06%
Netherlands	2,295	3.81%	3,225	4.57%	2,915	3.11%	1,791	3.64%	858	2.29%
Spain	1,437	2.39%	1,358	1.93%	2,894	3.09%	1,748	3.55%	889	2.37%
Czech Republic	1,230	2.04%	1,455	2.06%	1,734	1.85%	796	1.62%	863	2.30%
Italy	1,685	2.80%	1,497	2.12%	1,458	1.56%	617	1.25%	609	1.62%
Austria	1,429	2.37%	1,204	1.71%	839	0.90%	521	1.06%	214	0.57%
Poland	629	1.04%	1,036	1.47%	890	0.95%	505	1.02%	1,107	2.95%
Slovakia	447	0.74%	793	1.12%	1,226	1.31%	674	1.37%	432	1.15%
Hungary	555	0.92%	606	0.86%	733	0.78%	274	0.56%	413	1.10%
PRC	—	—	1,839	2.61%	18,597	19.87%	8,591	17.45%	8,999	23.99%
Korea	—	—	1,029	1.46%	8,580	9.17%	4,564	9.27%	2,993	7.98%
Hong Kong	—	—	—	—	—	—	—	—	436	1.16%
Japan	—	—	—	—	160	0.17%	37	0.08%	59	0.16%
Malaysia	—	—	—	—	6	0.01%	—	—	6	0.02%
Others - European countries	1,771	2.94%	2,427	3.44%	2,937	3.14%	1,292	2.62%	814	2.17%
Others - Non-European countries	3,086	5.13%	2,733	3.88%	2,269	2.42%	1,399	2.84%	702	1.87%
	<u>60,211</u>	<u>100.00%</u>	<u>70,510</u>	<u>100.00%</u>	<u>93,605</u>	<u>100.00%</u>	<u>49,234</u>	<u>100.00%</u>	<u>37,507</u>	<u>100.00%</u>

Our Group's production facilities have been certified under international quality assurance standards. Our Group strives to continue bolstering our production capabilities in order to meet the domestic and international demand for our products.

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COMPETITIVE STRENGTHS

Customisation of innovative production technology

Our Group's key differentiating factor is our focus on profitable and high growth niche markets which demand technically advanced products customised to meet our customers' exact specifications (such as gloss, colour, function and haptics). Our sales-led, technically-driven marketing approach, the wealth of technical know-how which we have accumulated over time and our customised formulations, each unique to a particular specification, form a key part of our competitive edge which, we believe, is difficult for our competitors to emulate independently.

The uniqueness factor that forms the basis of our strength is derived largely from our customised chemical formulation for the specialty resins used in the manufacture of our coatings, which determine many properties of the end product such as adhesion, hardness, specific chemical or weathering resistance. While mainstream coatings producers largely rely on sourced resins purchased from the market, we have our own in-house resin production facility in Germany which allows us to tailor-make resins with chemical make-ups which are customised to meet the precise qualities required to conform with the particular and demanding specifications of our customers.

Strong product research and development capability

Our Group invests significantly in our research and development efforts to maintain technical leadership in technology for the production of coatings, in order to maintain our competitive edge and place us at the forefront to capture emerging profitable and high growth niches. For the three years ended 31 December 2008 and the six months ended 30 June 2009, our Group spent €3.8 million, €9.1 million, €6.5 million and €2.9 million on research and development respectively.

For instance, while in markets and regions such as China and Korea, where coatings used by manufacturers are still predominantly based on solvent-borne technology, we have already built up a wealth of experience and technological know-how in water-borne coatings, which is a more advanced and environmentally responsible technology developed to meet the stringent environmental standards of the European markets. Our advanced technological development in this area, coupled with our established presences in Asia, puts us in an advantageous position to capture new demand, as environmental awareness and regulatory developments in these markets shift toward such newer and cleaner technologies.

Design driven integration of workflows with customers

Our coating, once applied to a customer's end product, is the first and last thing an end consumer of that article encounters. Our coatings play a vital role in conveying the intended visual appearance, tactility, function and durability to our customers' end products as we provide the finishing coatings for their products. As a result, it is particularly critical, especially in respect of our key business streams of automotive, mobile handsets and consumer electronics coatings, that we are involved heavily in the customer's product design flow from an early stage. By working closely together with them, we can ensure that their specifications are correctly and consistently met, and that our products are kept updated with the latest market trends and demands.

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Our Group has an in-house team of experienced and dedicated designers who understand and keep abreast of market trends by consulting with the design teams of our customer to come up with new concepts and develop them into new coatings products.

Global reach and strategic presences

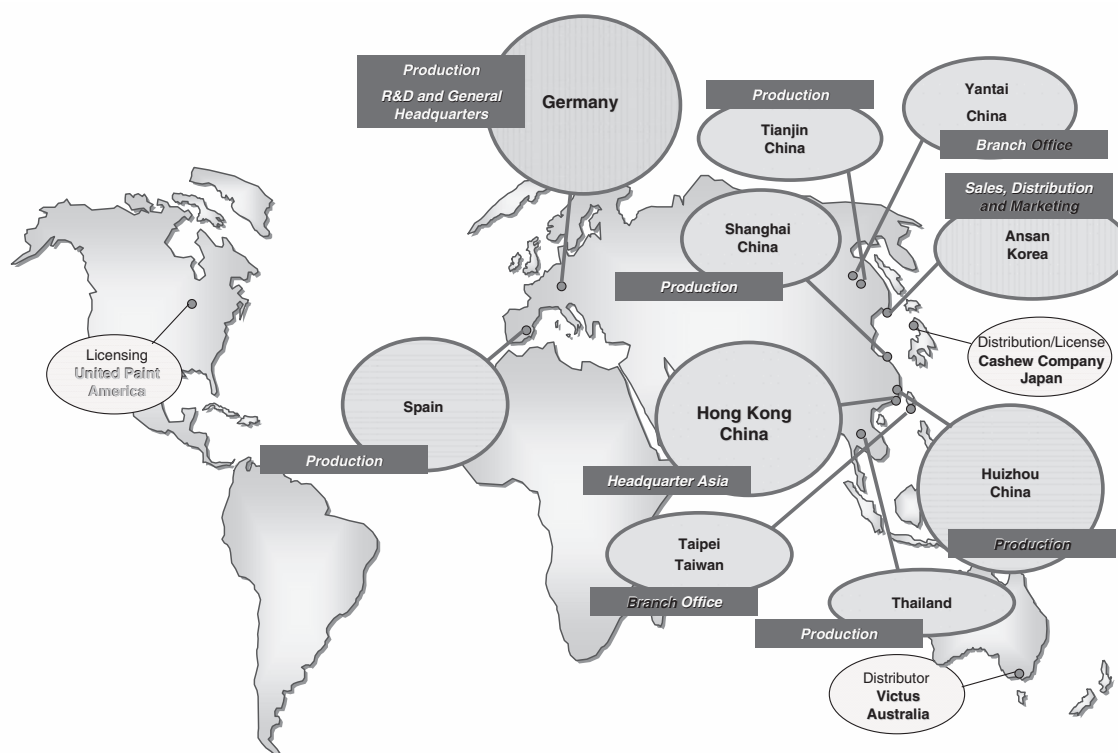
Our international reach allows us to market to and meet the demands of large multinational customers, as well as tap into a vast range of regional customers across many countries, which assists us in diversifying our customer base. It also enables us to keep up-to-date with the latest market trends in each region to keep our research and development efforts relevant and timely, as well as allow us to respond promptly to customer's requests and developing tailor-made solutions to assist them in resolving their needs. Further, our strategic presences close to local supplier and customer concentrations enable us to shorten production lead-time.

Our Group has established strategic presences in various continents, in countries and localities with concentrated manufacturing hubs for the specific sectors which we target, including Germany, Spain, China, Korea, Japan, Taiwan, Thailand, Australia and the United States.

Many large multinational manufacturers, in particular the car makers and mobile handset builders, cross-produce and cross-market one product platform across different countries, continents and markets, and they demand from their coatings supplier the ability to provide timely product delivery and commercial and technical services to their manufacturing facilities in the specific regions. The regional design and colour requirements or preferences must also be satisfied from these local facilities.

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Below is a map showing our global network as at the Latest Practicable Date:



High quality products

Our Group adheres strictly to a comprehensive quality management system by means of project and target controls, which is a vital part of our corporate philosophy.

Our production facilities in Germany (Offenbach) and Spain (Barcelona) have implemented a quality management system in accordance with the ISO 9001 certification standard covering different stages of production and other associated business operations at these facilities. In addition, our facility in Germany have been awarded certification according to BS OHSAS 18001 for the implementation and compliance of all specified occupational health and safety management requirements.

Our production facilities in Germany (Offenbach), Spain (Barcelona), China (Shanghai, Huizhou and Tianjin) and Thailand have all received certification according to ISO 9001:2000. Additionally the facilities in Germany, Spain and Huizhou are certified according to ISO/TS 16949:2002.

This attention to quality management has enabled us to develop a reputation for producing coatings that are consistently at a high level of quality.

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We are confident that our focus on quality products, streamlined production processes and customer satisfaction will enable us to cater to ever increasing market demands by constantly optimising our products and systems, setting the platform for building ever more reliable partnerships with our customers.

Experienced, dedicated and innovative management team with a track record of delivering growth and profitability

Our Group has an experienced and capable management team with extensive operational expertise and an in-depth understanding and professional knowledge in the technical coatings industry.

Mr Brenner, our chief executive officer, has over fourteen years experience in the coatings industry and has been heavily involved in the management of our operations in Europe. In his role as our chief executive officer, he has been responsible for building up our Group's metals coatings business and the international business development of our Group. Mr Chae, our chief strategic officer, has been heavily involved in the management of the PRC Subsidiaries and Schramm Thailand since January 2006 and has overseen a period of dramatic growth in profitability by the PRC Subsidiaries and Schramm Thailand during the Track Record Period. In addition, our key operational members, comprising our Directors, senior management and senior operation personnels have on average 20 years of experience in this industry.

Our Directors believe that the management's extensive knowledge and experience have been crucial to the success of our business. Our Directors also believe that our management team has been able to effectively manage as well as implement its corporate values, which has been key to our ongoing success and growth. Our management team's responsiveness to the market and continual effort in enhancing production technology, environmental awareness and overall efficiency strengthens our Group's ability to capture future market opportunities.

Diversified base of long-established customer relationships

Unlike some of the other coatings producers in the market that focus only on a limited number of key clients, exposing them to significant risk particularly in circumstances of global or regional economic instability, our Group's sales are distributed amongst a wide range of customers covering a varied spectrum of industries, in various geographical locations and across all of our business units. Within each target sector, our customer portfolio is also generally diverse. In addition, with our long history, we have established solid, long-standing relationships with customers. For example, some of our customers have had business relationships with us for periods between 10 to 30 years. We believe this diversity in client base and our established relationships differentiate us from other major coatings and general paint producers.

Competitive and low cost structure

Our Group has a clearly delineated and lean organisational structure in which different business units are able to operate autonomously without hindrance or conflict with each other, but allowing the requisite information flow and constructive cooperation to take full advantage of any synergies that may arise.

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Further, minimisation of costs is one of the drivers behind our globalisation strategy. By having production facilities located in strategic regions close to customers and suppliers, we are able to rationalise costs such as overseas freight for importing of supplies and exporting of products, as well as savings resulting from cheaper, locally available raw materials alternative, staffing and other administrative resources.

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Technology and product transfer from Germany to Asia

Currently, our German operation is the technological centre of our Group, where our lead innovation personnel and our in-house reactor for custom resin production reside.

With the recent acquisitions of the Shanghai Facility, the Huizhou Facility, the Tianjin Facility and the Thailand Facility, our production capability in Asia has been dramatically increased, and it is our Group's objective to complete the transfer of our technological know-how and product range from our German operations over to our PRC operations as part of their integration into our Group, a process which is already underway. By way of example, our Shanghai Facility has already been equipped with water-borne production facilities and has begun developing business for these products.

In particular, the full transfer of our water-borne formulations which meet the environmental standards prevalent in the European market, to our Asian operations will be a priority, as this will place us in a competitively advantageous position to capture the increasing potential of Asian business which is converting from older solvent-borne products to water-borne counterparts.

Leveraging our “Schramm” brand name, customer base and environmentally responsible systems

With nearly 200 years of history, the “Schramm” brand name is one of the oldest in the paint industry and enjoys an enviable reputation in the technical coatings field. Our Directors believe that being innovative and environmentally responsible are qualities which are associated with the “Schramm” brand name, and are qualities which will become increasingly valued by our customers, particularly those who are global players and leaders in their particular market niches.

Our brand name is particularly strong in the European automotive sector, and brand penetration has been steadily increasing in our other target markets in Asia. Through Schramm Korea, our brand is now well established with many of the leading Korean automotive OEM makers.

Through acquiring the PRC Facilities from SSCP Group, in addition to taking advantage of their production capability and regional footprint to expand our service capability for the PRC operations of our Group's pre-existing multi-national customers, our Group aims to add value to those existing operations by leveraging the goodwill of the “Schramm” brand in our PRC Facilities, and we aim to do the same with any future global expansions as part of our globalisation strategy (as detailed below).

Our Group is dedicated in creating an environmentally responsible system by implementing environmental protection measures in our production facilities and by obtaining valid registrations, licences and permits in respect of the environmental protection regulations in those respective

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jurisdictions. In addition, our Group is also environmentally responsible by devoting in the development of know-how in more advanced and environmentally friendly technologies (such as water-borne technology, powder coatings and coil coatings). For instance, we are planning to transfer our technological know-how and product range from our European operations to our PRC operations, with a priority on the transfer of the environmentally friendly water-borne formulation. We would also take into consideration our suppliers' dedication in environmental protection when choosing our suppliers. Our Group's dedication in its compliance with the environment regulations and standards as well as its devotion in developing the environmentally friendly know-how in coating technology give our Group an enviable reputation for creating an environmentally responsible system.

Globalisation to further enhance and support service to our multinational customers

In the technical coatings field, speed in producing, testing and supporting our products is usually vital. It is therefore important that we have a presence geographically close to our customers in order to provide them ready access. In particular, multinational customers often demand supply and support networks which closely match their own production networks.

The physical and chemical attributes of our coatings products also mean that it is usually safer, far more practicable and economical to process raw materials, and ship products from regional production sites to local customers or local branches of global customers, than to produce at a global headquarters and deliver overseas.

Due to these dynamics of our industry, it is our Group's objective to continue expanding our reach globally, either organically or by suitable acquisitions and consolidations of smaller regional players, as and when the right opportunities present themselves, with priority given to those locations where there are concentrations of manufacturing sites for our target niche markets, in order to allow us to grow our market share with existing customers and attract new ones.

Product diversification to develop new markets and expand customer base

Future and diversified product and market development include:

- In-mould decoration (**IMD**) — a process which allows plastic moulded parts to be painted in-situ within the moulding tool providing decorative and functional coating properties and eliminating the requirement for a separate paint application facility. This is a process which can be used in interior automotive plastic application areas and other sectors including domestic and office furniture.
- Self-cleaning coatings for exterior metal and plastic applications — a surface treated with such kind of coatings are able to repel surface-borne contaminants such as dust, dirt and soot from exhaust fumes and self-clean in rain showers and low intensity cleaning processes. These products will find extensive use in the building industry where roofs and walls can be maintained and cleaned without the necessity for costly high pressure power washes, saving valuable resources and reducing maintenance costs.

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For further details and information on our Group's future plans and use of proceeds, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

OUR PRODUCTS

Our Group produces a wide range of coating products spanning different water- and solvent-based technologies, application systems, technical and physical functions, and end-use.

Our Group's current product range is broadly focused on three main business streams: automotive and general industry coatings, coil coatings and electrical insulation paints and varnishes.

Automotive and General Industry

Our automotive and general industry sector focus is divided into the sub-streams of (i) automotive; (ii) mobile electronics; and (iii) home appliances and consumer electronics.

Automotive Interior Trim Coatings

We supply a comprehensive range of decorative, special effect and soft feel coatings for automotive interior plastic trim components including centre stacks instrument panels, instrument bezels, door trim, instrument panels and door decorative rails, glove boxes, SRS air bag covers, switches and buttons. These coatings have high chemical and abrasion resistance and are predominantly based on water-borne technology to eliminate unpleasant in-car solvent emissions. They can also be formulated to provide a range of haptic effects, such as suede and soft feel finishes.

Our customers in this sector include tier suppliers who manufacture automotive plastic trim parts for most major global OEM car-makers, to whom we are endorsed as a designated coatings supplier globally for particular global car platforms developed by these car-makers.

Automotive Functional Underbody Coatings

We also supply functional coatings in both solvent and water borne technologies, as well as powder coatings and UV-cured coatings, for automotive underbody or other metal components such as shock absorbers, gas springs, drive shafts, chassis and engine components, brake discs and drums, machine casings and windscreen wiper arms.

These coatings generally have high corrosion, chemical and abrasion resistance and have wide application to metallic automotive underbody components.

We are a designated global component supplier to leading global manufacturers of shock absorbers and windscreen wiper arms.

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Mobile Electronics Coatings

We supply a comprehensive range of decorative and special effect coatings for application to mobile handsets. These coatings generally have high chemical and abrasion resistance and come in a wide variety of pigmentations, gloss, tactility and other special effects. These coatings use solvent-borne technology due to the small size of mobile handset substrate parts and the fact that they are predominantly manufactured in Asia and South America where solvent-borne application remains prevalent.

We consult with the design headquarters of various major global mobile set-makers in Europe, the US, and Asia, to conceive coatings specifications that comply with the design brief of new model launches.

As a result of our consultations, our Group may then be selected as the specified or nominated supplier for a specific model/platform and we supply the nominated formulations to those set-makers' manufacturing and painting tier-suppliers which are predominantly based in China and South America.

It is therefore vital for our Group to have an active presence in each territory where the set-maker and its tier-suppliers are active in order to provide a cohesive coatings and coordinated coatings solution strategy.

Home Appliances and Consumer Electronics Coatings

We supply decorative and special effect coatings in solvent-borne technologies for application in the home appliances, consumer electronics and cosmetic packaging industries for applications including television and audio plastic casings, air conditioner units, vacuum cleaners, computers and printers, washing machines, laundry driers and refrigerators. These coatings generally have high chemical and abrasion resistance.

We engage in the design process with the design headquarters of major global makers and brand names including but not limited to Samsung and LG, and supply coatings to assembly and painting tier-suppliers of such set-makers based predominantly in China, Eastern Europe and South America as the maker's specified, nominated or preferred supplier for a particular product.

Coil Coatings

Coil coatings are coatings specifically designed for application to pre-coated metal. This involves a process whereby the coating is applied to metal in coil form and the coating application is via rollers where both-side application is possible.

Coil coatings are generally considered a relatively high volume and lower profit margin coating business area, unlike most of our other business areas. We have focused only on value added applications and this fits within our Group's philosophy of a niche marketing strategy. Our Group is

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well placed to respond to customers who want a full service coatings solution comprising coil coatings, powder coatings and plastic finishes for appliances such as consumer electronics and kitchen appliances. In addition, it serves as a good diversification balance to our higher profit margin, lower volume technical products.

Our coil coatings are generally decorative and functional which provide high chemical, environmental and abrasion resistance, with extensive applications in the architectural supply industry including roofing, building facades and roller shutters, automotive base coats, finishes for car trailers and caravans, white goods and brown goods, and specialist functional coatings including anti-biological coatings for clean rooms, cool roof applications and protective coatings for stainless steel.

Our key coil coatings customers include Euramax and Novelis.

Electrical Insulation Paints and Varnishes

Electrical insulation paints and varnishes are coatings with electrical insulation properties and are used to coat conductive wires and electric fittings to provide insulation for safety and functional purposes. We supply both clear varnish and pigmented paint systems for applications including the coating of armature windings, rotors and transformers. Our pigmented insulation paints are supplied to manufacturers of magnetic ballasts used in the manufacture of fluorescent and other light fixtures for both interior and exterior domestic and industrial use. These pigmented electrical insulation paints provide both secondary electrical insulation properties and suppress the vibration and noise normally generated from the armature winding during use.

Our Group is the world's leading manufacturer of pigmented insulation paints for lighting ballasts applications. Aggregate supplies to customers in Europe approximated 1,700 and 1,350 tonnes in 2007 and 2008, respectively, representing approximately 85% and 68% of total demand for pigmented insulation paints for lighting ballasts applications in Europe in those years (based on a total estimated annual demand in Europe of about 2,000 tonnes). We are also steadily expanding our sales to China, India, South America and Australia.

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PRODUCTION FACILITIES

An overview of our key production facilities is set out below.

Offenbach, Germany

Schramm Coatings, our wholly-owned subsidiary, operates our Germany Facility located in Offenbach, Germany, covering a gross floor area of approximately 27,445 square metres on a property owned by Schramm Coatings. The Germany Facility has an annual designed capacity of approximately 12,000 tonnes of liquid coatings (including resins) and approximately 2,000 tonnes of powder coatings. For the year ended 31 December 2008, its utilisation rate was approximately 86%. It is predominantly focused on producing powder coating products and water-borne coating products for the automotive underbody metals and trim plastics applications. It is also equipped to produce coil coatings for applications such as roofing, roller shutters and white goods, and electrical insulation paints and varnishes. It's main markets include domestic sales in Germany, as well as exports mainly to other European countries.

In addition, it houses our global research and design headquarters, as well as our proprietary in-house resin reactor for centralised production of customised specialty resins for use by our global operations.

Barcelona, Spain

Schramm Spain, our wholly-owned subsidiary, operates our Spain Facility located in Barcelona, Spain, covering a gross floor area of approximately 2,225 square metres on a property owned by Schramm Spain. The Spain Facility has an annual designed capacity of approximately 1,200 tonnes. For the year ended 31 December 2008, its utilisation rate was approximately 65%. It is predominantly focused on producing coatings for the automotive and general industry sectors for domestic sales in Spain and for export mainly to other European countries.

Shanghai, PRC

Schramm Shanghai, our wholly-owned subsidiary, operates our Shanghai Facility located in Qingpu District, Shanghai, PRC, covering a gross floor area of approximately 7,186.13 square metres on a property leased from an Independent Third Party. The Shanghai Facility has an annual designed capacity of approximately 6,000 tonnes of liquid coatings. For the year ended 31 December 2008, its utilisation rate was approximately 40%. It is predominantly focused on producing solvent-borne mobile handsets coatings, home appliances coatings, notebooks coatings as well as coatings for automotive and other miscellaneous applications for the domestic PRC market. It also houses water-borne production facilities for future expansion into water-borne products in the PRC.

Huizhou, PRC

Schramm Huizhou, our wholly-owned subsidiary, operates our Huizhou Facility located in Huizhou, Guangdong, PRC, covering a gross floor area of approximately 4,261.23 square metres on a property leased from Schramm Tianjin, our wholly-owned subsidiary. The Huizhou Facility has an

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annual designed capacity of approximately 9,000 tonnes. For the year ended 31 December 2008, its utilisation rate was approximately 19%. It is predominantly focused on producing solvent-borne coatings for the IT & general industries sectors for the domestic PRC market, with a particular emphasis on mobile handsets coatings, as well as coatings for home electronics and other miscellaneous applications in the Southern China region.

Tianjin, PRC

Schramm Tianjin, our wholly-owned subsidiary, operates our Tianjin Facility located in Jinnan District, Tianjin, PRC, covering a gross floor area of approximately 10,114.71 square metres on a property owned by Schramm Tianjin. The Tianjin Facility has an annual designed capacity of approximately 8,100 tonnes of liquid coatings. For the year ended 31 December 2008, its utilisation rate was approximately 33%. It is predominantly focused on producing solvent-borne coatings for mobile handsets, as well as automotives, home appliances, cosmetics containers and other miscellaneous applications for the domestic PRC market. In addition, it houses a specialised facility for production of UV inks and coatings.

Rayong, Thailand

Schramm Thailand, our majority-controlled subsidiary, operates our Thailand Facility located in Rayong, Thailand, covering a gross floor area of approximately 1,632 square metres on a property leased from an Independent Third Party. The Thailand Facility has an annual designed capacity of approximately 3,400 tonnes of liquid coatings. For the year ended 31 December 2008, its utilisation rate was approximately 18%. It is predominantly focused on producing solvent-borne coatings for home appliances for the domestic Thai market, as well as some exports to Indonesia and India.

The utilisation rates of the above manufacturing facilities for the three years ended 31 December 2008 and the six months ended 30 June 2009 are summarised and set out in the following tables (on the assumption, for illustrative purposes only, that all the above subsidiaries were consolidated by our Group since the beginning of the Track Record Period).

	Approximate output for the period <i>(tonnes)</i>	Estimated maximum output for the period <i>(tonnes)</i>	Approximately utilisation rate for the period
For the year ended 31 December 2006	18,320	42,390	43.23%
For the year ended 31 December 2007	19,580	41,070	47.67%
For the year ended 31 December 2008	20,200	41,610	48.55%
For the six months ended 30 June 2009	7,790	20,850	37.36%

The fact that our Group's overall utilisation rate during the Track Record Period was below 50% is a natural result of factors inherent to our industry focus and business model. Since our Group does not manufacture mass-market products, it is not appropriate for our Group to maintain a constant level

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of production and build up a stockpile of commodity inventory. We engage production of our specialised custom-tailored coatings specifically to match orders received. Coupled with the fact that we are subject to seasonal and cyclical fluctuations in market demand for our products, it is important for our Group to maintain sufficient production capacity to cater for the peak periods of orders.

In addition, utilisation rate tends to be lower for our operations in Asia. One reason is that, unlike our German operations which supply few products in larger lots, our Asian operations offer a wider range of products supplied in smaller lots. For instance, one of our key production processes in Asia involves mixing raw material components in tanks. The smaller lots produced in Asia are sometimes unable to fill up an entire tank during one production cycle, leading to a lower theoretical utilisation rate. Moreover, the Asian market is generally more cyclical compared to the European market because our products in Asia are mainly used for high-technology goods such as mobile phones and personal computers, the demand for which is cyclical. Lastly, as we expect our Asian operations to grow more quickly than our European operations, we have factored in the growth potential when building the production capacity of our Asian production facilities.

Despite the fact that some of our production facilities have relatively lower utilization rates, all of our operations have been profit making and have been generating positive operating cash flows. As further discussed in the section headed “Production equipment” below, we source our equipment and machinery from a broad selection of reputable suppliers over the world to ensure the reliability and quality of the plant and equipment, and periodic checking has also been performed on the machineries to ensure they are of good conditions. Having considered these factors, the Directors consider that there is no indication of impairment of the Group’s production facilities during the Track Record Period.

Production equipment

Our key production machinery and equipment include high speed mixers and tanks (of varying sizes and capacities) for mixing various raw material ingredients into finished coatings products, grinding mills for grinding pigments in to smaller particles, reactors for resin production, weighing systems, cleaning equipment, spraying booths for spraying product samples on test cards for quality control, a range of laboratory equipment for testing and inspection of products, as well as storage and transport equipment.

We source our equipment and machinery from a broad selection of reputable suppliers over the world to ensure the reliability and quality of the plant and equipment. This is reflected in our spending on repairs and maintenance expenses, which account for only approximately 1.9%, 2.2% and 1.6% of the total operating expenses for the three years ended 31 December 2006, 2007 and 2008 and approximately 1.6% of the total operating expenses for the six months period ended 30 June 2009. In addition, there has been no impairment to the plant and equipment and the losses or gains on disposal of plant and equipment have been minimal during the Track Record Period. Our selection criteria of suppliers is based on a range of factors including specification and chemical makeup of the machinery required, reliability of service, price and location (for example, most of our machinery in our Germany

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Facilities is sourced from Europe, whereas our Asian operations mostly source from within Asia). Warranty periods for our production machinery usually range from 1 to 2 years from date of purchase, although as mentioned above, we have in the past experienced high reliability and low equipment turnover.

Even though we have been expanding our operation to prepare for expected growth in demand, the businesses our Group is engaged in are generally not capital intensive. Depreciation and amortisation represent only approximately 3.0%, 2.9% and 3.1% of our Group's total operating expenses for the years ended 31 December 2006, 2007 and 2008 and approximately 4.0% of the total operating expenses for the six months ended 30 June 2009. As disclosed in the accountant's report set out in Appendix IA of this prospectus, the useful lives of our technical equipment and machinery are 4 to 10 years, and we do not expect to incur significant capital expenditure for the purpose of replacing existing machinery and equipment in the foreseeable future.

Production Processes

Production process for liquid coatings

Both our liquid and powder coatings consist mainly of resin, pigment, additives and diluents. These constituents must be dosed to fixed or portable mixing tanks to the correct percentage and dispersed into a homogeneous mixture.

<p>Pre-dispersion:</p> <p>Pigments and other solid components are added to the liquid phase that consists of binders, solvents and specific additives. The mixture is then dispersed with a high-speed mixer (dissolver).</p>	
<p>Fine-dispersion (grinding):</p> <p>Where smaller particle sizes of the pigmentation is required by a particular formulation, the mix is processed through grinding mills to ensure a uniform particle size.</p>	
<p>Quality control:</p> <p>Finished coating is tested in our on-site laboratories. The coating is applied to test plates, which are then tested with a range of testing equipment to ensure that customer specification requirements and standards are met.</p>	

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Completion:

The dispersed or ground mixture is then progressed to the finishing stage. Here the colour, gloss and viscosity are adjusted in accordance with the quality control department's input with respect to the individual formulation specification.

**Filling and Packaging:**

The finished mixture is then filtered and packaged and released to the despatch and transport department.



Production process for powder coatings

In contrast to liquid coatings, the ingredients for powder coatings are mainly solids.

Mixing:

Pigments and other solid components are mixed in portable mixing vessels to achieve a homogeneous mixture. During the mixing process the vessels are turned upside down for better results.

**Extrusion:**

The mixture of components is heated, extruded, rolled and crushed into chips or pellets.

**Quality control:**

Finished coating is tested in our on-site laboratories. The coating is applied to test plates, which are then tested with a range of testing equipment to ensure that customer specification requirements and standards are met.



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Filling and Packaging:

When the finished coating has passed quality control clearance, it is filled into the transport containers required by the customers. These containers are handed over the despatch and transport department for delivery.



Resin production process

Resins are produced either as ingredients for our liquid and powder coatings or as finished products, for example as a casting compound in electrical insulation paints and varnishes.

The production process includes the following stages:

Charging of solids:

Solid components are loaded into the reactor by a charging vessel.



Reaction:

The solid components are mixed with the necessary liquid raw materials in either a heated or a cooled reactor. The reaction can take up to 48 hours and is highly automated.



Dilution:

Finished resins are diluted, when needed. This takes place in a separate dilution vessel positioned below the reactor.



Quality control:

Finished resins are tested in a company-based laboratory to meet the customer specification requirements and standards.



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Filling and Packaging:

When the finished resin passes quality control clearance, it is filled into the transport containers and handed over the despatch and transport department for delivery.



Raw materials and utilities

The key raw materials used by our Group in our coatings production are set out below.

Pigments

Pigments control attributes such as colour, brightness and effects. In terms of volume, they typically account for approximately 2% to 20% of the total raw materials used in liquid coatings and approximately 25% for powder coatings.

Resins

Resins give a coating the properties of adhesion, hardness and resistance properties. In terms of volume, they typically account for approximately 35% to 40% of the total raw materials used in liquid coatings and approximately 70% for powder coatings.

Our global operations rely on our centralised in-house resin reactor in our German Facility to tailor-make resins for formulations with specific needs that cannot be met by resins generally available on the market. Typically, our internally-produced resins account for over 50% of our total resins used in production in our Germany Facility.

Additives

Additives control properties such as gloss and surface scratch resistance of a coating film. In terms of volume, they typically account for approximately 2% to 5% of the total raw materials used in liquid coatings and approximately 5% for powder coatings.

Diluents

Solvent or water act as the solution in which the resins and other raw materials are carried. In terms of volume, they typically account for approximately 40% to 50% of the total raw materials used in liquid coatings.

Other materials

Other materials used include hardeners or catalysts to achieve cross-linking and various chemical and physical attributes of a coating system as required by the particular formulation. In terms of volume, together these typically account for approximately 10% to 15% of the total raw materials used in liquid coatings.

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The above relative volume proportions are for illustration purposes only and may, depending on the specifications of a particular customer, differ substantially for any given product.

Other than those in-house resins we manufacture internally which depend greatly on our in-house know-how, all the other raw materials mentioned above are relatively generic and are widely available on the market from a variety of supply sources.

Power and utilities

Electricity

Our Group's main power source for our coatings production is electricity. We currently source our electricity from local major utilities providers many of which have been supplying electricity to our Group for many years. In addition, we have our own thermal generation plant located within our German facility which provides all of the heating needs of that facility at lower rates than the public heat grid.

Our Group incurred electricity costs of approximately €0.81 million, €0.84 million, €0.88 million and €0.44 million respectively for the three years ended 31 December 2008 and the six months ended 30 June 2009.

Our Group has not experienced any significant electricity outages in either our European or Asian facilities which had materially affected our production facilities or our business in general.

Water

Our Group uses water mainly in two ways in our production process - for cooling of our production equipment and as diluents for our products using water borne technologies.

Our production facilities have built-in water purification equipment to distil and process normal piped water for use as diluents in water-borne production.

Our water suppliers are generally the local municipal utilities providers in the relevant areas where our production sites are situated. The cost of water usage is insignificant relative to our overall cost of production.

Suppliers

Our Group's top five raw material suppliers accounted for approximately 43.2%, 40.1%, 44.5% and 41.2%, respectively of our total raw material purchases for the three years ended 31 December 2008 and the six months ended 30 June 2009. Our Group's largest raw material supplier for each period accounted for 17.3%, 17.8%, 19.9% and 21.0% respectively of our Group's total raw material purchases for the three years ended 31 December 2008 and the six months ended 30 June 2009. For 2008, SSCP was our largest supplier by value. During the Track Record Period, we sourced the following types of supplies from the following top suppliers:

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Evonik: Raw materials for coil coatings (mostly resins);

Bayer: Raw materials for automotive plastics (mostly resins) and coil coatings (additives);

Cytec: Raw materials for automotive metal coatings (mostly resins);

Krahn: Raw material supplier of pigments, water, and solvents;

BASF: Wide range of raw materials - mostly pigments along with some additives and resins;

Okura: Mainly aluminum paste and silver paste;

SSCP: Wide range of raw materials (pigments, additives, etc.) and intermediate goods.

We do not generally enter into long term supply contracts with our suppliers.

Our Group sources raw materials for production from a wide range of suppliers globally based on technical properties, quality standard, environmental and commercial aspects of the suppliers and their products. Over our Group's long history, we have built solid relationships with some of our trusted suppliers. These relationships enable us to not only secure stable supplies of raw materials, but also to cooperate with such suppliers in their development of new and customised raw materials that specifically suit our needs from time to time. This in turn yields benefits in efficiency and effectiveness to our production flow which we believe gives our Group a competitive advantage.

SSCP, being one of our Controlling Shareholders, was our largest supplier for the financial year ended 31 December 2008, representing approximately 19.90% of our Group's total purchase during the year. Mr Oh, our Supervisor, is the chief executive officer of SSCP and a shareholder of SSCP holding approximately 15.45% of interest in SSCP. Other than SSCP and Mr Oh, none of our Directors or Supervisors, their respective associates, and so far as our Directors are aware, Shareholders who will own more than 5% of the Shares in issue immediately following completion of the Global Offering, had any interests in any of the five largest suppliers of our Group in the Track Record Period.

SALES AND MARKETING

Overview

Because the demand for a substantial part of our Group's products correlates to the automotive, mobile and consumer electronics sectors, our aggregate sales are partly influenced by the same seasonality as normally experienced by those industries. Accordingly, for the products aimed at those sectors, demand usually tapers off for the first quarter. During the second quarter, demand usually increases steady leading up to the peak season during the third and fourth quarters, when most of our customers increase production for the Christmas holiday season.

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Customers

Our Group's major customers, particularly those in the automotive, mobile electronics, home appliances and consumer electronics sectors, can generally be categorised into three tiers from upstream to downstream in the supply chain - (i) the branding/design level (such as the car makers and mobile phone set makers who manage the brand and typically drive product design and innovation); (ii) the tier-supplier level (contract manufacturers or assemblers who produce the goods for the first tier); and (iii) the applicator level (who specialise in applying our coatings to the manufactured goods). In some cases, individual customers can have vertically integrated supply chains which include two or more of these tiers in-house. Generally speaking, although we work closely with the branding/design level makers in the areas of product design, development and marketing, we do not directly enter into supply contracts with these makers. It is usually their tier suppliers and applicators with whom our Group directly enters into supply contracts.

For the three years ended 31 December 2008 and the six months ended 30 June 2009, our Group's top five customers accounted for approximately 30.3%, 32.0%, 22.8% and 21.0%, respectively, of our Group's total revenue and our Group's largest customer for each period accounted for approximately 14.4%, 14.3%, 9.0% and 9.0%, respectively, of our Group's total revenue for the same period.

While the automotive and general industry sector account for a majority of our sales, four out of these top five customers are for our coil coatings products. This is due to the reason that coil coatings are a relatively high volume product type, spread among a relatively narrower customer base. In contrast, while the automotive and general industry sector in aggregate account for significantly more of our sales, this is spread among a significantly wider customer base.

Sales channels

Other than six sales agents in Europe and China which currently account for only a small proportion of sales, our Group's sales are all direct sales to applicators or vendors. These sales agents are used to service areas which are too far away from our production facilities to adequately service those customers in a timely fashion. The main responsibilities of these sales agents include sales and marketing of our products, developing new potential clientele, provide us with relevant market information and trends, and generally uphold our Group's brand, in respect of their respective designated areas or target clientele. They are restricted from pursuing our Group's existing client base, selling our products outside of their respective designated areas, or engage in undertakings which compete with our Group and our products. We have the right to set prices of our products after consultation with these agents, having regard to the market demand of their designated territories and their level of commissions. In addition to supplying finished products, we also provide them with promotional materials, samples and technical support and training. With respect to certain of the European sales agents, compensation shall be payable as a consequence of termination of the contract, which is regulated under relevant laws and is typically an annual commission calculated on the basis of the average of the past five years prior to the ending of the contract. Substantially all of our sales in Europe are also direct sales to applicators or vendors. Sales made through these sales agents accounted for approximately 15%, 13%, 9% and 7% of total sales for each of the years ended 31

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December 2006, 2007, 2008 and the six months ended 30 June 2009. Sales commission paid to sales agents on majority of sales made by them amounted to approximately 2% to 3% of the relevant sales amount according to the terms of agreements with these agents, which are all independent third parties to our Group.

Because technical coatings often require quick lead-times from design to product delivery, we dedicate key account managers for each OEM or set-maker customer, and for each key tier-supplier customer, in each location in which they operate to facilitate the whole marketing process, from inception, design, specification, testing through to delivery and application consulting and after-sales service. Due to the customised solutions we offer in many cases, the marketing process can be long and involved, however once a customer is secured, it is usually enduring and this process has become one of our competitive strengths.

Further, we have several strategic licensing, toll manufacturing or distribution arrangements with commercial partners in Korea, Japan, the US and Australia.

In addition to cost effectiveness and distribution advantages, these arrangements also allows the transfer of selected technology between our Group and those partners so that we can complement gaps in our respective product ranges.

In Korea, we have entered into licensing and manufacturing arrangements with SSCP, under which SSCP toll manufactures coatings products, using necessary technological know-how under licence from us, for our Group's automotive business.

As part of the implementation of our Group's strategy to expand our international reach in order to provide a more complete coatings solution to our multinational customer base, we have also entered into licensing or distribution agreements with partners in Japan, the US and Australia, which we believed to be the most suitable expansion method at the time into those markets.

In Japan and the US, we have entered into reciprocal licensed manufacturing and technology agreements with local coatings manufacturers, respectively, The Cashew Company and United Paint, mainly targeting the automotive plastics and metals coatings businesses in Japan and Detroit, the US, and forms part of a wider global alliance between our Group, SSCP, The Cashew Company and United Paint.

The Cashew Company, an independent third party, is a paint, resins and paint equipment manufacturer and supplier headquartered in Saitama, Japan and has factories in Saitama, Kuki and Osaka. Having investigated the alternative of maintaining a joint venture, it was mutually agreed that a cross-licensed manufacturing arrangement be entered into in November 2008, with a term expiring on 31 December 2010 which is automatically renewable for further terms of one year each, unless otherwise notified by either party in advance.

United Paint, an independent third party, is a producer of coatings for plastic and metal componentry for the automotive industry. We entered into a cross-licensed manufacturing arrangement with United Paint in August 2007, with a term expiring on 31 December 2012 which is automatically renewable for further terms of three years each, unless otherwise notified by either party in advance.

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Under these arrangements, our respective partners are licensed with specific technology to produce and distribute coatings products on our behalf for the automotive plastics and metals coatings sectors in those respective regions. Conversely, our Group has reciprocal rights to manufacture (including necessary technology user rights) and distribute products on their behalf for their overseas businesses and products in Europe, Korea and China. The calculation basis for consideration under each of these arrangements is based on royalty fees, calculated as agreed percentages of the net sales price of licensed products sold depending on sales performances which are reported on a quarterly basis, payable by the licensee to the licensor in each case. For the three years ended 31 December 2008 and for the six months ended 30 June 2009, the amount of royalty fee received by our Group amounted to Nil, Nil, €45,000 and €14,000 respectively. The arrangements provide for customary confidentiality obligations in respect of the licensed information on the respective licensee in each case. No production targets are set for any of the parties under these arrangements.

In Australia, we have entered into a distribution and sales representative arrangement with Victus, an independent third party, which is a sales, marketing and chain management company based in Australia with good contacts with automotive OEM makers in Australia, primarily to facilitate our Group's local marketing, distribution and liaison purposes in order to service, and to facilitate liaison between the design teams of our Group and those of, the Australian manufacturing operations of some of the global automotive OEM makers who we have relationships with. Under the terms of the arrangement with Victus, we appoint Victus to sell our coatings products for the automotive interior, underbody and windscreen wiper sectors to businesses in Australia and New Zealand, based on our price lists in effect from time to time. The arrangement provides for a credit term of 120 days after deliver of goods to Victus, and Victus is free to set its own prices on the products it resells. Victus also has a number of duties as our distributor, such as developing sales targets, involvement in promotional activities, providing us relevant market information and informing us for customer orders and product selection. In addition, Victus is subject to specific non-competition restrictions in respect of our business areas. In addition to this arrangement, as a matter of practice, Victus has also sourced our products indirectly from The Cashew Company.

Marketing and customer service

The majority of our Group's business is secured at the OEM car/set-maker ("tier one") level (which we call "Top-down Sales"), which usually involves the commercial team, including sales, technical and design departments from our Group and our customer working together to develop a specification sheet for a particular product and developing the correct formulation of coating to meet those requirements. Once our formulation is selected or accepted, we become the designated coatings supplier for that particular product or platform of that tier one maker. Their tier-supplier manufacturers and/or applicators, who manufacture and apply the coatings to the products for the tier one makers in accordance with the specifications sheet, would contract with us, in our capacity as the tier one maker's designated coatings supplier, to supply them with the particular coating formulation as specified in the specification sheet issued and controlled by the tier one makers.

From a practical perspective, in respect of goods for which our Group is the designated coatings supplier, it would not be practical for a tier-supplier or applicator to source coatings from other coatings suppliers, since those alternate suppliers would need to independently conceive their own formulations which would have to satisfy the specifications required by the tier one maker, without

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the benefit of the consultation, development and cooperation process with the tier one maker which we go through for every such product we develop. In addition, by introducing a new coatings supplier, the tier-supplier or applicator would likely incur high development costs and risks in quality consistency which may lead in potential production interruption.

In some cases, the process could reverse (which we call “Bottom-up Sales”), where our sales and technical departments and, where appropriate, our designers would work with a tier supplier to come up with a formulation for an existing or new product, which would be presented together with the relevant product by the tier-supplier or applicator to the tier one OEM manufacturer or set-maker.

Under either scenarios, it is the tier-suppliers and the applicators who our Group contracts with and invoices in most cases.

Due to the technical nature of our coating products, customer service is an integral part of the whole marketing process, as our personnel are often intimately involved in the process from the initial design phase, through to advising on the correct methods and best environment in which to apply our coatings. Our marketing teams also make regular visits to customers to understand their changing needs and emerging market trends, to ensure we meet with their future requirements.

Credit terms

Our Group keeps tight control of credit terms offered to customers, and we have a strict policy against supplying to customers with poor payment records from past dealings.

We selectively offer those of our customers with whom we have had a good trading history with, appropriate credit terms depending on the customary practices prevalent in the regions they are located in and their individual payment record. The majority of our customers are granted with credit terms of 30 to 90 days. Occasionally certain customers enjoy a longer credit period (approximately 120-185 days) which is determined based on the duration of working relationship and their history of bad debt. Three of our customers have longer credit terms and the respective trade receivable amounts and turnover days as at 30 June 2009 are as follows: (i) one customer has a trade receivable amount of RMB9.7 million with turnover days of 120 days; (ii) one customer has a trade receivable amount of RMB5.4 million and turnover days of 177 days; and (iii) one customer has a trade receivable amount of RMB3.3 million and turnover days of 185 days. For (i), it is a customer who has long working relationship with our Shanghai subsidiary, in fact, it has been our Shanghai subsidiary’s customer since we started doing business in China. There have been no history of bad debt and good relationship with the customer is maintained. For (ii) and (iii), they are suppliers for LG and a large mobile phone tier supplier. As their credit terms to those end customers were 120 -150 days, we agreed to grant a longer credit term on the basis that those end customers would be able to provide the support to these companies. As of 30 October 2009, all the overdue balances due by these two companies have been settled and all the receivables from these two companies are within the credit terms granted.

For the year ended 31 December 2008 approximately 69.57% of our Group’s sales are settled in Euros, 21.23% in RMB, 9.16% in KRW and the balance in US dollars and other miscellaneous currencies, generally by electronic funds transfer or, in select cases, letters of credit. Receivables are closely monitored and followed by the finance department. Provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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Pricing policy

Our Group's products are not subject to any price control or regulations by any relevant governmental authorities. However, as part of the specifications agreed with car-makers or set-makers, a recommended price range for the particular formulation would be indicated, which influences the final pricing charged to the tier-suppliers or applicators.

Our Group's products are generally priced on a cost plus basis. Cost of raw materials form a significant part of the cost of production and accordingly fluctuations in raw materials prices, in particular oil prices for solvent-borne products, directly influence the pricing of our products.

Delivery

Due to the need for customers to be serviced by proximate production facilities, our products are generally delivered by road freight from both our Europe facilities and China facilities. The cost of such delivery is built into our product pricing.

We rely on a combination of our own leased fleet as well as outsourced trucking companies to deliver our goods to customers. Delivery risk insurance is taken out, where suitable, having regards to prevailing local practice and custom.

Inventory management

Our Group has a comprehensive system for controlling, monitoring and reporting of inventory levels at all of our production facilities. Our warehousing teams at each facility keep tight control of inventory of raw materials, intermediary goods and finished products on a continual basis, and carry out internal stock-takes and perform inventory aging analyses each month to identify slow moving or obsolete stock and make proper provision.

For our European business, especially for coil and metal coatings which have longer shelf lives, we may choose to produce at larger quantities, in order to achieve better economies of scale. The saving in production costs usually outweighs the additional inventory provision charges. While in Asia, we offer a wider range of products which other comparable market players cannot offer. We have also set up working groups which include representatives from sales, procurement, production and research and development department to determine what to purchase and how leftover raw materials can be reused.

Our Group's inventory level (including finished products and work in progress) as at 31 December 2006, 2007 and 2008 and 30 June 2009 was approximately €10.9 million, €15.0 million, €18.7 million and €14.2 million. Our inventory turnover days as at 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 were 66, 78, 73 and 68 respectively. Total inventory provision as a percentage of the total assets of our Group for the years ended 31 December 2006, 2007 and 2008 are 2.1%, 3.4%, 1.8% and the percentage for the six months ended 30 June 2009 is 1.4%.

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As we generally produce to order, we generally hold finished goods in inventory for no longer than approximately 4 weeks, although this can vary depending on the particular product. Inventory provisions are provided on specific inventory items which have no future use either because of technology or quality. Our provision for inventory of our Group for the three years ended 31 December 2008 and the six months ended 30 June 2009 were €0.8 million, €1.1 million, €1.2 million and €0.7 million respectively, which were made mainly for slow moving or obsolete inventories.

The price of solvents, which accounts for a significant portion of the cost of production of our solvent-based products, are closely linked to global oil prices which has in recent history been subject to high level of volatility. For this reason, our procurement personnel closely monitors the price of oil daily to manage the impact this may have on our business. Due to the technical and niche nature of our products, we have been able to pass on substantially any cost increases to our customers in the past.

RESEARCH AND DEVELOPMENT

Our Group's performance depends on our ability to continually adapt our existing products and technical know-how, timely recruitment of personnel with the relevant skills and deployment of new machinery to develop new products and technologies which keep up with the latest technological trends. In order to maintain our competitiveness, we also have to invest substantial funds and resources (including staff and machinery) to the continued research and development of our existing and potential products.

A key part of our Group's competitiveness is due to our vast collection of custom-tailored coatings formulation know-how. Continuous refinement of existing, and development of new processes and products to suit market trends are critical to maintaining our Group's competitiveness. For the three years ended 31 December 2008 and the six months ended 30 June 2009, our Group spent €3.8 million, €9.1 million, €6.5 million and €2.9 million on research and development, representing 6.3%, 12.9%, 6.9% and 7.7% of the total sales. Total research and development costs charged to the income statement as a percentage of the total operating expenses of our Group for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 are 6.7%, 13.8%, 7.7% and 8.1% respectively, whereas development costs amounting to €1.0 million and €0.5 million were capitalized as intangible assets for the year ended 31 December 2008 and the six months ended 30 June 2009 respectively.

As at the Latest Practicable Date, our Group's research and development and technical services consists of a team of 144 technicians, who undertake a variety of research and development tasks, including inspection consultations with engineers and designers from customers, formulation of improvements to the production process and product quality, development of new production technologies and product types.

Since our Group's cumulative know-how in our formulations is a key to our competitive advantage, our research and development function has implemented strict data protection and control procedures and mechanisms, covering the entire production chain from procurement through to production and delivery, to ensure that our know-how remains secure. In order to maintain our leadership in the technology for the production of coatings, which gives us a competitive edge and

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places us at the forefront to capture emerging profitable and high growth niches, our Company emphasizes on our research and development. We plan to construct a research and development facility in our Group's Tianjin Facility, which is designed to be comparable to our research and development centre in Germany. The PRC research and development facility will focus on the enhancement of the current Asia products and the transfer of our German technologies to Asia in water-borne coatings, powder coatings, coil coatings and electronic insulation.

QUALITY MANAGEMENT

Each of our Group's production facilities has implemented a quality management system covering every stage of production and other aspects of our business.

The ability to maintain high product quality on a consistent basis is one of our Group's hallmarks, and our production line quality control process, which is the responsibility of our dedicated technical departments at each of our production facilities, is central to this strength.

Each batch of raw materials and intermediary goods received are sample tested by our quality control departments against exacting specifications, and are rejected if they do not satisfy the examination. Once the quality of input materials is secured, each batch of finished products is again sample tested to ensure that it meets or exceeds the specifications required by the particular customer and is fit for delivery. Before packaging, we also examine packaging containers to ensure that they are free of dust or other contaminants to ensure that the quality of our products is not compromised during the packaging process.

However, even with the highest quality of products, difficulties can arise at the application stage as it can be affected by a wide range of variables such as air moisture, temperature, conditions of the applicator's facility and equipment, skill and experience of the applicator etc. Accordingly, we retain test samples of every delivered batch of products for troubleshooting purposes in the event of difficulties encountered by our customers, and we provide a complimentary on-site technical inspection and consultation service to our customers to help them resolve any issues encountered in the application of our coatings.

Our production facilities in Germany (Offenbach), Spain (Barcelona) and China (Shanghai, Huizhou and Tianjin) have all received certification according to ISO 9001:2000. Additionally the facilities in Germany, Spain and Huizhou are certified according to ISO/TS 16949:2002, and the Germany Facility has been certified according to BS OHSAS 18001:2007.

In addition, several of our production facilities have also been comprehensively audited and approved by reputable car-makers and set-makers as being compliant with their quality standard requirements in terms of product quality, production processes, warehousing and/or safety and environmental management. For example, our Shanghai Facility has passed audits by some of the world's leading car-makers.

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PROPERTIES

Our Group owns the following properties:

Offenbach, Germany

Our Group holds in freehold ownership and occupies a parcel of land in Offenbach, Germany, with a site area of approximately 49,601.0 square metres, together with the buildings and the associated structures erected thereon having a total gross floor area of approximately 27,445.0 square metres.

Tianjin, PRC

Our Group, through Schramm Tianjin, holds and occupies, pursuant to a Tianjin City Real Estate Certificate jointly issued by Tianjin City People's Government and Tianjin City State-Owned Land Resource and Building Administration Bureau dated 12 October 2009, a parcel of land in Tianjin, the PRC, which comprises of phases 1 and 2 of an industrial facility formed by two adjoining land parcels with a total site area of approximately 26,279.9 square metres. The total gross floor area of the buildings in phases 1 and 2 of the property are approximately 10,114.71 square metres. Phase 3 is currently a bare site and pursuant to the Construction Works Commencement Permit (建築工程施工許可證) issued by Tianjin City Jinnan District Construction Administration Committee (天津市津南區建設管理委員會) to Schramm Tianjin dated 31 December 2008, the construction works of phase 3 of the property with a planned gross floor area of 7,557.77 square metres was approved to commence. Our Group has yet to commence construction on Phase 3, therefore we have not yet obtained the Land Use Rights Certificate with respect to this piece of land. Since our Group has not commenced the planned construction on Phase 3 within the respective construction periods as stated under the Construction Works Commencement Permit (施工許可證) and the Tianjin State-owned Land Use Rights Grant Contract (天津市國有土地使用權出讓合同), we are advised by our PRC legal advisers that the Tianjin City Jinnan District Land Bureau is entitled (i) to levy land idle fee representing not more than 20% of the land premium (i.e. RMB369,210) on our Group; and/or (ii) to withdraw the land use rights with respect to Phase 3 land without return of the paid land premium or compensation. We intend to commence construction of Phase 3 of the land in Tianjin after Listing. Approximately 18.8% of the proceeds to be received by our Group upon Listing would be used to fund the construction cost for the Tianjin land. Please refer to the paragraph headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus.

According to the "Deed Tax Clearance Certificate" issued by Jinnan District Planning and State-owned Land Resource Bureau of Tianjin City dated 22 August 2008, the payment of 70% of title deed tax for the land of phase 1 should be deferred according to the provision of the Meeting Minutes (Nan Zheng Ji [2002] No. 32) of the district government. To our best knowledge after making reasonable enquiries, Schramm Tianjin has not received any notice from the Jinnan District Planning and State-owned Land Resource Bureau of Tianjin City for the payment of the outstanding 70% of deed tax for the land as at the date hereof. As a result, our Company was advised by its PRC legal advisers that the non-payment of such part of deed tax

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is in accordance with the policy of the local government and it is not due to the negligence of Schramm Tianjin and there is no legal consequence to our Group. Schramm Tianjin shall duly pay the outstanding 70% of deed tax for the land once it receives the payment notice from the governmental authority.

Our Directors considers that the absence of Land Use Rights Certificate in respect of the land occupied by Schramm Tianjin is insignificant to the operations and business of our Group as a whole on the ground that the land occupied by Schramm Tianjin is vacant and has not yet been used for production purposes. We will not use the land for production purposes before the land use rights certificate is officially granted to Schramm Tianjin. Our Company is in the process of applying for the relevant Land Use Rights Certificate from the relevant government authorities. Our Company has also commenced negotiation with the relevant authority since end of October 2009 and The Jinnan District State-owned Land Resource Branch of Tianjin City State-owned Land Resource and Building Administration Bureau issued the Notice of Approval of the Extension of the Construction Completion by Schramm Tianjin on 3 December 2009, pursuant to which, the deadline for completing the construction on phase 3 is approved to extend to before 31 December 2010 and Schramm Tianjin is approved to be exempt from the relevant penalties for extension and idle fees, and if Schramm Tianjin fails to complete the construction on phase 3 before the aforesaid deadline, the phase 3 land use rights and the buildings erected thereon will be withdrawn and forfeited without any return of land premium and compensation. We are in the course of obtaining the land use right certificates and building ownership certificate with respect to the land and properties situated in Tianjin, PRC which we have not yet possess the requisite certificates.

Huizhou, PRC

Our Group, through Schramm Tianjin, holds under a State-owned Land Use Rights Certificate and four Real Estate Title Certificates, a parcel of land in Huizhou, the PRC, which comprises of a parcel of land with a site area of approximately 13,300 square metres, together with the buildings with a total gross floor area of approximately 4,261.23 square metres erected thereon. The property was leased to Schramm Huizhou for a term of three years commencing on 1 January 2007. For further details, please refer to the paragraph headed “Our Group leased the following properties — Huizhou, PRC” in this section.

Barcelona, Spain

Our Group, through Schramm Spain, holds in freehold ownership and occupies an industrial facility in Barcelona, Spain, with a total gross floor area of approximately 2,225 square metres erected on a parcel of land with a site area of approximately 4,500 square metres. Apart from an easement in relation to the finding and conduction of an underlying aquifer in 1982, which, according to our property valuer, is immaterial to our land title, the title of the subject property is free from any other easement or limitation or restriction over its ownership.

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Our Group leases the following properties:

Hong Kong

Our Group, through Schramm Hong Kong, occupies a unit in Hong Kong with a total gross floor area of approximately 2,079 square feet located in an office tower leased from an Independent Third Party.

Huizhou, PRC

As mentioned above, pursuant to a tenancy agreement entered into between Schramm Tianjin and Schramm Huizhou dated 29 August 2007, the property held by Schramm Tianjin with a site area of approximately 13,300 square metres was leased to Schramm Huizhou for a term of three years commencing on 1 January 2007.

Shanghai, PRC

Our Group, through Schramm Shanghai, occupies, under a tenancy agreement, an industrial facility in Shanghai, the PRC, with a total gross floor area of approximately 7,186.13 square metres on a parcel of land with a site area of approximately 12,561.48 square metres leased from an Independent Third Party.

Yantai, PRC

Our Group, through Schramm Yantai (branch), occupies a property used as business office in Yantai, the PRC, with a total gross floor area of approximately 826 square metres erected on a parcel of land with a site area of approximately 4,533.72 square metres leased from an Independent Third Party.

Ansan, South Korea

Our Group, through Schramm Korea, occupies a unit in an industrial building in Ansan, South Korea, with a total gross floor area of approximately 52.8 square metres leased from SSCP.

Kimhae-si, South Korea

Our Group, through Schramm Korea, occupies a unit in an industrial building in Kimhae-si, South Korea, with a total gross floor area of approximately 18.53 square metres leased from SSCP.

Rayong, Thailand

Our Group, through Schramm Thailand, occupies an industrial facility and various ancillary structures in Rayong, Thailand, with a total gross floor area of approximately 4,766 square metres erected on a parcel of land with a total site area of approximately 1,632 square metres leased from an Independent Third Party.

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Taipei, Taiwan

Our Group, through Schramm Taiwan (branch) occupies an industrial facility in Taipei, Taiwan, with a total gross floor area of approximately 1,099.94 square metres leased from an Independent Third Party.

Valuation report

Cushman & Wakefield Advisory Services (HK) Limited, an independent property valuation firm, has assessed the property interests of our Group as of 15 December 2009. The text of Cushman & Wakefield Advisory Services (HK) Limited's letter, the summary of valuation and the valuation certificate are set out in Appendix IV annexed to this prospectus.

INTELLECTUAL PROPERTY

Our ability to successfully compete relies on our possession and protection of our technological know-how and trade secrets. As part of our business, we develop and manufacture coating products which are bespoke to the specifications of our customers. The formulations for these bespoke coatings are therefore important to our business. Furthermore, some of the resins we used to manufacture our products were produced in-house with properties and characteristics tailored to meet the specifications of particular customers. Our in-house resin gives us a competitive edge as the customised formulation for our specialty resins determine many of the properties of our coatings products, such as adhesion, hardness, specific chemical or weathering resistance. The formulations for our bespoke coating products and our in-house resin are not protected by patents or other registrable intellectual property rights. Our ability to successfully compete with other market players therefore relies on trade secrets, know-how, non-disclosure agreements and other contractual provisions which facilitate the protection of our intellectual property. To safe-guard this knowledge we strictly control our systems and access is restricted to only a select number of personnel who has knowledge of the entire formulation for a particular customised coating product and for each type of resin.

In addition, our business and goodwill relies to some extent on our registered trademarks. We have marketed our coatings products (except our electrical insulation paints and varnishes) in Europe under a unified branding scheme using the trademarks "Senocoil" (for coil coatings), "Senosol" (for water-borne products), "Senosoft" (for soft-feel coatings) and "Senoguard" (for anti-corrosion coatings), some for over a decade. We also plan to extend the use of these brands to Asia, where we have historically marketed our products under the "Schramm-SSCP" brand name to leverage on SSCP's reputation in Asia. Please refer to the section headed "Appendix VIII — Statutory and General Information — Further Information about Our Business — Intellectual property rights" in this prospectus for details of our Group's registered intellectual property rights.

COMPETITION

We face competition in our targeted business areas from large global paint suppliers who market both commodity and specialty paint products across a broad range of applications covering multiple geographical markets, as well as smaller regional and/or niche producers who focus on one or a few product types and often restricted to a small geographical footprint.

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For electrical insulation paints and varnishes, in our niche application of lighting ballasts, we are the world's leading producer.

We believe that the key competitive factors for the specialty technical coating industry include:

- brand reputation;
- product quality;
- accumulation of technological know-how;
- established relationships with customers and involvement with OEM / set-makers from the early stages of product life-cycles;
- active and close developmental relationships with suppliers;
- sales, distribution and pre- and post-sales servicing network;
- production lead-time;
- low cost structure.

Our Directors believe that these competitive factors combine to form a high barrier of entry for potential competitors into the technical coating industry because, in order to build up a sustainable customer base and revenue stream, a large capital investment and sustained working capital would be required and the accumulation of the requisite technological know-how to produce a viable product range would take considerable time to acquire and develop. The “Top-Down” and “Bottom-Up” marketing models prevalent in this field also inherently and dramatically favour producers with existing relationships; sales, production and service networks; and having an existing product range which suit the demands of a solid customer base. For example, once our Group is endorsed as a designated coatings supplier for a particular global car platform developed by a car-maker, it would be very difficult for a competitor to break into that relationship and appropriate market share from our Group during the respective life-cycles of all the car models based on that particular global platform.

Whilst our Controlling Shareholder, SSCP, also produces and markets certain coating products as part of its business, its target product type and geographical markets do not overlap with our Group's. To our best knowledge, SSCP's coatings business is focused on applications on mobile handsets, consumer electronics and leather products within the Korean market exclusively. In comparison, our main business focus in Korea is on the automotive sector products, which SSCP is contracted by our Group to produce for our client base in Korea. Our mobile coatings business is focused on manufacturers in the PRC and it is not currently a part of our strategic plan to expand into the mobile coatings business in Korea, nor the leather coatings business generally.

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To the best of our knowledge, SSCP does not independently market any coating products for the Korean automotive sector, or in any other business area or geographical market in which our Group operates. For more information regarding the relationship and independence between our Group and SSCP, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

Our Directors believe that our Group has strong competitive advantages in technical customised coating solutions to differentiate our Group’s from our competitors, to take advantage of and to realise our targeted strategies. For further details, please refer to the paragraphs headed “Strengths” and “Business Strategies” in this section.

SAFETY AND ENVIRONMENTAL PROTECTION

Workplace Safety

Hazardous substances or materials are to a certain extent necessary in the production of coatings. However, most of our Group’s processes are carried out in systems that control and manage the impact of hazardous substances or materials to safeguard the health of our Group’s employees. Our Group regularly tests and monitors those employees whose work may expose them to hazardous substances or materials, in order to prevent and detect any potential health risks and to take appropriate remedial measures by an early diagnosis. Our Group has introduced a process for risk assessment at the relevant sites.

Except for Schramm Huizhou and Schramm Tianjin which have not yet obtained the final approval for occupational disease prevention project (職業病危害防治項目) in accordance with “PRC Law of Occupational Disease Prevention” 《中華人民共和國職業病防治法》 from the relevant Governmental authority, all of our production facilities meet the relevant workplace health and safety standards mandated by applicable local laws and regulations in the jurisdictions where they are located.

When Schramm Huizhou and Schramm Tianjin commenced constructions, due to lack of experience and proper advice from its agents who assisted with the setting up of the companies, our Company was not aware of the proper application procedure for approval from the local public health authorities before commencing construction of its production facilities. Nonetheless, after we were aware of the proper application procedures, we took steps to remedy the situations with an aim to minimise the potential damages by the following actions: (i) Schramm Huizhou has submitted the occupational disease project declaration and the application to submit the assessment report of the occupational disease control to Huizhou City Public Health Bureau in August and October, 2009, respectively and we understand that the application has been accepted and processed by the relevant local authority. According to the official reply from the public health authority in Huizhou, since the construction of the production facilities at Huizhou has commenced, it would only require our Company to submit an assessment report of the occupational disease control and apply for final approval on the occupational disease prevention facilities. Our Company confirms that the assessment report of the occupational disease control is estimated to be completed by the end of December 2009 and we confirm that Schramm Huizhou will apply for the final approval thereafter; (ii) Schramm Tianjin has submitted the occupational disease project declaration in relation to the project of coating

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with annual output of 3000 tons and leather treatment agent to Tianjin City Jinnan District Public Health Bureau in August 2009. According to the reply from the public health authority in Tianjin, the authority will not process any pre-assessment of occupational disease inductive factors and the examination on the design of the occupational disease prevention facilities which has operated for over one year. Instead, the authority will regularly conduct selective examination on the relevant production site every year to ensure that production facilities meet the minimum occupational disease prevention standard.

Nonetheless, our PRC legal adviser has advised us that since no warning or order to rectify within a prescribed time limit has been given by the local government authority to our production facilities at Huizhou and Tianjin and that Schramm Huizhou has already obtained the initial approval and the local governmental authority has issued a certificate to our production facilities at Huizhou stating that we have generally complied with the PRC Law of Occupational Disease Prevention.

Safety training is an integral part to our induction and regular staff training programmes at each of our production facilities, in which our staff are educated on issues such as danger evaluation, explosives protection, and the use of plant equipment and devices. In addition, we also arrange training by accredited external providers on special topics in respect of specified job areas and personnel, such as waste management, emissions control and handling of hazardous substances. Save as disclosed above, to our best of our knowledge and as advised by our PRC, Spanish and Thai legal counsels, our Group had fully complied with the applicable laws and regulations on health and safety protection and was not in breach of the same during the Track Record Period.

We have designated safety officers at each facility whose responsibility it is to liaise with relevant local governmental authorities and oversee all safety issues and requirements at the facility. In particular, our PRC operations are subject to annual safety inspections by relevant governmental authorities to ensure compliance with national standards.

We also have specific controls and measures targeted at any safety issues specific to our production, such as daily pre-production safety briefings, extensive fire precaution and fighting equipment for our solvent-based manufacturing lines and warehouses including lightning diversion devices, solvent gas ventilation and processing equipment, provision of gas-masks and protective clothing for staff who handles solvent and other chemical materials, and temperature-control equipment for our resin reactor and other heat-sensitive plant.

Environmental Protection

Our Group's business is subject to environmental laws and regulations as well as environmental regulations promulgated by the local governments where our Group operates. These include regulations on waste discharge, the investigation and remediation of soil and ground water contamination, land repair, the use and handling of hazardous substances and emissions disposal. Pollutants such as waste water, paint and solvent run-off are discharged during our Group's production process, which are captured and sent to outsourced treatment firms for processing and safe release. All waste gases emitted from production are captured and processed through on-site ventilation equipment and are regularly tested for compliance with emissions standards. Generally, the non-compliance with the relevant environmental laws and regulations would have serious impact on the operation of our

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Group and may involve specific orders and/or monetary penalties from the local governments. For further details of the relevant environmental laws and regulations which may impact our Group's operations, please refer to the paragraph headed "Environmental Laws and Regulations" in this section.

Training on topics relating to environmental awareness and protection is also integrated into the workplace health and safety training programmes we provide to our staff.

All of our production facilities have implemented environmental management systems and have received environmental certification according to either ISO 14001:2004, ISO/TS 16949:2002 or both.

Our various production facilities have implemented stringent environmental protection measures as part of our environmental standards certifications and, where relevant, valid registrations, licences and permits in respect of the environmental protection regulations in those respective jurisdictions. Our PRC facilities are subject to periodic environmental audits by local governmental authorities. During the Track Record Period, our Group was not subject to any regulatory prosecutions or sanctions, administrative penalties, legal actions, claims or other material problems in respect of non-compliance of applicable laws and regulation on environmental protection. Further, to our best knowledge, our Group had complied with the applicable laws and regulation on environmental protection in all material respects during the Track Record Period. We are also not aware of any material failure in complying with material environmental laws and regulations as currently in place.

The obligations of the EU REACH regulations will be progressively coming into effect, the implications of which will remain to be determined. REACH became effective on 1 June 2007, however, it has not been fully implemented yet and it is not clear when the full implementation of REACH will take place in the EU. Nonetheless, so far as it is announced, REACH has set multiple registration deadlines for a number of chemical substances utilized in production and operation in the EU:

- (1) The following substances are required to be registered with the relevant government authority by 30 November 2010:
 - (a) substances manufactured in the EU or imported in quantities of 1000 tonnes or more each year for every manufacturer/importer;
 - (b) substances classified as carcinogenic, mutagenic or toxic to reproduction; and
 - (c) substances classified as very toxic to aquatic organisms which may cause long-term adverse effect in the aquatic environment
- (2) substances manufactured or imported in quantities of 100 tonnes or more each year for every manufacturer/importer shall be registered with the relevant government authority by 31 May 2013.

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- (3) Substances manufactured or imported in quantities of 1 tonne or more each year for every manufacturer/importer shall be registered with the relevant government authority by 31 May 2018:

To the best knowledge of our Directors, our Group does not manufacture any of the substances so far announced by REACH as above.

Since the timing and details regarding the full implementation of REACH are as yet unascertained, and having no industry benchmarks for our Group to compare itself against, it is not possible for our Company to properly evaluate quantitatively REACH's maximum impact on its operations. Our Company, however, does not foresee any major problems or impediment on its operations with regard to the full implementation of REACH in the foreseeable future. As set out above, none of the chemical substances which our Group manufactures would be required to be registered under REACH so far as made aware of. Our Company, however, currently uses chemical substances which have to be registered under REACH and our Company will register these substances accordingly. Although our Company does not currently manufacture any substances which would be required to be registered under REACH so far as made aware of, our Company cannot guarantee that it will not manufacture any substances which have to be registered under REACH in the foreseeable future. However, in the case that any of the substances it uses or manufactures fall under REACH in its subsequent announcements, the costs for substances falling under REACH may increase due to registration procedures or due to potential research and development expenses in finding the cheaper substitutes. As a consequence of the potential increase in the costs of the relevant substances our Group uses in its production process, the suppliers may cease supplying these substances or our Group may adopt a commercial decision and find their substitutes for the production process. Nonetheless, our Company cannot ascertain the possibility of such scenario and quantify the relevant impact until the relevant details of REACH are finalized.

For further details, please refer to the paragraph headed "Risk Factors — Risks Associated with the Business of Our Group — we are subject to European Union REACH obligations" in this prospectus.

Environmental Laws and Regulations

Our production facilities are required to comply with country specific environmental regulations. Those regulations are different in details but the minimum requirements are similar, which require us:

1. To have our facilities built/constructed in compliance with the environmental friendly standards/specifications.
2. To obtain and keep the relevant certificates to demonstrate our on-going compliance of the relevant environmental regulations. Regular inspections or audits are required to be carried out by qualified organizations or government bodies.
3. To discharge pollutants in accordance with the approved standards and to engage qualified companies to dispose hazardous wastes.

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As our facilities are designed and constructed to be in compliance with all the relevant environmental regulations, we are not required to incur material additional costs to comply with the regulations.

The estimated annual cost of compliance incurred by our Group to comply with the relevant rules and regulations, including costs paid for the relevant certificates and professional bodies' inspections/services, the disposals of hazardous wastes, are less than €100,000 per each year during the track record period. It is our Company's estimate that the expected cost of compliance going forward for our Group will be less than €100,000. However, since the timing and details regarding the full implementation of REACH are yet to be ascertained, and having no industry benchmarks for our Group to compare itself against, it is not possible for our Company to properly evaluate quantitatively the expected cost of compliance going forward for our Group.

Our Group is subject to the following key environmental laws and regulations:

(A) *Germany*

i. *Federal Soil Protection Act (Bundesbodenschutzgesetz, BBodSchG)*

The aim of this law is the protection of the soil against any kind of pollution. In order to afford an effective protection, it stipulates that in case of a contamination, a joint liability of the polluter, the current owner of the property (irrespective of whether he caused the pollution or not) and the former owner as far as he knew or should have known about the contamination is given. The competent authorities are entitled to obligate any of these persons to decontaminate the premises, disregarding their actual responsibility for the contamination and/or their financial situation. However, pursuant to section 24 (2) BBodSchG, the person who conducted the decontamination measures at his own costs is entitled to claim for compensation against the other liable persons.

Consequently, BBodSchG can apply to our Group in case (a) the soil of the site is polluted or (b) it polluted soil nearby. In these cases, the authorities might request for decontamination by our Group, which however might claim for compensation for costs incurred against the other liable persons.

ii. *Water Resources Act (Wasserhaushaltsgesetz — WHG)*

The same principles mentioned in (i) above apply to a contamination of water or groundwater.

iii. *Federal Emission Control Act (Bundesimmissionsschutzgesetz, BImSchG) and connected technical instruction regarding air quality (TA Luft) or noise (TA Lärm)*

According to the Federal Emission Control Act (*Bundesimmissionsschutzgesetz — BImSchG*), industrial plants and installations which may have harmful effects on the environment are required to obtain permits from the competent authorities to show that they are in compliance with the requirements placed upon construction and operation. They are

also subject to various obligations including reporting and recurrent inspections. BImSchG enables the comprehensive supervision of installations which are likely to cause harmful effects on the environment (such as atmosphere, water and soil). The duties of an operator are listed in BImSchG among which, the most important ones include: duty of protection (avoidance of harmful effects); principle of precaution (appropriate measures have to be taken), requirement of avoiding and recycling residual substances. The operator is also subject to various administrative/technical obligations such as periodical reporting and recurrent inspections of the installations. The infringement of permit's requirements and/or of the obligations of the operator leads to various penalties, from the obligation of refurbishment of the plant to the shut down of the plant, over monetary penalties. BImSchG also contains thirty-one ordinances on its implementation (technical instructions) such as the one concerning the reduction of noxious substances and air pollution (so-called *TA-Luft*).

iv. *Circulation Economy and Waste Act (Kreislaufwirtschafts- und Abfallgesetz —KrW-/AbfG)*

The aim of the KrW-/AbfG is the avoidance and the recycling of waste. According to this Act, the owners or generators of waste are responsible for waste avoidance, recovery, and disposal. Based on this Act, a number of statutory ordinances and guidelines, containing requirements for waste supervision, transport licenses, waste management concepts, waste-life-cycle analysis and requirements for the disposal and recovery of wastes have been stated. Special legal regulations govern the following goods: packaging, end-of life-vehicles, batteries, electric and electronic equipment, waste oil, waste wood, commercial wastes, biodegradable wastes, sewage sludge and hazardous wastes.

Regarding the avoidance of waste, the companies are obliged to design products in such a way that waste products are reduced and avoided even at the production stage and during use and that the environmentally sound recycling and disposal procedure of waste arising after use is implemented. Companies who develop, manufacture, work and process or distribute products are subject to the waste avoidance obligation. Waste disposal covers the provision, handover, collection, transport, treatment, storage and dumping of waste with the aim of eliminating the harmful potential. Furthermore, it requires information and co-ordination of upstream suppliers and of product buyers, especially with respect to logistics, technical requirements and disposal costs.

The notion of recycling is also reflected in the regulation on the avoidance of packaging waste. The packaging regulation distinguishes between transport packaging (e.g. crates and barrels), sales packaging (e.g. cans and bottles) and repackaging materials (e.g. plastic film and card). According to the Act, the producers and distributors are obliged to recall packaging which cannot be demonstrated that it is integrated in a commercial disposal system. Such a system has been set up in the form of the so-called “dual system” (Duales System Deutschland, DSD).

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Please note that as a member of the union of the chemicals industry in Germany, our Company is obliged to fulfil with all the requirements under the KrW-/AbfG. Especially it participated to the “dual system”. Infringement to the Act’s requirements will mainly lead to monetary penalties.

- v. *Ordinance on Hazardous Substances (Verordnung zum Schutz vor gefährlichen Stoffen, GefahrstoffVO)*

The Hazardous Substances Ordinance aims to protect people at their workplace from harmful effects by dangerous substances. This is achieved, among other things, by providing information about the hazard potential of such substances and by promoting safe handling and safeguarding of such substances by the methods special packaging and labelling. Infringements by a company to the ordinance will mainly lead to monetary penalties.

(B) *PRC*

- i. *PRC Environmental Protection Law (《中華人民共和國環境保護法》, “EPL”) promulgated on 26 December 1989;*

EPL is the general environmental protection law in the PRC. EPL mainly provides that (i) the construction project which may cause environmental pollution shall be subject to the regulations of the national administration concerning the environmental protection of construction project; and (ii) any entity or enterprise that would discharge pollutants shall make declaration and registration in accordance with the requirements of the environmental protection authorities of the PRC government.

According to EPL, our Group shall comply with the relevant laws and regulations as well as the provisions concerning the environmental protection of construction project, and shall make declaration and registration for the discharge of pollutants so as to prevent the environment to be polluted by its production and operation.

Our Company was advised by its PRC legal advisers that it has been in compliance with the aforesaid provisions.

- ii. *Administration Regulations on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》, “AREPCP”) promulgated on 29 November 1998;*

AREPCP are the main regulations governing the administration on the environmental protection of construction project in the PRC. According to AREPCP, the construction entity shall, during the phase of feasibility analysis on the construction project, submit a report on the environmental impact of construction project; upon the completion of the construction, the construction entity shall apply for acceptance of the environmental protection facilities to the authority. Only when the environmental protection facilities (which are necessary to the construction) have passed the acceptance check, shall the construction project be formally put into use and production.

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According to AREPCP, our Group shall submit the reports on the environmental impact of construction project during the phase of feasibility analysis prior to the incorporation of the PRC Subsidiaries. Upon the completion of the construction, our Group shall apply for acceptance of the environmental protection facilities of the construction project to the authority.

Our Company was advised by our PRC legal advisers that we have gone through the project approval of environmental protection for our PRC construction projects and obtained acceptance for the completion of environmental protection before the production. Our Company has been in compliance with the aforesaid regulations.

iii. *PRC Water Pollution Prevention Law* (《中華人民共和國水污染防治法》, “**WPPL**”) promulgated on 15 May 1996;

WPPL is the main law governing the environmental protection concerning the water resource in the PRC. WPPL mainly provides that (i) new construction projects and expansion or reconstruction projects and other installations on water that directly or indirectly discharge pollutants to water bodies shall be subject to the appraisal on environmental impact and acceptance; and (ii) direct or indirect discharge of industrial waste to water bodies as well as entities or enterprises which are otherwise required to obtain pollutant discharge permit for its discharge of waste water or polluted water according to the relevant regulations, shall be subject to first obtaining the pollutant discharge permit.

According to WPPL, our Group shall procure the appraisal on environmental impact and the acceptance of the construction projects and obtain the pollutant discharge permit and discharge the pollutant in accordance with the standard prescribed by the permit.

Our Company was advised by its PRC legal advisers that it has gone through the project approval of environmental protection for its PRC construction projects and obtained acceptance for the completion of environmental protection (including the appraisal on environmental impact and acceptance of water pollution) before the production. Our Company has obtained the pollutant discharge permit for waste water and polluted water and has been in compliance with the aforesaid provisions.

iv. *PRC Air Pollution Prevention Law* (《中華人民共和國大氣污染防治法》, “**APPL**”) promulgated on 29 April 2000;

APPL is the main law governing the environmental protection concerning the air in the PRC. APPL mainly provides that new construction projects and expansion or reconstruction projects that discharge pollutants to the air shall be subject to relevant State regulations governing environmental protection for such projects. A report on environmental impact of construction project shall (i) appraise the impact of air pollution or the influence on the

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ecological environment that would be caused by construction projects; (ii) prescribed the measures for preventing and controlling pollution; and (iii) be submitted for approval by the administrative authority of environmental protection in accordance with the prescribed procedure.

According to APPL, our Group shall procure the appraisal on environmental impact and the acceptance for its construction projects in relation to the air pollution.

Our Company was advised by its PRC legal advisers that it has gone through the project approval of environmental protection for its PRC construction projects and has obtained acceptance for the completion of environmental protection (including the appraisal on environmental impact and acceptance of air pollution) before the production. Our Company has been in compliance with the aforesaid provisions.

- v. *PRC Solid Waste Pollution Prevention Law* (《中華人民共和國固體廢物污染環境防治法》, “**SWPL**”) promulgated on 29 December 2004;

SWPL is the main law that provides the measures for preventing and controlling environmental pollution caused by solid waste in the PRC. SWPL mainly provides that (i) the construction projects for producing, storing, using and disposing solid waste shall be subject to the appraisal on environmental impact and acceptance in accordance with the relevant laws; and (ii) the entity that produces hazardous waste shall dispose the hazardous waste in accordance with the relevant State regulations and shall not dump or pile up the waste without authorization.

According to SWPL, our Group shall procure the appraisal on environmental impact and the acceptance for its solid waste in the PRC and use and dispose the solid waste in accordance with the relevant regulations.

Our Company was advised by its PRC legal advisers that it has gone through the project approval of environmental protection for its PRC construction projects and has obtained the acceptance for the completion of environmental protection (including the appraisal on environmental impact and acceptance of solid waste) before the production. Our Company has been in compliance with the aforesaid provisions.

- vi. *Measures on Prevention of Dangerous Chemicals Pollution* (《廢棄危險化學品污染環境防治辦法》, “**MPDCWP**”) promulgated on 30 August 2005.

MPDCWP is the main regulation governing the environmental protection concerning the dangerous chemical waste in the PRC. According to MPDCWP, the producer, operator and user of dangerous chemicals shall be responsible to prevent and control the waste. The producer of dangerous chemicals shall retrieve, use and dispose the dangerous chemical waste by itself or trust such matters to an entity which holds an operation permit for dangerous waste and with appropriate operating categories and scales. An entity that would

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produce dangerous chemical waste shall establish a management system for scraping dangerous chemicals and make a plan for managing the dangerous chemical waste, which shall be filed at the environmental protection authority in accordance with the relevant regulations.

According to our Company's PRC legal advisers, our Group has trusted all the dangerous chemical waste that are produced by the production and operation of dangerous chemicals in the PRC to an entity which holds an operation permit for dangerous waste and with appropriate operating categories and scales. Our Company has filed at the environmental protection authority and has been in compliance with the aforesaid provisions.

(C) *Thailand*

i. *National Environmental Protection and Promotion Act, B.E. 2535 (1992) ("NEPPA")*

One of the main functions of NEPPA is to set 'Environmental Quality Standards' ("EQS") for water, air, noise, and other environmental conditions. The EQS are intended to serve as general criteria for the promotion and protection of the environment. NEPPA sets up The National Environment Board with the responsibility of setting the EQS. The National Environment Board publishes the EQS in the Royal Government Gazette.

— Environmental Impact Assessment ("EIA")

The Minister of Natural Resources and Environment ("MONRE"), with the approval of The National Environment Board, has the power to specify types and sizes of projects or activities in relation to which, an EIA report is required to be prepared. Projects or business activities for which an EIA report is required to be submitted include all sizes of industrial estates under the law relating to industrial estates. The procedure for the submission of EIA report regarding industrial estates is that if the approval of the cabinet of the project is not required, the EIA shall be submitted together with the application for factory establishment and extension. On the other hand, if the approval of the cabinet of the project is required, the EIA report shall be submitted prior to the filing of the project for the cabinet's approval and extension.

The EIA report must contain significant details, including a brief report and a comprehensive report. The brief report must contain (1) the type, size and relevant activities, (2) the site of the project, pictures and a map to the scale of 1: 50,000 or some other appropriate scale, showing the area which may be affected by the project, (3) alternatives of the sites and methods of the project operation together with reasons and considerations for making decisions for the proposals and (4) an assessment of significant impact on the environment, together with monitoring, preventive and corrective measures.

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The comprehensive report should comprise:

- (1) an introduction outlining the objectives of the project, necessities for the project operation, objectives of the report preparation, scope of study, and methodology;
- (2) details of the project showing the clear overall picture such as type, size, site, alternatives to the sites and methods of the project operation together with reasons and considerations for making decisions for the proposals, details of the processes or supplementary activities of the project together with a map at the ratio of 1:15,000 or another appropriate ratio showing the site, the chart and activities of the project;
- (3) details of the natural resources and their values together with a map of the compound of the project and the areas susceptible to the short-term and long-term impact from the project such as the general environment of the project before introduction of the project together with pictures, physical and biological resources, values for the human uses and to the life quality;
- (4) possible impact from the project containing the environmental impact assessment possibly arising from the project directly or indirectly to the natural resources and values specified in (3) together with the types of (renewable and non-renewable) resources;
- (5) measures of prevention and correction of the environmental impact and compensation with details of prevention and correction of the impacts arising from (4). In the case of unavoidable damage, propose a compensation plan for such damage; and
- (6) monitoring measures in respect of the environmental impacts proposing appropriately academic and practical measures in respect of the environmental impacts which are parts of the examination and evaluation after the project operation.

— Emission of Waste Water

All industrial estates and all type 3 factories operating businesses relating to paint are required to follow the standards regarding emission of waste water set out in the Notification of Ministry of Sciences, Technology and Environments No. 3 (B.E. 2539 (1996)) regarding prescription of standards of drained water released from industrial factory and industrial estate. The notification sets the standards and limits of pH, total dissolved solids, suspended solids, temperature, colour, odour, sulfide, cyanide, heavy metals, fat oil and grease, formaldehyde, phenols, chlorine, pesticide, biochemical oxygen demand, kjeldahl nitrogen and chemical oxygen demand in waste water released from industrial estate and factories.

ii. *Hazardous Substances Act, B.E. 2535 (1992)*

The Ministry of Industry has the statutory power to classify hazardous substances into 4 classes and the classification will be published in the Royal Government Gazettes. In making the classification and issuing regulations to deal with these hazardous substances, the Ministry of Industry works in consultation with the advisory board set up under the Act.

1. Type 1 hazardous substance is that of which the production, import, export, or having in possession must comply with the specified criteria and procedures with regards to, for example, the composition, qualifications and mixtures, containers, methods of examining and testing the containers, labels, transports, storage, disposals, destruction, treatments of hazardous substance containers etc.
2. Type 2 hazardous substance is that of which the production, import, export, or having in possession must first be notified to the authority and must also comply with the specified criteria and procedures.
3. Type 3 hazardous substance is that of which the production, import, export, or having in possession must be subject to first obtaining a licence.
4. Type 4 hazardous substance is that of which the production, import, export, or having in possession is prohibited.

The Ministerial Regulation (B.E. 2537) provides restrictions on the type of locations used to manufacture hazardous substances, the places of storage and containers for hazardous substances. It also sets out inter alia, the duties of permit holders to provide tools and materials for handling hazardous substances, first aid and emergency equipments, types of vehicles for transportation of the substances.

The factory, which possesses the hazardous wastes (as listed in the Notification of the Industrial Ministry) of 100 kilograms or above per month or the person who transports hazardous wastes are required to notify the Department of Industrial Work (“DIW”) to obtain the hazardous waste generator identification number.

The hazardous waste generator is divided into 2 types namely:

1. The generator of large amounts which generates hazardous waste of 1,000 kilogram or above per month, and
2. The generator of medium amounts which generates hazardous waste of 100 kilogram or above per month but not more than 1,000 kilogram per month.

The hazardous waste generator, which generates large and medium amounts, must only possess the hazardous waste for a short period (no longer than 90 days for the generator of large amount and 180 days for the generator of medium amount). The generator must inform the DIW of possessions longer than the above periods.

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During the possession of the hazardous waste, the generator must:

1. Make a report in respect of inter alia, the quantity, container and management methods every 30 days;
2. Store all hazardous wastes in containers according to the security measures as prescribed by the Notification of the Hazardous Waste Committee regarding Land Transportation of Hazardous Wastes B.E. 2545;
3. Inspect buildings, container storage locations, floor mats and containers every week;
4. Prepare and submit the accident prevention plan or emergency measures to DIW within 45 days from the date of receiving the hazardous waste generator identification number; and
5. Obtain accidents and emergency prevention equipments.

An approval from the DIW is required for the hazardous waste generator to remove wastes or unwanted materials from the factory. Refuse or unwanted materials which constitute the hazardous waste must only be delivered to the person collecting and transporting or the person treating or disposing the refuse or unwanted materials.

Moreover, in transporting the hazardous waste, the generator has to prepare a transportation invoice according to the process stipulated by the Notification of the Industrial Ministry and submit its duplicate to DIW within 15 days from the date of delivery of the hazardous waste to the transporter. It must also prepare the annual report and submit it to DIW every year.

iii. *The Factory Act, B.E. 2535 (1992)*

Factory construction, operation, expansion, and safety conditions are governed by the Factories Act, B.E. 2535 (1992), which is administered by the DIW.

This Act divides the factories into three groups. Paint factories of all sizes are classed as type 3 factories whose establishment, expansion and transfer require licences. The authorities must be notified 15 days in advance of its operation. The applications for licences are made at the local administrative office of the area where the factory is located.

Type 3 factories must not be located in the following area:

1. Residential housing estate, condominium and row houses

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2. Within 100 metres from public places, namely, schools or educational institutions, temples or religious buildings, hospitals, historic sites and offices of state agencies, and including area of natural resources and environmental preservation.

Furthermore, type 3 factories must be located in an appropriate area and environment, having enough space to conduct industrial activities according to the size and nature of the factory without causing any danger, disturbances or damage to others or to the properties of others. All factories must also comply with the Ministry Regulations regarding waste and pollution control.

Moreover, paint factories are required to report all necessary data regarding factory operation monthly and annually to the Office of Industrial Economics. They are also required to provide electricity personnel and send the name(s) of the personnel to the DIW.

- iv. *Regulation of Mab Yangporn Local Administrative Division Regarding Control of Business which is Hazardous to Health B.E. 2542 and amendments (B.E. 2544)*

The regulation gives the Local Administrative Division the authority to issue and renew the licences of the factories located in the Mab Yangporn area. The renewal is given annually and before each renewal, the Local Administrative officials will examine the factory's operation to determine whether it is in compliance with the regulations regarding inter alia, the environmental condition, safety equipments, disposal of wastes and unused materials, smell, noise, water and air pollution. The grant of renewal of the licences is subject to the officials finding the factory's condition satisfactory.

The renewal fee for factories operating in the paint manufacturing business is 10,000 baht per year.

(D) *Spanish*

General

- i. Law 16/2002

Our Company was obliged to, under this Law, warrant that its operation does not cause any adverse effect to the environment. The local government granted a license to our Company and authorized our Company, after we demonstrated and reported to the relevant local authorities our compliance with all applicable environmental laws, to carry on our operation. This license includes technical description of fire protection, information about management of water consumption and waste, residues, emissions and noise.

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The license application procedure was completed by our Company on 10 October 2007 and our Company obtained the license on 3 December 2008. In order to extend the license after its expiry, compliance has to be checked by an accredited organisation which would then report to the government every 4 years.

ii. Royal Decree 2090/2008

The aim of this law is to establish the environmental responsibility once an incident occurs. The company which is responsible for an environmental damage has to repair it and will be monitored by the local authorities. It refers to serious accidents with dangerous substances, spills to the water or groundwater, transport, emission of dangerous substances, and any damage to environment. There are also monetary penalties.

Water

i. Rule ARM/1312/2009

The aim of this law is the effective control of water volume used and waste water. Our Company has to measure and register the volume of water it uses throughout its operation and inform the authorities about the data obtained on the waste water generated. The relevant local authorities can make inspections on facilities and documentation.

ii. Decree 93/2005

The main aim of the decree is to establish rules and special measures on the utilisation of the water resources in a company's operation. In the case of shortage of water, the government can reduce the available quantity for each user.

Waste

i. Law 10/1998

The main aim of this law is to regulate residues consumed in operations in order to avoid waste production and to establish a legal framework of production and management of waste. It also includes the regulation of polluted soil. It obliges our Group to manage our own waste and to conduct decontamination measures. Local governments apply their own decrees as guidelines to regulate waste management.

ii. Rule MAM/304/2002

It catalogues and codifies the wastes resulting from operation. Company has to classify its wastes into dangerous and non dangerous according this rule; then the defined operations of recycling and waste can be chosen.

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iii. Decree 93/1999

The aim of this rule is the avoidance and recycling of waste. According to this rule, the producers of waste are responsible for waste avoidance, recovery and disposal. It refers to a number of statutory ordinances and guidelines containing requirements for production of waste, storage, transport licenses, waste management and specifies the documents for the waste control: acceptance form, control form, destiny form and waste reception form.

iv. Royal Decree 952/1997

It adopts Directive 91/689/CEE de 12-12, and Decision 94/904/CEE, about dangerous and toxic waste. Producers of toxic and dangerous waste (as all paint producers) must inform authorities about its reduction plan of dangerous waste every 4 years.

v. Royal Decree 782/1998

The aim of this rule is to avoid waste and promote recycling of packaging wastes. It distinguishes between transport packaging (e.g. pallets), sales packaging (e.g. cans) and others. In relation to our Group's operation, this rule is applied to our Group with respect to the storage and shipment aspects of its operation in Spain. Our Company is obliged to inform authorities about the quantity of packaging it puts into market on a yearly basis.

vi. Royal Decree 833/1988

Companies which produce dangerous and toxic waste must be authorized by the government. It establishes obligations regarding packaging, labelling, storage, transport, registration and yearly report of dangerous and toxic waste. Under this rule, storage of dangerous waste cannot be more than 6 months.

vii. Legislative Decree 1/2009

This is a local decree for waste regulation, which includes the regulation of waste management, the registration of waste management companies, internal and external waste recycling, typologies of elimination of waste, accepted waste in local dump and taxes imposed on the companies which produce the waste in their operations. Local governments develop the guidelines of the law and is responsible of its application.

Emission

i. Royal Decree 117/2003

The aim of the law is to avoid the adverse effects of volatile organic compound ("VOC") in the environment and persons. It applies to the companies which exceed the level of solvent consumption indicated in the decree.

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There are some concrete rules about facilities to limit emissions and control measures. Consequently, our Company must inform the authorities about inputs and outputs of solvents to demonstrate that emission level is not exceeded.

ii. Law 34/2007

It applies to certain activities that can pollute the atmosphere. In consequence, our Company must comply with the limit level of emission of VOC and measure it every 5 years. These measures must be registered in an official book, which is given by the relevant government authorities when the license is granted and it contains the declared emission focus located in the facilities of our Company.

Noise

i. Royal Decree 1367/2007

It establishes the rules to avoid noise pollution resulting from operations. The cities/villages are divided into areas and each area is assigned with a noise level which all companies operate within are obliged to comply with.

The compliance to all the above laws are constantly monitored by the relevant local authorities, and an infringement of any of them may lead to monetary penalties.

In order to comply with the two new laws implemented in 2009, namely Rule ARM/1312/2009 and Legislative Decree 1/2009 (as stated above), our Company has launched a new control process to comply with the relevant new laws, which will need to be in place before 31 December 2009 and consist of two parts: compliance with ISO standard and compliance with the local regulations. Our Group had engaged a Spanish technical control and inspection organisation to conduct an audit on our Spanish operation in respect of our compliance of the applicable environmental regulations in relation to water supply, waste water, atmospheric issues, fire prevention, health prevention and waste production. This audit has been substantially completed in October 2009 and apart from minor leaks of the waste drums which our Company has taken action to fix and the fixed waste drums will be inspected by the inspection organisation to ensure compliance, no non-compliance of the environmental regulations was noted by the inspection organisation. According to our Spanish counsel, such possible minor leaks of the waste drums does not constitute material legal consequence as to our Company's overall compliance with the relevant environmental regulations in Spain and save and except for the said minor leaks of waste drums which our Company has fixed, our Company is in compliance with the requirements under the ISO standard and local regulatory rules. In addition, the inspection organisation has made further recommendations on enhancements of our internal policies which we will integrate into our Spanish operation going forward.

A compliance department, in which one compliance officer has been designated for our Group's environmental compliance in Europe and another compliance officer has been designated for our Group's environmental compliance in Asia, has been set up to ensure our Group adheres to all relevant environmental laws and regulations in all jurisdictions where our Group conducts its business. Should

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the officers notice any breach of the environmental regulations in the respective regions, they will report the incident to the head of compliance of our Group in Germany as soon as they are aware of such incident, who will in turn inform the Management Board immediately. If no incident of breach is noticed, this will also be documented at the end of each quarter.

Short Time Work Arrangement

To our best knowledge our Group has fully complied with the applicable laws and regulations in relation to the implementation of the short time arrangement and it has been implemented legally. A works agreement dated 27 February 2009 (“*Betriebsvereinbarung zur Einführung von Kurzarbeit vom 27.02.2009*”) short time work (“*Kurzarbeit*”) was implemented in the period between 9 March 2009 and 31 August 2009 for certain workers of Schramm Coatings GmbH. According to a further works agreement dated 28 July 2009 (“*Betriebsvereinbarung zur Einführung von Kurzarbeit vom 28.07.2009*”) the short time work period was extended until 28 February 2010. In addition, according to two official notifications by the German Federal Labour Office (“*Agentur für Arbeit*”) dated 17 March 2009 and 07 September 2009, governmental subsidies for the employees affected were granted for such short time work period as long as the respective statutory qualifying conditions are met for the relevant employees. For further details, please refer to the paragraph headed “Risk Factors — Risks Associated with the Country of Our Company’s Incorporation and Our Group’s Business Operations — We apply short time work arrangement for some of our employees in Germany” in this prospectus.

INSURANCE

As at the Latest Practicable Date, our Group has maintained insurance coverage with insurers with an aggregate insured amount of approximately €186 million to cover plant and equipment damage and business interruption for our Germany and Spain operations. We have also made monthly compulsory contributions to the employee social health insurance in Spain during the Track Record Period.

Consistent with what we believe to be standard practice in our industry in the PRC, our Group does not currently maintain insurance coverage for third party claims, business interruption or environmental damage rising from accident on our sites or relating to our operations.

We have also maintained insurance coverage for damage to fixed assets and equipment for our Shanghai, Huizhou and Tianjin Facilities with an aggregate insured amount of approximately RMB194 million. During the Track Record Period, we have also maintained insurance coverage for inter alia, dangerous chemicals, employer’s liability and accidental injury in the PRC. We have also made monthly mandatory contributions to various types of social insurances in the PRC, the details of which are set out in the paragraph headed “Directors, Supervisors and Senior Management — Social Welfare Benefits” in this prospectus.

We have subscribed to all mandatory insurances required for us to operate our business in Korea and have been fully performing our payment obligations under such insurances. For the types of insurances we have maintained coverage for our Korean operations, please refer to paragraph headed “Directors, Supervisors and Senior Management — Social Welfare Benefits” in this prospectus.

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We have also maintained a property insurance coverage for the benefit of our lessor in Thailand.

We make provision for insurance claims for all of our subsidiaries except for our PRC Subsidiaries.

GERMAN FOREIGN INVESTMENTS

Pursuant to the German Foreign Trade and Payments Act, if at least 25 per cent of the voting rights in a German company are acquired by a non-EU/EFTA purchaser, such investment can be restricted or prohibited if it poses a threat to the public order or security such that there is a genuine and sufficiently serious threat which affects one of the fundamental interests of society.

The acquisition of our Company by SSCP, however, did not constitute a transaction under this provision, since it took place before the relevant provision came into force. An acquisition of more than 25 per cent of our Company is unlikely to lead to a restriction or a prohibition under the German Foreign Trade and Payments Act on the basis that it constitutes a threat to public order or security, since our Company is not active in an industry which is usually subject to such restrictions, such as the production of weapons of war or armaments. Such possibility, however, usually has to be taken into consideration by a possible acquirer of such a major stake, who, in case of uncertainties, can apply for a clearance certificate if he believes this is advisable.

REGULATIONS ON IMPORT AND EXPORT OF PRODUCTS

Pursuant to the German Foreign Trade and Payments Law (AWG) as well as the German Foreign Trade and Payments Ordinance (AWV), our Group has to comply, among others, with the regulations on exports. According to the German Foreign Trade and Payments Ordinance (AWV) certain substances, in particular chemical substances, require an authorization for the exports. Similarly, the import of certain goods may also be subject to trade restrictions and require authorization. Our Company is not aware of any non-compliance with or breach of trade restrictions, including the authorisation requirements under the AWG and AWV.

To the best knowledge of our Directors, there are, apart from the regulations in Germany on the import and export of products, no any other foreign regulations on the products produced or sold by our Group which our Group may be ultimately responsible. Our Company further confirms that our Group's products are manufactured in accordance to the specifications provided by the ultimate product owners and all the product liability shall be borne by the product owners themselves.

AWARDS AND CERTIFICATES

Our Group has received the following major awards, accreditations and distinctions:

- ISO 9001:2000 certification for all production facilities;
- ISO 14001:2004 certification for all production facilities other than the Spain Facility;

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- ISO/TS 16949:2002 - automotive coatings and inks production system certification for Germany, Spain and Huizhou Facilities;
- BS OHSAS 18001:2007 for Germany Facility;
- QC 080000 certification for Huizhou Facility, Shanghai Facility and Tianjin Facility.

LEGAL PROCEEDINGS

Our Group is not currently involved in any material litigation or legal proceedings which could be expected to have a material adverse effect on our business or operations. So far as our Directors are aware, our Group has not received any material litigation claims regarding infringement of others' intellectual property and defective products during the Track Record Period. Neither were there any material safety/health concerns raised on our Group's products during the Track Record Period.