The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

15 December 2009

The Directors
Schramm Holding AG

Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Schramm SSCP (Tianjin) Limited (the "Company") set out in Sections I to III below, for inclusion in the prospectus of Schramm Holding AG ("Schramm AG") dated 15 December 2009 (the "Prospectus") in connection with the initial listing of shares of Schramm AG on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the balance sheets as at 31 December 2006, 2007 and 2008 and 30 June 2009, and the income statements, the statements of comprehensive income, the statements of changes in equity and the cash flow statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was registered as a company with limited liability in the People's Republic of China (the "PRC") on 2 April 2003. The financial statements of the Company prepared in accordance with the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises in the PRC for the year ended 31 December 2006 were audited by 天津南華有限責任會計師事務所. The financial statements of the Company prepared in accordance with the Accounting Standards for Business Enterprises (2006) of the PRC for the years ended 31 December 2007 and 2008 were audited by 天津南華有限責任會計師事務所 and 天津市君天會計師事務所有限公司 respectively.

For the purpose of this report, the directors of the Company have prepared financial statements of the Company for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRS") (the "Underlying Financial Statements") We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 in accordance with International Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the directors of Schramm AG are responsible for the preparation and the true and fair presentation of the financial information in accordance with IFRS. This responsibility includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended 30 June 2008, the directors of Schramm AG are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRS.

Reporting accountant's responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

For the financial information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of its results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended 30 June 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRS.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Company for the Relevant Periods.

INCOME STATEMENTS

		Year ended 31 December			Six months ended 30 June	
	Notes	**2006**	**2007**	**2008**	**2008**	**2009**
		€'000	*€'000*	*€'000*	*€'000*	*€'000*
					(unaudited)	
Sales	5	9,202	7,638	10,298	5,130	5,280
Other operating income	5	—	48	49	25	28
Changes in inventories of finished goods and work in progress		(303)	233	329	217	(167)
Cost of materials	6	(5,699)	(5,220)	(6,453)	(3,604)	(2,832)
Employee benefit expenses	7	(1,073)	(1,119)	(1,430)	(629)	(818)
Depreciation and amortisation	8	(139)	(150)	(245)	(117)	(212)
Other operating expenses	8	(1,953)	(1,633)	(2,288)	(1,086)	(887)
Other gains, net	9	153	291	254	263	2
Operating profit		188	88	514	199	394
Finance income	10	2	6	19	11	4
Finance costs	10	(42)	(73)	(139)	(38)	(142)
Profit before income tax		148	21	394	172	256
Income tax credit/(expense)	11	80	(4)	(43)	(24)	(34)
Profit for the year/period		228	17	351	148	222
Dividend	12	—	—	—	—	298

STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Profit for the year/period	228	17	351	148	222
Translation differences	(64)	(103)	678	(94)	(87)
Other comprehensive income for the year/period	(64)	(103)	678	(94)	(87)
Total comprehensive income attributable to the equity holders of the Company	164	(86)	1,029	54	135

BALANCE SHEETS

		As at 31 December			As at 30 June
	Notes	**2006**	**2007**	**2008**	**2009**
		€ '000	*€ '000*	*€ '000*	*€ '000*
ASSETS					
Non-current assets					
Intangible asset	13	—	51	56	55
Property, plant and equipment	14	1,138	1,708	3,456	3,441
Land use rights	15	353	524	573	560
Investment properties	16	—	210	224	217
Deferred tax assets	23	95	142	241	235
		1,586	2,635	4,550	4,508
Current assets					
Inventories	17	1,887	1,612	4,490	3,315
Trade and bill receivables	18	3,657	3,546	3,945	4,920
Other receivables and prepayments		208	226	298	181
Amount due from a fellow subsidiary	26(c)	—	—	347	—
Cash and cash equivalents	19	315	1,593	471	342
		6,067	6,977	9,551	8,758
Total assets		7,653	9,612	14,101	13,266

		As at 31 December			As at 30 June
	Notes	**2006**	**2007**	**2008**	**2009**
		€'000	*€'000*	*€'000*	*€'000*
EQUITY					
Capital and reserves					
Paid-in capital	20	3,253	4,503	5,929	5,929
Other reserves		47	67	123	139
Exchange reserves		(64)	(167)	511	424
Accumulated losses		(364)	(367)	(72)	(164)
		2,872	4,036	6,491	6,328
Current liabilities					
Bank borrowings	21	594	1,218	3,444	3,403
Trade and other payables	22	4,187	4,305	4,111	3,460
Income tax liabilities		—	53	55	75
Total liabilities		4,781	5,576	7,610	6,938
Total equity and liabilities		7,653	9,612	14,101	13,266
Net current assets		1,286	1,401	1,941	1,820
Total assets less current liabilities		2,872	4,036	6,491	6,328

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Accumulated losses	Exchange reserves	Other reserve	Total equity
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
As at 1 January 2006	1,370	(545)	—	—	825
Capital contribution	1,883	—	—	—	1,883
Profit for the year	—	228	—	—	228
Appropriations	—	(47)	—	47	—
Exchange differences	—	—	(64)	—	(64)
As at 31 December 2006	3,253	(364)	(64)	47	2,872
Capital contribution	1,250	—	—	—	1,250
Profit for the year	—	17	—	—	17
Appropriations	—	(20)	—	20	—
Exchange differences	—	—	(103)	—	(103)
As at 31 December 2007	4,503	(367)	(167)	67	4,036
Capital contribution	1,426	—	—	—	1,426
Profit for the year	—	351	—	—	351
Appropriations	—	(56)	—	56	—
Exchange differences	—	—	678	—	678
As at 31 December 2008	5,929	(72)	511	123	6,491
Dividend paid	—	(298)	—	—	(298)
Profit for the period	—	222	—	—	222
Appropriations	—	(16)	—	16	—
Exchange differences	—	—	(87)	—	(87)
As at 30 June 2009	5,929	(164)	424	139	6,328
Six months ended 30 June 2008 (unaudited)					
As at 1 January 2008	4,503	(367)	(167)	67	4,036
Capital contribution	1,426	—	—	—	1,426
Profit for the period	—	148	—	—	148
Appropriations	—	(25)	—	25	—
Exchange differences	—	—	(94)	—	(94)
As at 30 June 2008	5,929	(244)	(261)	92	5,516

CASH FLOW STATEMENTS

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Operating activities					
Net cash (used in)/generated from operations (Note 25)	(1,613)	711	(2,357)	(3,218)	176
Interest paid	(42)	(73)	(139)	(38)	(142)
Income tax refunded/(paid)	56	—	(124)	(63)	(8)
Net cash (used in)/generated from operating activities	(1,599)	638	(2,620)	(3,319)	26
Investing activities					
Proceeds from disposals of property, plant and equipment	—	—	—	—	15
Purchase of intangible asset, property, plant and equipment, investment properties and land use rights	(144)	(1,234)	(1,664)	(1,138)	(239)
(Increase)/decrease in amount due from a fellow subsidiary	—	—	(324)	(326)	363
Interest received	2	6	19	11	4
Net cash (used in)/generated from investing activities	(142)	(1,228)	(1,969)	(1,453)	143
Financing activities					
Proceeds from capital contributions	1,883	1,250	1,426	1,426	—
Dividend paid	—	—	—	—	(298)
Proceeds from bank borrowings	—	658	1,943	1,974	—
Repayments of bank borrowings	(149)	—	—	—	(1)
Net cash generated from/(used in) financing activities	1,734	1,908	3,369	3,400	(299)
(Decrease)/increase in cash and cash equivalents	(7)	1,318	(1,220)	(1,372)	(130)
Translation differences	(24)	(40)	98	57	1
Cash and cash equivalents at beginning of the year/period	346	315	1,593	1,593	471
Cash and cash equivalents at end of the year/period	315	1,593	471	278	342

II NOTES TO THE FINANCIAL INFORMATION

1 General information

The Company is principally engaged in the manufacturing and trading of specialty coating products whose major customers are manufacturers located in the PRC. The Company was incorporated in the PRC as a limited liability company on 2 April 2003. The address of its registered office is No. 11 Huoju Road, Zheng Ying Industrial Zone, Bei Zha Kou Town, Jinnan District, Tianjin, the PRC.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 *Basis of preparation*

The Financial Information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

The Company has considered the new standards, amendments, interpretations and annual improvement project that may be applicable to the Company's accounting periods beginning on or after 30 June 2009. The Company has not yet early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the results and financial position of the Company.

IAS 24 (Amendment)	Related party disclosures
IAS 27 (Revised)	Consolidated and separate financial statements
IAS 32 (Amendment)	Financial instruments: Presentation
IAS 39 (Amendment)	Financial instruments: Recognition and measurement
IFRS 1 (Revised)	First-time adoption of IFRS and IAS 27 − Consolidated and separate financial statements
IFRS 2 (Amendment)	Share-based payment

IFRS 3 (Revised)	Business combinations
IFRS 5	Non-current assets held for sale as discontinued operations
IFRS 9 (Revised)	Financial Instruments
IFRIC 17	Distribution of non-cash assets to owners
IFRSs (Amendments)	Improvements to IFRSs 2009

2.2 ***Foreign currency translation***

(i) *Functional and presentation currency*

Items included in the Financial Information are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB") and for the convenience of the readers of the Financial Information, the Financial Information is presented in Euros ("EURO" or "€").

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

All foreign exchange gains and losses are presented in the income statement within "other gains, net".

The results and financial position of all the Company are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

2.3 ***Property, plant and equipment***

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings and leasehold improvements	20 years
Plant and machinery	10 years
Motor vehicles, furniture and other equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains, net" in the income statement.

2.4 ***Investment property***

Investment property is held for long-term rental yields and is not occupied by the Company.

Investment property is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on investment property is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains, net" in the income statement.

2.5 ***Intangible asset***

Acquired club membership is shown at historical cost. Club membership has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of club membership over its estimated useful life.

2.6 ***Impairment of non-financial assets***

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 ***Financial assets***

2.7.1 *Classification*

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.

2.7.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in Note 2.9.

2.8 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 ***Trade and other receivables***

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the income statement.

2.10 ***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.11 ***Trade and other payables***

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 ***Current and deferred income tax***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.14 ***Pensions and medical benefit obligations***

The employees of the Company are covered by the local municipal government-sponsored pension and medical benefit plans. The relevant government agencies are responsible for settling to the employees. The Company contributes to these pension and medical benefit plans on a monthly basis based on a percentage of the salaries of the employees. In respect of forfeited contributions paid by the Company on behalf of its employees who leave the pension plan prior to vesting fully in such contributions, such contributions may not be used by the Company to reduce the existing level of contributions. Under these plans, the Company has no legal or constructive obligation for the benefits beyond the contribution made. Contributions to these plans are expensed as incurred.

2.15 ***Provisions***

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

2.16 ***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Sales of goods*

The Company manufactures and sells specialty coating products. Sales of goods are recognised when the Company has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(ii) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(iii) *Rental income*

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

2.17 ***Leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) *The Company is the lessee of operating leases, other than land use rights*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) *The Company is the lessee of operating leases of land use rights*

The upfront prepayments made for the land use rights are presented on the face of the balance sheet as land use rights and expensed in the income statement on a straight-line basis over the period of the lease, or when there is impairment, the impairment is expensed in the income statement. The upfront prepayment of land use rights included in the current assets are expected to be realised in, or is intended for sale and consumption in the Company's normal operating cycle.

2.18 ***Contingent liabilities***

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Company's Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 Financial risk management

The Company operates in the PRC and its activities expose it to a variety of financial risks (including market risk, such as currency risk, interest rate risk; liquidity risk and credit risk) as part of its ordinary operating activities. The Company's overall risk management programme seeks to minimize potential adverse effects on the Company's financial performance.

(i) ***Market risk***

Market risk can be broken down into currency risk and interest rate risk.

(a) *Foreign exchange risk*

The Company conducts the majority of its sales and purchases transactions in its functional currency. The Company's bank borrowings denominated in USD as at 31 December 2006, 2007, 2008 and 30 June 2009 amounted to USD400,000, USD1,400,000, USD4,000,000 and USD3,400,000 respectively.

The Company does not use foreign exchange contracts to hedge foreign exchange risk arising from sales and purchases transactions as management considers the present exposure to foreign exchange risk is not significant.

If the exchange rates for RMB against USD at the balance sheet date had been 1 percent higher or lower, the post-tax profit for the year ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 would have been RMB384,000, RMB235,000, RMB421,000 and RMB343,000 higher or lower respectively.

(b) *Interest rate risk*

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The details of the Company's borrowings are set out in Note 21.

All of the Company's short-term borrowings were taken out at variable interest rate.

If interest rates had been 100 basis points higher or lower with other variables held constant, post-tax profit for the year ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 would have been RMB38,000, RMB67,000, RMB214,000 and RMB144,000 lower or higher respectively, mainly as a result of interest expenses on variable rate borrowings.

(ii) ***Liquidity risk***

Liquidity risk is managed on the basis of cash flow planning and forecast. As part of liquidity risk management, the Company monitors its liquidity requirements arising from operating activities, from investing activities and from financing activities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, the Company aims to maintain flexibility in funding by maintaining adequate amount of cash and cash equivalents and having available sources of financing.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	Within one year	**Within one year**	**Within one year**	**Within one year**
	€'000	*€'000*	*€'000*	*€'000*
Bank borrowings	607	1,241	3,521	3,524
Trade and other payables	4,187	4,305	4,111	3,460
	4,794	5,546	7,632	6,984

(iii) ***Credit risk***

The Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the period end dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheets.

Credit risk is managed by reviewing the credit worthiness of customers before entering into transactions. The Company makes references to credit ratings from external credit agencies, if available. Payment terms and conditions are modified appropriately in response to any deterioration of the credit ratings of the customers.

The Company has established different credit terms for customers. The average credit period granted to trade debtors was 30 to 90 days. Occasionally, certain debtors enjoy a longer credit period. The Company reviews the recoverable amount of each individual debt at each balance sheet date, taking into account its financial position, past experience and other factors to ensure that adequate impairment loss are made for irrecoverable amounts.

Cash transactions are limited to financial institutions with high credit quality.

The Company does not have significant exposure to any individual debtors or counterparties.

Occasionally, customer will settle after the credit period given. Management will consider various ways to handle the situation including suspension of supplies until settlement is made, taking legal action or requesting security.

(iv) ***Capital risk management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to equity holders, return capital to equity holders, request capital contributions from equity holders or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated by dividing the total borrowings with total assets.

The gearing ratios at the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€ '000	*€ '000*	*€ '000*	*€ '000*
Total borrowings	594	1,218	3,444	3,403
Total assets	7,653	9,612	14,101	13,266
	7.8%	12.7%	24.4%	25.7%

The increase in the gearing ratio as at 31 December 2008 and 30 June 2009 as compared to the previous years resulted primarily from the increase in bank borrowings to fund the Company's operations.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

(a) ***Useful lives of property, plant and equipment***

The Company's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expense in future periods.

(b) ***Estimated provision for inventories***

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(c) ***Estimated impairment of receivables***

The Company makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivable is recognised in the periods in which such estimates have been changed.

(d) ***Income taxes and deferred income tax***

The Company is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be required. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates have been changed.

5 Sales and other operating income

The Company is principally engaged in the manufacturing and trading of specialty coating products. All of the Company's assets, liabilities and capital expenditure are located or utilised in the PRC, and accordingly, no segment information is presented.

Sales and other operating income are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Sales of goods	9,202	7,638	10,298	5,130	5,280
Other operating income					
Rental income (Note 26(b))	—	48	49	25	28

6 Cost of materials

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Purchase of raw materials and supplies	5,699	5,220	6,453	3,604	2,832

For the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 (unaudited) and 2009, the cost of materials included write-down of inventory to net realisable value of €44,000, €69,000, €108,000, €101,000 and €18,000 respectively. There were no reversals of write-downs of inventories in prior years.

7 Employee benefit expenses

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Wages and salaries	989	1,003	1,333	584	750
Welfare expenses	84	116	97	45	68
	1,073	1,119	1,430	629	818

(b) Directors' emoluments

The aggregate amounts of emoluments paid/payable to the directors of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Basic salaries and benefits in kind	18	18	58	13	37

There were no arrangement under which a director has waived or agreed to waive any emoluments in any of the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009. There were no payments made during each financial period to the directors as an inducement to join the Company or as compensation for loss of office.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Company for the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2008 and 2009, include one, one, one, nil and one director whose emoluments are reflected in the analysis presented above.

The emoluments paid/payable to the remaining four, four, four, five and four individuals during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Wages and salaries	85	82	210	126	125

The emoluments to each of the above individuals fell within the band of Nil to €95,000 (equivalent to HK$1,000,000).

8 Other operating expenses

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Depreciation	131	139	232	110	205
Amortisation	8	11	13	7	7
Freight charges	109	117	129	56	42
Legal and consulting expenses	63	91	91	39	75
Energy and water costs	49	55	29	19	41
Repair and maintenance costs	90	109	153	70	65
Travelling expenses	200	183	218	101	55
Provision for impairment of trade receivables	—	27	142	69	—
Operating lease rental in respect of land and buildings	217	275	259	106	136
Others	1,225	776	1,267	626	473
Total depreciation, amortisation and other operating expenses	2,092	1,783	2,533	1,203	1,099

9 Other gains, net

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Net foreign exchange gain/(loss)	145	305	250	265	(2)
Gain on disposal of property, plant and equipment	—	—	—	—	3
Others	8	(14)	4	(2)	1
	153	291	254	263	2

10 Finance income and finance costs

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Finance income					
Interest income on short-term bank deposits	2	6	5	4	1
Interest income from a fellow subsidiary	—	—	14	7	3
	2	6	19	11	4
Finance costs					
Interest expenses on bank borrowings wholly repayable within five years	(42)	(73)	(139)	(38)	(142)
Finance costs, net	(40)	(67)	(120)	(27)	(138)

11 Income tax credit/(expense)

The amount of income tax credited/(charged) to the income statement represents:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Current income tax	—	(55)	(121)	(78)	(30)
Deferred taxes (Note 23)	80	51	78	54	(4)
	80	(4)	(43)	(24)	(34)

The Company is engaged in production and is located in Jinnan District, the PRC, which is subject to a tax rate of 24%. It is entitled to foreign enterprise income tax holiday of "2-year exemption and 3-year 50% reduction" commencing from its first profit making year which was 2005. The Company was entitled to tax exemption for both 2005 and 2006. In 2007, the Company enjoyed a 50% reduction of a reduced tax rate of 24% (i.e. 12%) while in 2008 and 2009, it enjoyed a 50% reduction of the statutory tax rate of 25% (i.e. 12.5%).

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to profit of the Company as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Profit before income tax	148	21	394	172	256
Tax calculated at the tax rates applicable to the Company	—	2	49	21	32
Effect of adoption of different tax rates	(80)	(29)	(43)	(26)	(5)
Expenses not deductible for taxation purpose	—	28	6	6	3
Others	—	3	31	23	4
Income tax (credit)/expense	(80)	4	43	24	34

12 Dividend

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Dividend paid	—	—	—	—	298

13 Intangible asset

Intangible asset represents a golf club membership. According to the terms of the membership, it is amortised over a term of 38 years.

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	€'000	*€'000*	*€'000*	*€'000*
Cost				
At beginning of the year/period	—	—	52	59
Additions	—	54	—	—
Exchange differences	—	(2)	7	—
At end of the year/period	—	52	59	59
Accumulated amortisation				
At beginning of the year/period	—	—	(1)	(3)
Amortisation	—	(1)	(1)	(1)
Exchange differences	—	—	(1)	—
At end of the year/period	—	(1)	(3)	(4)
Net book value				
At end of the year/period	—	51	56	55

14 Property, plant and equipment

Year ended 31 December 2006

	Buildings and leasehold improvements	Plant and machinery	Motor vehicles, furniture and other equipment	Assets under construction	Total
	€ '000	*€ '000*	*€ '000*	*€ '000*	*€ '000*
Costs					
At 1 January 2006	710	245	384	—	1,339
Additions	—	61	82	—	143
Exchange differences	(49)	(18)	(28)	—	(95)
At 31 December 2006	661	288	438	—	1,387
Accumulated depreciation					
At 1 January 2006	(48)	(22)	(60)	—	(130)
Charge for the year	(30)	(33)	(68)	—	(131)
Exchange differences	4	2	6	—	12
At 31 December 2006	(74)	(53)	(122)	—	(249)
Net book value					
At 1 January 2006	662	223	324	—	1,209
At 31 December 2006	587	235	316	—	1,138

Year ended 31 December 2007

	Buildings and leasehold improvements	Plant and machinery	Motor vehicles, furniture and other equipment	Assets under construction	Total
	€ '000	*€ '000*	*€ '000*	*€ '000*	*€ '000*
Costs					
At 1 January 2007	661	288	438	—	1,387
Additions	20	53	142	550	765
Exchange differences	(24)	(12)	(19)	(12)	(67)
At 31 December 2007	657	329	561	538	2,085
Accumulated depreciation					
At 1 January 2007	(74)	(53)	(122)	—	(249)
Charge for the year	(29)	(37)	(73)	—	(139)
Exchange differences	3	3	5	—	11
At 31 December 2007	(100)	(87)	(190)	—	(377)
Net book value					
At 31 December 2007	557	242	371	538	1,708

Year ended 31 December 2008

	Buildings and leasehold improvements	Plant and machinery	Motor vehicles, furniture and other equipment	Assets under construction	Total
	€ '000	*€ '000*	*€ '000*	*€ '000*	*€ '000*
Costs					
At 1 January 2008	657	329	561	538	2,085
Additions	—	268	757	639	1,664
Transfer	958	—	—	(958)	—
Exchange differences	147	59	121	39	366
At 31 December 2008	1,762	656	1,439	258	4,115
Accumulated depreciation					
At 1 January 2008	(100)	(87)	(190)	—	(377)
Charge for the year	(32)	(48)	(143)	—	(223)
Exchange differences	(14)	(14)	(31)	—	(59)
At 31 December 2008	(146)	(149)	(364)	—	(659)
Net book value					
At 31 December 2008	1,616	507	1,075	258	3,456

Six months ended 30 June 2009

	Buildings and leasehold improvements	Plant and machinery	Motor vehicles, furniture and other equipment	Assets under construction	Total
	€ '000	*€ '000*	*€ '000*	*€ '000*	*€ '000*
Costs					
At 1 January 2009	1,762	656	1,439	258	4,115
Additions	44	132	49	15	240
Disposals	—	—	(37)	—	(37)
Transfer	14	—	217	(231)	—
Exchange differences	(24)	(15)	(30)	9	(60)
At 30 June 2009	1,796	773	1,638	51	4,258
Accumulated depreciation					
At 1 January 2009	(146)	(149)	(364)	—	(659)
Charge for the period	(42)	(37)	(121)	—	(200)
Disposals	—	—	25	—	25
Exchange differences	4	4	9	—	17
At 30 June 2009	(184)	(182)	(451)	—	(817)
Net book value					
At 30 June 2009	1,612	591	1,187	51	3,441

15 Land use rights

Land use rights represent prepaid operating lease payments for a parcel of land located in Tianjin, the PRC, on which the factory premises of the Company are situated, and a parcel of land located in Huizhou, the PRC, which is leased to a fellow subsidiary, Samsung Bestview (Huizhou) Company Limited ("Schramm Huizhou").

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
At beginning of the year/period	388	353	524	573
Additions	—	197	—	—
Amortisation	(8)	(10)	(12)	(7)
Exchange differences	(27)	(16)	61	(6)
At end of the year/period	353	524	573	560

The Company's interest in land use rights are held in the PRC under leases of 10 to 50 years.

The Group has not obtained the land use rights certificate for a parcel of land in Tianjin with carrying value of approximately €173,000, €164,000, €180,000 and €176,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 because the Company has not commenced the planned construction on this parcel of land within the respective construction periods as stated under the Construction Works Commencement Permit granted by the relevant authority, which would result in a land idle fee to be levied and the withdrawal of the land use rights by the relevant authority without return of the paid land premium or compensation.

On 3 December 2009, the relevant authority approved the extension of deadline for completing the construction on this parcel of land to before 31 December 2010 and the Company is approved to be exempt from the relevant penalties for extension and idle fees. The directors considered that there is no impairment associated with this parcel of land.

16 Investment properties

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	€'000	*€'000*	*€'000*	*€'000*
Cost				
At beginning of the year/period	—	—	214	239
Addition	—	219	—	—
Exchange differences	—	(5)	25	(3)
At end of the year/period	—	214	239	236
Accumulated depreciation				
At beginning of the year/period	—	—	(4)	(15)
Depreciation	—	(5)	(9)	(5)
Exchange differences	—	1	(2)	1
At end of the year/period	—	(4)	(15)	(19)
Net book value	—	210	224	217

Investment properties represent buildings located at Huizhou which is leased to a fellow subsidiary, Schramm Huizhou.

The fair value of the Company's investment properties, including land portions, which are classified in "land use rights" in the balance sheet, and the building portions, which are classified as "investment properties" in the balance sheet, amounted to €793,000 as at 30 June 2009, which is estimated by the directors of the Company based on current prices in an active market for the relevant properties.

17 Inventories

The Company's inventories are analysed as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	€ '000	*€ '000*	*€ '000*	*€ '000*
Raw material and consumables	1,740	1,309	3,907	2,914
Work-in-progress	—	52	86	85
Finished goods	190	359	725	559
	1,930	1,720	4,718	3,558
Less: Provision	(43)	(108)	(228)	(243)
	1,887	1,612	4,490	3,315

18 Trade and bill receivables

The Company's trade and bill receivables are analysed as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	€ '000	*€ '000*	*€ '000*	*€ '000*
Trade receivables − related parties	702	397	105	310
Trade receivables − third parties	2,872	3,175	3,982	4,761
Trade receivables, gross	3,574	3,572	4,087	5,071
Less: provision for impairment	—	(26)	(182)	(179)
Trade receivables, net	3,574	3,546	3,905	4,892
Bill receivables	83	—	40	28
	3,657	3,546	3,945	4,920

The carrying amounts of the Company's trade and bill receivables approximate their fair value. At the balance sheet date, there is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers. The maximum exposure to credit risk at each balance sheet date is the fair value of receivables set out above.

The majority of the Company's customers are granted with credit terms of 30 to 90 days or longer. Ageing analysis of trade receivables at the respective balance sheet dates are as follows:

	As at 31 December			**As at 30 June**
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
Within 3 months	2,446	2,166	2,639	3,040
3 to 6 months	369	831	1,155	1,248
6 to 12 months	671	119	229	376
Over 12 months	88	456	64	407
	3,574	3,572	4,087	5,071

As of 31 December 2006, 2007 and 2008, and 30 June 2009 trade receivables of approximately €343,000, €945,000, €788,000 and €1,451,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables from due date is as follows:

	As at 31 December			**As at 30 June**
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
Within 3 months	212	620	651	872
3 to 6 months	33	93	64	361
6 to 12 months	10	170	66	178
Over 12 months	88	62	7	40
	343	945	788	1,451

As of 31 December 2006, 2007 and 2008 and 30 June 2009 trade receivables of approximately Nil, €26,000, €182,000 and €179,000 were impaired and provided for. The respective amounts of the provision were approximately Nil, €26,000, €182,000 and €179,000. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing analysis of these receivables is as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
Within 3 months	—	—	10	—
3 to 6 months	—	13	60	—
6 to 12 months	—	13	55	68
Over 12 months	—	—	57	111
	—	26	182	179

The Company's movement for provision of impairment of trade receivables are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
At beginning of the year/period	—	—	26	26	182
Provision for impairment	—	27	142	69	—
Exchange differences	—	(1)	14	(4)	(3)
At end of the year/period	—	26	182	91	179

The creation and release of provision for impaired receivables have been included in "other operating expenses" in the income statement.

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€ '000	*€ '000*	*€ '000*	*€ '000*
USD	103	—	—	61
RMB	3,471	3,572	4,087	5,010
	3,574	3,572	4,087	5,071

19 Cash and cash equivalents

The Company's cash and cash equivalents are as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€ '000	*€ '000*	*€ '000*	*€ '000*
Cash on hand	7	3	3	1
Cash at bank	308	1,590	468	341
	315	1,593	471	342

Cash and bank deposits were denominated in the following currencies:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€ '000	*€ '000*	*€ '000*	*€ '000*
RMB	315	961	466	334
USD	—	632	4	7
Other currencies	—	—	1	1
	315	1,593	471	342

Cash at bank earns interest at floating rates based on daily bank deposit rates.

RMB is not a freely convertible currency in the international market. The remittance of these RMB funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

20 Paid-in capital

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
At beginning of the year/period	1,370	3,253	4,503	5,929
Capital contributions (Note)	1,883	1,250	1,426	—
At end of the year/period	3,253	4,503	5,929	5,929

Note:

Details of the changes in the Company's paid-in capital are as follows:

On 16 March 2006, 16 June 2006 and 19 June 2006, the Company received capital injection from the then immediate holding company amounting to €154,000, €1,507,000 and €222,000 respectively.

On 18 December 2007 and 28 December 2007, the Company received capital injection from the then immediate holding company amounting to €627,000 and €623,000 respectively.

On 5 June 2008, the Company received capital injection from the then immediate holding company amounting to €1,426,000.

21 Bank borrowings

(a) As at 31 December 2006, 2007, 2008 and 30 June 2009, the carrying amounts of the Company's bank borrowings approximated their fair values. Bank borrowings are denominated in the following currencies:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
USD	321	955	2,437	2,408
RMB	273	263	1,007	995
	594	1,218	3,444	3,403

(b) As at 31 December 2006, 2007, 2008 and 30 June 2009, the effective annual interest rates of the Company's bank borrowings at the balance sheet dates can be analysed as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
Bank borrowings	6.0%	6.3%	6.0%	7.6%

(c) As of 31 December 2006, 2007, 2008 and 30 June 2009, all of the Company's bank borrowings were repayable within one year.

(d) As at 31 December 2006, 2007, 2008 and 30 June 2009, the Company's bank borrowings were guaranteed by the ultimate holding company, SSCP Co., Ltd. ("SSCP"). The guarantee provided by SSCP for the benefit of the Company will be released before the listing of shares of Schramm AG on the Main Board of The Stock Exchange of Hong Kong Limited.

22 Trade and other payables

The Company's trade and other payables are analysed as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	€ '000	*€ '000*	*€ '000*	*€ '000*
Trade payables — related parties	2,954	3,271	2,429	1,895
Trade payables — third parties	856	686	966	856
Total trade payables	3,810	3,957	3,395	2,751
Other payables	377	348	716	709
	4,187	4,305	4,111	3,460

The carrying amounts of trade and other payables approximate their fair value.

The credit terms granted by the suppliers were usually 30 to 60 days. Ageing analysis of the Company's trade payables at the respective balance sheet dates are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	€ '000	*€ '000*	*€ '000*	*€ '000*
Within 3 months	1,929	3,957	1,789	1,777
3 to 6 months	441	—	674	344
6 to 12 months	1,440	—	932	630
	3,810	3,957	3,395	2,751

The Company's trade payables were denominated in the following currencies:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	€ '000	*€ '000*	*€ '000*	*€ '000*
USD	74	8	10	10
RMB	3,736	3,949	3,385	2,741
	3,810	3,957	3,395	2,751

23 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority.

The Company's deferred income taxes shown in the balance sheet, are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	€ '000	*€ '000*	*€ '000*	*€ '000*
Deferred income tax assets	95	142	241	235

The Company's deferred income tax assets are related to the balance sheet items and transactions below:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	€ '000	*€ '000*	*€ '000*	*€ '000*
Provisions for impairment of inventories	11	27	57	61
Provision for impairment of trade receivables	—	7	45	45
Other provisions	84	108	139	129
Total deferred tax assets	95	142	241	235
To be recovered within 12 months	9	13	16	4
To be recovered after 12 months	86	129	225	231

The movements in deferred tax assets are as follows:

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
At beginning of the year/period	17	95	142	241
Credited/(charged) to the income statement (Note 11)	80	51	78	(4)
Exchange difference	(2)	(4)	21	(2)
At end of the year/period	95	142	241	235

24 Commitments

As at 31 December 2006, 2007, 2008 and 30 June 2009, the Company's future aggregate minimum lease payments under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*
Within one year	105	89	105	86
In the second to fifth year inclusive	9	6	2	1
	114	95	107	87

Operating lease payments represent rentals payable by the Company for certain of its office premises and staffs quarters. Leases and rentals are negotiated and fixed for an average of one to three years.

25 Cash flow statements

(a) Reconciliation of profit before income tax to net cash (used in)/generated from operations

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€ '000	*€ '000*	*€ '000*	*€ '000*	*€ '000*
				(unaudited)	
Profit before income tax	148	21	394	172	256
Interest income	(2)	(6)	(19)	(11)	(4)
Interest expense	42	73	139	38	142
Provision for impairment of trade receivables	—	27	142	69	—
Provision for inventories	44	69	101	101	18
Amortisation	8	11	13	7	7
Depreciation	131	139	232	110	205
Gain on disposal of property, plant and equipment	—	—	—	—	(3)
Operating cash flow before working capital changes	371	334	1,002	486	621
Inventories	(213)	145	(2,608)	(1,942)	1,171
Trade and bill receivables	(1,360)	(46)	(127)	(89)	(1,081)
Other receivables and prepayments	(80)	(26)	(42)	(618)	120
Trade and other payables	(336)	271	(649)	(1,132)	(639)
Exchange differences	5	33	67	77	(16)
Net cash (used in)/generated from operations	(1,613)	711	(2,357)	(3,218)	176

(b) Proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	€ '000	*€ '000*	*€ '000*	*€ '000*	*€ '000*
				(unaudited)	
Net book amounts (Note 14)	—	—	—	—	12
Gain on disposal of property, plant and equipment (Note 9)	—	—	—	—	3
Proceeds from sale of property, plant and equipment	—	—	—	—	15

26 Related party transactions

(a) ***List of related parties***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The directors regard SSCP, which Mr. Jung Hyun Oh is the major shareholder with controlling interest, as being the Company's ultimate holding company. The Company is controlled by Schramm SSCP (Hong Kong) Limited, a company incorporated in Hong Kong, which owns 100% of the issued share capital of the Company since its date of incorporation. Prior to this, the Company was controlled by Samsung Bestview (Hong Kong) Co., Limited, a company incorporated in Hong Kong.

The major related parties that had transactions with the Company were as follows:

Related party	Relationship with the Company
SSCP	Ultimate holding company
Samsung Bestview (Hong Kong) Co., Limited	Former immediate holding company and a subsidiary of SSCP
Shanghai Hansheng Chemical Paint Company Limited	A subsidiary of Schramm AG and SSCP
Schramm Huizhou	A subsidiary of Schramm AG and SSCP
Tianjin M&C Electronics Company Limited	A subsidiary of SSCP
三晟化工(上海)有限公司	A subsidiary of SSCP

(b) ***Transactions with related parties***

Save as disclosed elsewhere in this report, during the Relevant Periods, the following transactions were carried out with related parties:

		Year ended 31 December			Six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
	Notes	*€ '000*	*€ '000*	*€ '000*	*€ '000*	*€ '000*
					(unaudited)	
Sales of goods:	(i)					
Subsidiaries of Schramm AG and SSCP		212	81	1,072	888	120
A subsidiary of SSCP		993	—	—	—	—
Former immediate holding company and a subsidiary of SSCP		493	—	—	—	—
Ultimate holding company		124	—	9	9	—
Purchase of materials:	(i)					
Subsidiaries of Schramm AG and SSCP		477	387	447	283	134
Former immediate holding company and a fellow subsidiary		2,585	1,319	19	—	—
Ultimate holding company		—	634	2,871	1,285	540
Interest income:						
A subsidiary of Schramm AG and SSCP		—	—	14	7	3
Other income:	(ii)					
A subsidiary of Schramm AG and SSCP		—	48	49	25	28

Notes:

(i) The above sales and purchases were carried out in accordance with the terms mutually agreed between both parties.

(ii) The other income represents rental income which was charged in accordance with the terms agreed between the relevant parties.

(c) ***Balances with related parties***

The Company had the following significant balances with its related parties during the Relevant Periods:

		As at 31 December			As at 30 June
		2006	**2007**	**2008**	**2009**
	Note	*€'000*	*€'000*	*€'000*	*€'000*
Receivables from:	(i)				
Fellow subsidiaries		702	397	452	310
Payables to:	(i)				
Fellow subsidiaries		137	—	525	756
Former immediate holding company and a fellow subsidiary		2,817	2,775	430	—
Ultimate holding company		—	496	1,474	1,139

Note:

(i) Except for an amount due from a fellow subsidiary amounting to €347,000 as at 31 December 2008 which bears interest at 5% per annum, the above balances due from and due to related parties were non-interest bearing. All the above balances were unsecured and had no fixed repayment terms. The maximum exposure to credit risk is the fair value of the amount due from the fellow subsidiary set out above.

(d) Key management compensation can be analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
				(unaudited)	
Wages and salaries	18	18	58	13	37

27 Subsequent events

Pursuant to a sales and purchase agreement dated 1 August 2009 entered into between Schramm SSCP (Hong Kong) Limited and Samsung Bestview (Hong Kong) Co., Limited, Schramm SSCP (Hong Kong) Limited acquired the entire interests in the Company from Samsung Bestview (Hong Kong) Co., Limited.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 30 June 2009. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to 30 June 2009.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong