



**SCHRAMM HOLDING AG**  
**星亮控股股份有限公司\***

(A joint stock company incorporated under the laws of Germany)  
(根據德國法例註冊成立的股份公司)

Stock Code 股份代號: 955

Interim Report  
中期報告 2010



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## CORPORATE INFORMATION

### MEMBERS OF THE MANAGEMENT BOARD ("DIRECTORS")

Mr. Peter BRENNER  
Mr. Kyung Seok CHAE  
Mr. Sung Yoon KIM (released on 17 March 2010)  
Mr. Kyung Hwan YEO (appointed on 17 March 2010 and  
released on 11 June 2010)

### MEMBERS OF THE SUPERVISORY BOARD ("SUPERVISORS")

Mr. Jung Hyun OH (Chairman of the Supervisory Board)  
Mr. Suk Whan CHANG (Vice Chairman of the Supervisory  
Board and resigned on 11 June 2010)  
Mr. Jeong Ghi KOO (Vice Chairman of the Supervisory  
Board since 11 June 2010)  
Mr. Min Koo SOHN (appointed on 11 June 2010)  
Mr. Kun Hwa PARK\* (resigned on 11 June 2010)  
Mr. Choong Min LEE\*  
Mr. Kiyong SHIN\*  
Mr. Bang Seon KO\* (appointed on 11 June 2010)

### COMPANY SECRETARY

Mr. Kenny Yuen Fai CHAN, CPA, FCCA

### AUTHORIZED REPRESENTATIVES

Mr. Kyung Seok CHAE  
Mr. Kenny Yuen Fai CHAN

### AUDITORS

For the requirements of the Rules Governing the Listing of  
Securities on The Stock Exchange of Hong Kong Limited:  
Deloitte Touche Tohmatsu

For Germany statutory requirements:  
Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft

### PRINCIPAL BANKERS

Bayerische Hypo-und Vereinsbank AG  
Commerzbank AG  
Industrial and Commercial Bank of China (Asia) Limited

### LEGAL ADVISERS

Norton Rose LLP  
Norton Rose Hong Kong

### COMPLIANCE ADVISER

SBI E2-Capital (HK) Limited

### REGISTERED OFFICE/HEAD OFFICE

Ketterlerstraße 100,  
D-63075 Offenbach/Main,  
Germany

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 07, 25/F, Lippo Centre, Tower 1,  
89 Queensway, Admiralty,  
Hong Kong

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
17M Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai,  
Hong Kong

### WEBSITE

[www.schramm-holding.com](http://www.schramm-holding.com)

### SHARE LISTING

The Stock Exchange of Hong Kong Limited

### STOCK CODE

955

\* Independent Supervisors

## HIGHLIGHTS

HALF YEAR RESULTS TO 30 JUNE			
	2010 (€'000)	2009 (€'000)	Change
Sales	57,073	43,719	+30.5%
Operating profit	5,112	2,321	+120%
Profit attributable to the owners of the Company	2,825	868	+225%
Operating profit margin	9.0%	5.3%	+3.7%
Net profit margin	4.9%	2.0%	+2.9%
Earnings per share (€)	0.14	0.07	+100%
	30 June 2010	31 December 2009	
Gearing ratio	23.2%	20.7%	
Quick ratio	2.27x	1.89x	

- Strong growth in both sales and net profit from both the Group's European and Asian operations.
- Improved profitability as a result of improvement in sales.
- Strong financial position.
- Low gearing and sufficient liquidity.

## CEO STATEMENT

Dear Shareholders,

I am pleased to inform you of Schramm's 2010 interim results and business performance.

Although many are skeptical as to whether the global economic recovery in the first half of 2010 is genuine and sustainable, it is clear that all of our key market segments including automotives and mobile handsets enjoyed a remarkable rebound since the turbulent and disastrous global economic downturn of the first half of 2009. As a result, Schramm's sales recorded €57.1 million in the first half, an increase of 30.5% year on year. All of our business segments enjoyed strong growth.

In addition to the general recovery of the overall economy in Europe, the depreciation of the Euro against the US dollar amplified the increase in demand for our customers' products manufactured in Europe, especially in Germany. Also, our European operation was able to capture much new business as we had not released any of our key R&D employees during the downturn of 2009 which strategically placed Schramm in a strong position to capture new projects.

As for our Asian operations, we witnessed continued growth. China's GDP for 2010 continues to be at high single digits with an automotive industry growing at double digits. As such, our PRC business continues to grow strong while its automotive business grew stronger. Our Korea operation also witnessed strong growth as a weak Korean Won and weak confidence in Japanese automotives strengthened the sales for Korean automotives.

With higher sales in all segments and regions along with a relatively stable cost structure, Schramm recorded a significant increase in its profitability with operating profit of €5.1 million and net profit of €2.8 million, an increase of 225% year on year. Indeed, Schramm's interim results show much promise for the year 2010.

In addition to improved profitability, Schramm improved its financial stability for the first half as most of its short term loans were converted into long term loans for protection against future potential market turbulence.

Moving forward, I am confident that the demand for our environmentally friendly products such as water-borne technology will grow more and more, especially in Asia, as the global awareness for environmental responsibility continues to strengthen in light of rapid deterioration and changes in our environment. As such, many new regulations continue to be issued in restricting the use of hazardous materials. Our business continues to benefit from this global trend as our water-borne sales in Asia continue to grow in size and customer base.

In the second half of 2010 and beyond, Schramm will continue to look for opportunities to find new applications for its technologies, to follow our global customers into new geographical locations, and to diversify its product portfolio. In this effort, we expect our investments into Vietnam and the USA to add much value for Schramm.

Finally, please allow me to express my great appreciation to all of Schramm's 800 plus employees, whose contribution have been invaluable in the interim results that I now announce to you, our shareholders. Every one of them has built a part of Schramm's solid foundation which enables Schramm to paint a brighter future for our shareholders. Thank you.

**Peter Brenner**

*Chief Executive Officer*

Offenbach, Germany, 10 August 2010

## MANAGEMENT DISCUSSION AND ANALYSIS

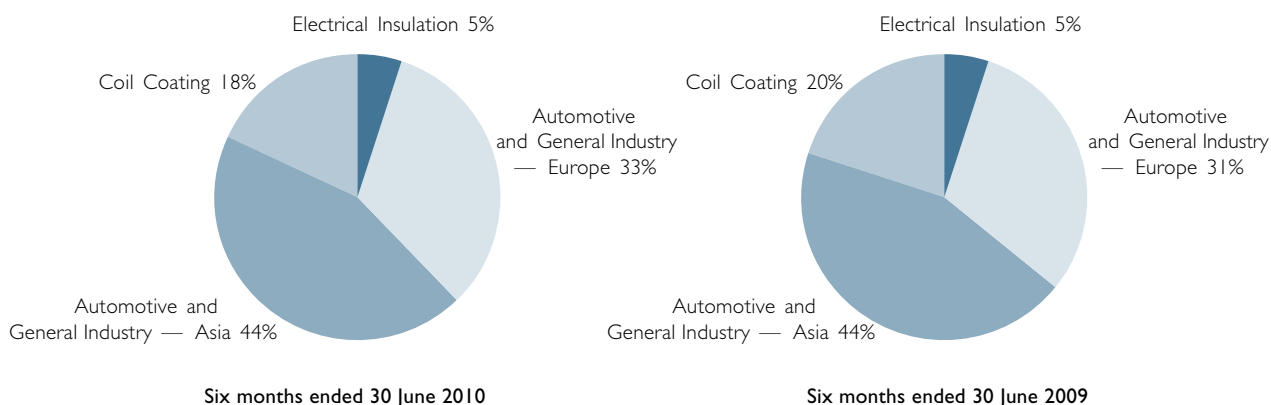
Schramm is a formulator and manufacturer of highly specialized paints and coatings for various market segments which require much development and customization of their paints and coatings. Our technical knowhow and eco-friendly awareness drive our business ahead of our competitors and create opportunity to enter into new applications and markets. Schramm's business segments are based on its products' application fields which are automotive (interior and under the body coatings), general industry (mobiles, laptops and other consumer electronics), coil, and electronic components. As at the date of report, Schramm operates in Germany, Spain, PRC, Korea, and Thailand and is expanding its footprints to Vietnam and the USA.

### RESULTS REVIEW:

The results of the first half of 2010 improved significantly compared to the first half of 2009.

#### Sales

Sales in the first half of 2010 reached €57.1 million, which represents an increase of 30.5% versus the first half of 2009. All the operating segments, from both of our European and Asian operations contributed to the increase in sales. Sales by our European operation improved by 32% to €32.2 million (2009: €24.3 million) and sales by our Asian operation increased by 28.1% to €24.9 million (2009: €19.4 million).



#### Review of segment results:

##### (a) Automotive and general industry

###### Europe:

Sales of automotive and general segment from our European operation grew to €19.0 million, a 43.5% increase year on year.

This was mainly driven by a general recovery in the European economy along with an increase in global demand for European, especially German, exports including automotives due to the significant depreciation of the Euro. Euro to USD fell by 15% during the first half of 2010, from 1.43 in January to 1.22 in June.

Also, Schramm was able to capture new projects with its European automotive customers.

Asia:

Sales of automotive and general industry segment from our Asian operation grew to €24.9 million, a 28.1% increase year on year.

Our business in the PRC, which is the majority of our Asian operation, continued to grow strong as the manufacturing of our customers' products such as mobile phones, notebooks, automotives, and consumer electronics increased. Automotive related products performed well in the PRC as the overall demand for automotives in PRC increased along with continued growth in demand for Schramm's water-borne coatings.

Schramm's Korea operation performed better than expectations as the demand for Korean automotives grew significantly in the first half. Due to a weak Korean Won and the troubles of the Japanese automotive manufacturers, Korean automotive manufacturers outperformed during this period which in return increased our sales in Korea.

(b) *Coil coatings*

Coil coatings are being supplied predominately in Europe for the time being to large steel and aluminium coil manufacturers. This is also known as "Pre-coated" metals, which can be coated with several layers to increase product performance through high surface conductivity, corrosion protection and wear resistance. Our coil coating products are mainly used in pre-coated metals, which are mainly used in the construction sector such as road signs, roofs, elevators/lifts and buildings.

For the first half of 2010, sales in this segment increased by 17.9% to €10.5 million (2009: €8.9 million). Our coil coating business was not as affected by the global economic crisis as our other business segments in 2009. Thus, the growth rate was not as high as the other business segments.

(c) *Electrical Insulations*

Sales increased by 25.2% in the first half of 2010 to €2.7 million (2009: €2.1 million). This increase was mainly due to the general recovery of the economy.

**Material Costs**

	Six months ended 30 June	
	2010 €'000	2009 €'000
Change in inventories of finished goods and work-in-progress	(1,702)	2,224
Cost of materials	32,904	21,258
Total material costs	31,202	23,482
As a percentage of sales	54.7%	53.7%

Total material costs increased by 32.9% in the first half of 2010 versus the first half of 2009 mainly due to a 30.5% increase in sales over the same period.

There was a slight increase in material costs as a percentage of sales, by approximately 1% mainly due to a change of the Group's sales mix.

During the first half of 2010, there was a slight shift from the coil coatings segment to automotive and general industry segment. This has led to a general increase in sales margin as coil coating sales normally have a lower sales margin as compared to the automotive and general industry.



## MANAGEMENT DISCUSSION AND ANALYSIS

However, this increase in margin was outweighed by an increase in the contribution from our Korea sales versus total sales. Our Korea operation is a sales and distribution operation and have lower margins as compared to the sales made by the other locations.

### Employee Benefit Expenses

	Six months ended 30 June	
	2010 €'000	2009 €'000
Employee benefit expenses	10,836	9,533
As a percentage of sales	19.0%	21.8%

Employee benefit expenses increased by 13.7% in the first half of 2010 versus the first half of 2009 mainly due to the expansion of sales and production and the Group's compliance, finance and controlling departments to manage the listing requirements.

Employee benefit expenses as a percentage of sales decreased by 2.8% mainly due to the Group not needing to increase the same level of employee benefit expenses in order to support the sales growth in the period.

### Depreciation and amortization

Depreciation and amortization expenses remained fairly stable as compared to the first half of 2009; there have been no significant change in the depreciable assets in the first half of 2010.

### Other Operating Expenses

	Six months ended 30 June	
	2010 €'000	2009 €'000
Other operating expenses	9,077	6,969
As a percentage of sales	15.9%	15.9%

Other operating expenses increased by 30.2% mainly due to the 30.5% sales growth along with additional expenses related to the expansion of the back office supporting functions, such as compliance, finance and controlling, to support the development of the Group's expansion and listing status.

### Finance Costs

	Six months ended 30 June	
	2010 €'000	2009 €'000
Finance costs	827	852
Operating profit	5,112	2,321
Interest coverage (i.e. operating profit/finance costs)	6.2x	2.7x

Finance costs were stable over the two periods with a decline of 2.9%.

In order to strengthen our financial stability, we converted majority of our short-term bank borrowings to long-term in the amount of €17.0 million. In return, we accepted a premium on top of the short term borrowing rate.

However, we reduced our total borrowings from €27.7 million as at 30 June 2009 to €21.7 million as at 30 June 2010. The repayment of loans outweighed the increase in the interest rate and decreased the finance costs by approximately €25,000 in the first half of the 2010 versus the first half of 2009.

We consider utilizing appropriate level of bank borrowings benefits our Group and we evaluate the overall effectiveness of using bank borrowings by managing the interest covering ratio. We consider the existing interest coverage ratio is at a healthy level and we will continue to monitor this.

### Tax Expenses

Tax expenses increased as a result of the increase in taxable profit and the effective tax rate decreased as a result of a better tax planning conducted at the Group level.

### Financial Position and Liquidity

We continued to be in a strong financial position for the first half of 2010. Net asset value of the Group as at 30 June 2010 was €54.3 million, as compare to €48.0 million as at 31 December 2009.

#### (a) Gearing ratio

	30 June 2010 €'000	31 December 2009 €'000
Total bank borrowings	21,745	26,739
Less: cash and cash equivalents	(5,345)	(14,226)
Net borrowings	16,400	12,513
Total equity	54,280	48,006
Total capital employed	70,680	60,519
Gearing ratio (i.e. net borrowings/total capital employed)	23.2%	20.7%

Gearing ratio is being maintained at a low level, at 23.2% as at 30 June 2010, as compare to the gearing ratio of 20.7% as at 31 December 2009. The slight increase in the gearing ratio was due to the additional investments made in the first half of 2010, which reduced our cash level and eventually increased the net borrowings as at 30 June 2010.

#### (b) Current ratio and quick ratio

In managing the Group's liquidity, we generally evaluate the current ratio and the quick ratio.

	30 June 2010 €'000	31 December 2009 €'000
Current assets	61,310	63,821
Current liabilities	17,962	25,464
Current ratio (i.e. current assets/current liabilities)	3.41x	2.51x

## MANAGEMENT DISCUSSION AND ANALYSIS

Our sales are seasonal and we normally have higher sales in the second half. In order to prepare for the peak season, we generally increase our inventory holding in June. We also compare the quick ratio in order to evaluate the liquidity of the Group.

	30 June 2010 €'000	31 December 2009 €'000
Current assets less inventories	40,838	48,132
Current liabilities	17,962	25,464
Current ratio (i.e. current assets less inventories/current liabilities)	2.27x	1.89x

The improvement in current ratio and quick ratio is mainly due to certain short-term bank borrowings repaid or converted into long-term.

### Profitability

Operating profit margin and net profit margin

	Six months ended 30 June 2010 €'000	Six months ended 30 June 2009 €'000	Year ended 31 December 2009 €'000
Operating profit margin	8.9%	5.3%	7.7%
Net profit margin	4.9%	2.0%	4.5%

Both the operating profit margin and net profit margin improved in the first half of 2010, against the first half of 2009 and the full year of 2009. Our profitability improved mainly due to a higher level of sales increase versus the level of employee benefit expenses.

### FOREIGN EXCHANGE RISK MANAGEMENT

Schramm reports its result based on its functional and presentation currency — Euro. Our Group's exposure on foreign currency is mainly on our Asian operation.

Since our Asian operation is largely independent to our European operation, fluctuations in Euro do not have the same level of impact to Schramm's operation; part of foreign exchange risk is being minimized by "nature hedge".

There is also a portion of our Asian operation not being naturally hedged for which Schramm has a dedicated team to monitor its exposure. During the first half of 2010, the Group entered into a straight foreign currency forward contract to hedge the unhedged exposure.

The Group has not entered into any financial derivatives for speculation.

### COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2010, the Group had capital commitments not provided for in the books amounted to €466,000. In addition, as at 30 June 2010 and at the date of this report, the Group did not have material contingent liabilities. Saved as disclosed above, there are also no material off-balance sheet obligations.

#### PLEDGE OF ASSETS

As at 30 June 2010, the Group pledged certain property, plant and equipments amounting to approximately €9.1 million as securities for the Group's bank borrowings.

#### HUMAN RESOURCES

As at 30 June 2010, the Group had 840 employees. The Group continues to offer market comparable remuneration packages and provide continuous training to its employees aiming to attract and retain high quality talent to ensure smooth operation and facilitate the Group's constant expansion.

#### BUSINESS OUTLOOK

The business environment during the first half of 2010 was quite promising as seen by our interim results. Although we are optimistic about the second half of the year, we plan ahead cautiously as mixed economic news in both Europe and Asia paint an unclear road ahead.

Due to the seasonal nature of our major markets, we expect stronger demand and sales of our products in the second half versus the first half of 2010. In addition, we expect waterborne coatings for automotive customers in the PRC will continue to grow at a fast pace.

We expect raw material costs to remain relatively stable, and as a result, expect higher gross profit in the second half of 2010.

The management will continue to leverage Schramm's technical knowhow and eco-friendly products to develop new products and further expand our existing business segments.

## CORPORATE GOVERNANCE REPORT

### INFORMATION REGARDING THE CORPORATE GOVERNANCE PRACTICE:

In supplement to the Corporate Governance Declaration pursuant to section 289A HGB and Corporate Governance Report included in the 2009 annual report, this report provides further information on the Group's corporate governance related matters for the period from 1 January 2010 to the date of this report. During the period, the Company has complied with the applicable legal and regulatory requirements, including the HKCG Code as set out in Appendix 14 to the Listing Rules, the provisions contained in the Articles, and in principle complies with the recommendations of the DCGK dated 26 May 2010 with the exceptions as set out in the compliance statement pursuant to section 161 German Stock Corporation Act below.

### ADOPTION OF THE "INTERNAL CONTROL INTEGRATED FRAMEWORK":

The Management Board has overall responsibility for maintaining the soundness and effectiveness of the internal control and risk management system of the Company and such system is designed to meet the Group's particular needs and minimize the risk to which it is exposed. The Company has continued to adopt the "Internal Control Framework" formulated by the Reporting Committee of Sponsoring Organizations of the Treadway Committee, which is a recommended framework under the Corporate Governance Guidelines issued by the HKICPA. In addition, the Company has adopted the Compliance Guidelines, which is a key component of the Group's compliance system. Interests of the Company can only be effectively guaranteed through responsible dealings and adherence to ethical principles, which are formulated in the Compliance Guidelines.

All the Group's employees and each subsidiary are bound by the Compliance Guidelines. Each of the Management Board and/or Supervisory Board member has an unrestricted right to conduct or instruct audits, unless laws and regulations or other agreements otherwise require. All employees have the right and are required to report any suspected or observed violations of the laws or the Guidelines, or if they are asked to behave in a manner that could lead to potential violations.

Upon discretion of the sender, anonymous reports can be made to the sender's supervisor, representative of the respective department, the Group's compliance office or the Management Board. Routine or ad hoc audits may be conducted by the Group's compliance office to ensure a continue compliance of the Guidelines. When any non-compliance behaviors or misconducts are identified, the Company will notify, and cooperate with, relevant authorities when it is required by laws or it is considered to be appropriate. Any misconduct, if found, will result in personal liability and corporate action, as required.

### PROCEDURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD AS WELL AS THE COMPOSITION AND PROCEDURES OF THE SUPERVISORY BOARD'S COMMITTEES:

#### MANAGEMENT BOARD:

The Company is run by the Management Board on its own responsibility with the goal of increasing the Company's enterprise value and achieving defined corporate objectives. The Management Board performs its tasks according to its statutory law, the Articles, the Management Board's internal rules and service contracts with its members. The Management Board works with the Company's other governance bodies on a mutual trust basis.

The Management Board defines the long-term goals and the strategies for the Company and sets forth the principles and directives for the corporate policies. It coordinates and monitors the most important activities, defines the portfolio, develops and deploys managerial staff, allocates resources and decides on the Group's financial steering and reporting.

The members of the Management Board have joint responsibility for running the business as a whole. However, the individual members manage the areas assigned to them on their own responsibility within the framework of the decisions made by the entire Management Board. The entire Management Board makes decisions on all matters of fundamental importance and in cases where a decision of the entire Management Board is required by law or otherwise mandatory.

The Management Board currently has the following members:

- Mr. Peter BRENNER, Chief Executive Officer
- Mr. Kyung Seok CHAE, Chief Strategic Officer

The Management Board meets on a regular basis and the meetings are normally convened by the Chief Executive Officer, although any member of the Management Board may request for a meeting. Decisions are made by a simple majority of votes cast, except where unanimous vote is required by law. No committee of the Management Board has been set up in the view of its small size and its role in the Company.

#### CHANGES IN THE MANAGEMENT BOARD:

Mr. Sung Yoon KIM was appointed as a member of the Management Board on 28 August 2008 and acted as the Company's Chief Financial Officer. During the supervisory board meeting held on 17 March 2010, Mr. Sung Yoon KIM was released from his positions effective from 17 March 2010, and had subsequently agreed to terminate his service contract with the Company on 5 July 2010 upon the receipt of a compensation of €343,200.

Mr. Kyung Hwan YEO was appointed as a member of the Management Board on 17 March 2010 and acted as the Company's Chief Financial Officer. His appointment was subject to the approval from shareholder at the Company's AGM held on 11 June 2010. Mr. Kyung Hwan YEO's appointment was not approved in the AGM and he was released from his positions as a member of the Management Board and the Company's Chief Financial Officer in the supervisory board meeting held immediately after the AGM.

Meetings held during the period and the respective attendance record:

	Dates of meetings			
	16 March 2010	19 April 2010	21 July 2010	10 August 2010
Mr. Peter BRENNER	√	√	√	√
Mr. Kyung Seok CHAE	√	√	√	√
MR. Sung Yoon KIM (released on 17 March 2010)	√	N/A	N/A	N/A
Mr. Kyung Hwan YEO (appointed on 17 March 2010 and released on 11 June 2010)	N/A	√	N/A	N/A

√: Attended                      x: Absent

N/A: Not Applicable

#### SUPERVISORY BOARD:

The role of the Supervisory Board is to oversee, control and advise the Management Board. The Supervisory Board appoints the members of the Management Board. The Supervisory Board executes its tasks in accordance with legal requirements, the Articles, its internal rules and its resolutions. Members of the Supervisory Board all have the same rights and obligations and are not bound by instructions or orders. The resolutions of the Supervisory Board are made primarily at Supervisory Board meetings, but also through written resolutions or by other methods of communication. The Supervisory Board is directly involved in decisions on matters of fundamental importance to the Company, advising the Management Board and regularly discussing with the Management Board on the Company's strategic alignment and the implementation status of the business strategy.

The chairman of the Supervisory Board coordinates its work and presides over the meetings. Through regular discussions with the Management Board, the Supervisory Board is kept constantly informed of business policy, corporate planning and strategy. The Supervisory Board approves the annual budget and financial framework. It also approves the financial statements of the Company and the consolidated financial statements of the Group, taking into account the reports by the auditors.

## CORPORATE GOVERNANCE REPORT

The Supervisory Board currently has the following members:

- Mr. Jung Hyun OH, Chairman
- Mr. Jeong Ghi KOO, Vice chairman
- Mr. Min Koo SOHN
- Mr. Choong Min LEE \*, #
- Mr. Kiyong SHIN \*
- Mr. Bang Seon KO \*, #

\* German stock corporation law does not provide for the appointment of INEDs and the Company has appointed three Independent Supervisors who assume the duties and responsibilities of INEDs as required under the Listing Rules, in addition to their general duties and obligations as a member of the Supervisory Board under statutory law and the Articles. Independent Supervisors are required to meet the independence requirements as provided under Rule 3.13 of the Listing Rules and all the Independent Supervisors have provided written confirmations to the Company confirming that they understand and comply with the relevant independence requirements.

# Both Mr. Choong Min LEE and Mr. Bang Seon KO are members of the Korean Institute of Certified Public Accountants and possess the appropriate professional qualifications and accounting expertise required under Rule 3.10(2) of the Listing Rules.

### COMMITTEES OF THE SUPERVISORY BOARD:

The Supervisory Board currently has two committees, namely (i) Audit Committee and (ii) Remuneration Committee.

The Audit Committee currently consists of three Independent Supervisors is primarily responsible for handling of accounting, risk management and compliance issues, making recommendation on appointment of auditors to be elected at the general meeting, monitoring the internal control system and providing advice and comments to the Management Board. The audit committee conducts preliminary examination/ review of the annual and interim financial statements together with the support from the Company's auditors. The Audit Committee is also empowered to review and report to the Management Board on the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

The Remuneration Committee currently consists of four members, including the Chairman of the Supervisory Board and the three Independent Supervisors. Its primarily responsibilities are the preparation of decisions regarding the appointment and dismissal of members of the Management Board, which have to be ultimately resolved by the plenum of the Supervisory Board, and reviewing the terms and remuneration packages and other benefits offered by the Company to its Management Board and senior management members.

### CHANGES IN THE SUPERVISORY BOARD:

Mr. Kun Hwa PARK was appointed as the Company's Independent Supervisor on 2 December 2009 and resigned from his position effective from 11 June 2010 aiming to dedicate more of his time on other business engagements.

Following Mr. Kun Hwa PARK's resignation, Mr. Bang Seon KO was appointed as the Company's Independent Supervisor on 11 June 2010 to fill the vacancy.

Mr. Suk Whan CHANG was appointed as a member and the vice chairman of the Supervisory Board on 27 August 2008. He resigned from his positions effective from 11 June 2010 upon the request of the controlling shareholder in order to allow the Company to appoint a new Supervisory Board member who may be able to contribute and devote more time and attention to the supervision of the Company.

Following Mr. Suk Whan CHANG's resignation, Mr. Min Koo SOHN was appointed as a member of the Supervisory Board on 11 June 2010 to fill the vacancy, and Mr. Jeong Ghi KOO was appointed as the vice chairman of the Supervisory Board on the same day.

Meetings of the committees held during the period and the respective attendance records:

	Audit Committee		Remuneration Committee
	17 March 2010	10 August 2010	21 July 2010
Mr. Jung Hyun OH	N/A	N/A	√
Mr. Choong Min LEE	√	√	√
Mr. Kun Hwa PARK (resigned on 11 June 2010)	√	N/A	N/A
Mr. Kiyong SHIN	√	√	√
Mr. Bang Seon KO (appointed on 11 June 2010)	N/A	√	√

√: Attended                      x: Absent

N/A: Not Applicable

#### SUPERVISORY BOARD MEETINGS HELD SINCE 1 JANUARY 2010 AND THE ATTENDANCE:

According to the internal rules of the Supervisory Board, the Supervisory Board shall meet at least twice every six months. During the first six months of 2010, three supervisory board meetings were held and up to the date of this report, there were five supervisory board meetings held since 1 January 2010 and the attendance rate is 100%. The following table summarizes the meetings and the respective attendance record:

	Dates of meetings				
	17 March 2010	19 April 2010	11 June 2010	21 July 2010	10 August 2010
<b>Supervisory board members</b>					
Mr. Jung Hyun OH	√	√	√	√	√
Mr. Suk Whan CHANG (resigned on 11 June 2010)	√	√	N/A	N/A	N/A
Mr. Jeong Ghi KOO	√	√	√	√	√
Mr. Min Koo SOHN (appointed on 11 June 2010)	N/A	N/A	√	√	√
<b>Independent Supervisors</b>					
Mr. Choong Min LEE	√	√	√	√	√
Mr. Kun Hwa PARK (resigned on 11 June 2010)	√	√	N/A	N/A	N/A
Mr. Kiyong SHIN	√	√	√	√	√
Mr. Bang Seon KO (appointed on 11 June 2010)	N/A	N/A	√	√	√

√: Attended                      x: Absent

N/A: Not Applicable

#### COMMUNICATIONS BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD:

The Supervisory Board monitors the conduct of the Management Board and the Company's business on a regular basis through detailed written and oral reports received from the Management Board, and also acts in an advisory capacity. In addition, the Chairman of the Supervisory Board and the Management Board maintain a regular exchange of information both verbally and in writing, on business developments and the state of the Company. In this way the Supervisory Board is kept continuously informed about the Company's intended business strategy, corporate planning, earning performance, the state of the business and of the Company and the Group as a whole. On the basis of this reporting in particular, the Supervisory Board monitors the legality, correctness and suitability of the Management Board's management and profitability of the business. The internal rules prepared by the Supervisory Board for the Management Board list out those transactions and activities for which the approval of the Supervisory Board is required. This applies, among other things, to decisions regarding corporate strategy, significant investment decisions which might affect the profit prospects of the Company, the one-year-planning of the Company, the acquisition and disposal of property (Grundbesitz) as well as the acquisition of enterprises or the taking up or granting of financial loans exceeding 1% of the equity of the Company.



## CORPORATE GOVERNANCE REPORT

### INTERIM FINANCIAL INFORMATION AND ITS REVIEW BY THE AUDIT COMMITTEE AND ITS EXTERNAL AUDITORS

The Management Board is responsible for the preparation of the interim financial information which gives a true and fair view of the state of affairs, and cash flow of the Group in accordance with IFRS, relevant laws and disclosure requirements under the Listing Rules.

The Company has engaged DTT, the Company's external auditors, to conduct a review in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IASB and the conclusion of DTT's review sets out in page 32 of this interim report.

Before approving the interim financial information, the audit committee has reviewed the interim financial information and raised questions to DTT in respect of the appropriateness on the choice of accounting policies and treatments. The Audit Committee has recommended to the Supervisory Board to approve the Interim Financial Statements after having directly questioned the management board members and the key financial reporting personnel and after having confirmed with DTT that there has been nothing to cause them to believe that the interim financial statements is not prepared in all material respects in accordance with IAS 34 "Interim Financial Reporting". Such approval was granted during a Supervisory Board meeting held on 10 August 2010.

### SUPERVISORY BOARD CHAIRMAN AND CEO:

The roles of the chairman of the Supervisory Board and the CEO of the Company are separate to reinforce their respective independence and accountability. No member of the Management Board has been appointed as chairman of the Management Board.

### MODEL CODE FOR SECURITIES TRANSACTIONS:

The Company has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as its own code for dealing in securities by members of the Management Board and the Supervisory Board of the Company. All the members of the Management Board and the Supervisory Board confirmed they have complied with the required standards as set out in the Model Code throughout the period from 1 January to 30 June 2010.

### DISCLOSURE OF SECURITIES TRANSACTIONS BY MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD:

Pursuant to the SFO, members of the Management Board and the Supervisory Board are required to disclose their interests and short positions in the shares, underlying shares and debentures of the Company and its associate corporation (within the meaning of Part XV of the SFO) and notify the Company and the HKSE about the dealings in the Company's securities.

### CHANGE OF AUDITORS

The 2009 financial statements were audited by PwC. A resolution to reappoint PwC as the Company's auditors was not passed in the AGM. At the AGM, a resolution was passed to appoint DTT as the Company's auditors for the year ending 31 December 2010.

### INVESTOR RELATIONS AND COMMUNICATIONS

The Company has a proactive policy of promoting investor relations and communications by maintaining regular dialogues with institutional shareholders and analysts. Management has attended investor meetings on a regular basis. The Company is being followed by several analysts and some of them publish reports on the Company regularly.

The Company continues to utilize its corporate website to further promote effective communication. The website disseminates shareholder information and other relevant financial and non-financial information electronically on a timely basis. The corporate website is <http://www.schramm-holding.com>.

## COMPLIANCE STATEMENT PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT

The Management Board and Supervisory Board of Schramm Holding AG declare pursuant to section 161 para 1 German Stock Corporation Act (*Aktiengesetz; AktG*) that since the listing of its shares on the Hong Kong Stock Exchange on 29 December 2009, Schramm Holding AG has in principle complied with and will continue to comply with the recommendations of the "Government Commission German Corporate Governance Code" (*Regierungskommission Deutscher Corporate Governance Kodex; DCGK*, dated 26 May 2010) published in the official section of the German electronic Federal Gazette.

The following recommendations were or are to date not complied with or only partially complied with by the Company:

- Clause 2.3.2 DCGK: "The company shall send notification of the convening of the General Meeting together with the convention documents to all domestic and foreign financial services providers, shareholders and shareholders' associations by electronic means if the approval requirements are fulfilled."

The notification of the convening of a general meeting and the convention documents are published on the Company's website and the notification is sent by post to the registered addresses of the Shareholders. It is currently not intended to send the notification of a convening and the convention documents by e-mail.

- Clause 2.3.3 sentence 2 DCGK: "The company shall also assist the shareholders in the use of postal votes and proxies."

With regard to the general meetings which have taken place or have been convened since 29 December 2009, no postal votes have been provided for. If in future postal votes are provided for with regard to a general meeting, the company will assist the shareholders in their use.

- Clause 3.4 paragraph 3 sentence 1 DCGK: "The Supervisory Board shall specify the Management Board's information and reporting duties in more detail."

Written "information rules" have not been determined by the Supervisory Board, since the reporting system of the Company satisfies the information and reporting requirements for the Management Board set out by law and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") so that the Management Board does not require further specific written guidelines.

- Clause 4.2.1 sentence 2 DCGK: "By-Laws shall govern the work of the Management Board, in particular the allocation of the areas of responsibility among individual Management Board members, matters reserved for the Management Board as a whole, and the required majority for Management Board resolutions (unanimity or resolution by majority vote)."

The required majority for Management Board resolutions is governed by section 5 (7) of the Company's Articles of Association; therefore, a separate provision in the Internal Rules for the Management Board is not necessary.

Internal Rules for the Management Board exist but neither explicitly govern the allocation of responsibility among individual Management Board members nor matters reserved for the Management Board as a whole. Since the Company's Management Board currently consists of only up to three members, responsibilities are clearly allocated and any matters requiring the resolution of the entire Management Board or which should in general be based on such resolution are generally presented to the Management Board as a whole.

- Clause 4.2.2 paragraph 1 sentence 2 DCGK: "The full Supervisory Board shall resolve and regularly review the Management Board's compensation system."

A Remuneration Committee of the Supervisory Board was established, the main tasks of which are the preparation of the decisions regarding the appointment and dismissal of members of the Management Board which will ultimately be made by the full Supervisory Board, as well as the review of remuneration packages and other benefits which the Company offers to the members of the Management Board, of the Supervisory Board and of the senior management.

## CORPORATE GOVERNANCE REPORT

In our opinion, it makes sense for the Company to have a specialised remuneration committee with the relevant expertise which is among others concerned with the review of the compensation system.

- Clause 4.2.3 paragraph 2 sentences 2 and 3 DCGK: "The monetary compensation elements shall comprise fixed and variable elements. Both positive and negative developments shall be taken into account when determining variable compensation components."
- Clause 4.2.3 paragraph 3 sentences 2 and 3 DCGK: "The variable elements shall be related to demanding, relevant comparison parameters. Changing such performance targets or the comparison parameters retroactively shall be excluded."

Currently only the compensation of the chief executive officer ("CEO") comprises a variable element in addition to his fixed salary. The amount of variable element depends on the amount of profit (net income) of the Company. In the event that the Company has not achieved any profit, but only a loss, the fixed salary of the CEO will not be reduced.

The introduction of a stock option plan for all Management Board members is planned but details are not yet determined.

A retroactive change of the performance targets or the comparison parameters is not excluded with regard to the variable compensation in the service contract with the chairman of the Management Board; it is, however, not explicitly provided for either. Thus, an explicit exclusion of a retroactive change of the performance targets or the comparison parameters does not seem necessary.

- Clause 4.2.3 paragraph 4 DCGK: "In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his contract without serious cause including additional benefits do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year."

The contract of Mr Brenner contains a fixed severance payment sum that also has to be paid in case of a change of control. Since a fixed severance payment sum has been determined, there is already a cap on severance payments. Currently, this amount exceeds the sum of the total compensation for the past full financial year and of the expected total compensation for the current financial year for Mr Brenner. In our opinion, however, such fixed severance payment sum is appropriate and gives legal certainty to all parties involved.

- Clause 4.2.5 sentence 1 DCGK: "Disclosure shall be made in a compensation report which as part of the Corporate Governance Report describes the compensation system for Management Board members in a generally understandable way."

Disclosure is not made in a compensation report, which is part of the Corporate Governance Report. Disclosure is made in a compensation report, which is part of the Group Management Report.

In our opinion it is sufficient to have the disclosure in a compensation report in the Group Management Report and we do not think that it is necessary to include the compensation report also in the Corporate Governance Report.

- Clause 4.3.4 sentence 1 DCGK: "Each member of the Management Board shall disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Management Board thereof."

Pursuant to section 5 (8) of the Articles, each member of the Management Board shall generally disclose conflicts of interests to the Management Board without delay and shall not vote on any resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest. In our view this proceeding is a suitable means to prevent conclusion of inappropriate contracts due to conflicts of interests of any member of the Management Board.

- Clause 4.3.4 sentence 3 DCGK: "Important transactions between the Company on the one hand and the members of the Management Board as well as persons they are close to or companies they have a personal association with on the other hand shall require the approval of the Supervisory Board."

The Management Board shall present all transactions that according to law require the Supervisory Board's approval to the Supervisory Board. Furthermore, the Management Board may in its own discretion voluntarily present further transactions between the Company on the one hand and the members of the Management Board as well as persons they are close to or companies they have a personal association with on the other hand to the general meeting for resolution. This will be considered by the Management Board in particular with regard to transactions between the members of the Management Board or, persons they are close to, and the Company that require the approval of the shareholders at the general meeting pursuant to Chapter 14A of the Listing Rules. In our opinion this ensures to a reasonable extent that no inappropriate transactions are entered into between such member of the Management Board or any of his associates and the Company.

- Clause 4.3.5 DCGK: "Members of the Management Board shall take on sideline activities, especially Supervisory Board mandates outside the enterprise, only with the approval of the Supervisory Board."

Sideline activities of Management Board members require the Company's approval. The Supervisory Board generally represents the Company towards the members of the Management Board, so that a separate consent of the Supervisory Board does not seem necessary.

- Clause 5.1.2 paragraph 1 sentence 2 DCGK: "When appointing the Management Board, the Supervisory Board shall also respect diversity and, in particular, aim for an appropriate consideration of women."

Currently, there is no woman represented in the Management Board of the Company. The Supervisory Board, however, chooses from the suitable candidates independently from their gender.

- Clause 5.1.2 paragraph 1 sentence 3 DCGK: "Together with the Management Board the Supervisory Board shall ensure that there is a long-term succession planning."

Even though the Supervisory Board plans with the current Management Board members on a long-term basis, the Supervisory Board has revoked the appointment of the member of the Management Board and Chief Financial Officer of the company, Mr Sung Yoon Kim, on 17 March 2010 and has appointed Mr Kyung Hwan Yeo with effect as of 17 March 2010, whose appointment has subsequently been revoked on 11 June 2010. These measures have not been agreed with the Management Board on a long-term basis; the Management Board and the Supervisory Board, however, have by now reached an agreement on a long-term strategy.

- Clause 5.1.2 paragraph 2 sentence 3 DCGK: "An age limit for members of the Management Board shall be specified."

An age limit for members of the Management Board has not been specified. In our opinion, such age limit is not necessary because the Supervisory Board will not appoint anyone to the Management Board who is considered to be unable to properly exercise his duties at the time of appointment or within the foreseeable future due to his age or will only appoint him with an adequately shortened term of office.

- Clause 5.2 paragraph 2 sentence 1 DCGK: "The chairman of the Supervisory Board shall also chair the committees that handle contracts with members of the Management Board and prepare the Supervisory Board meetings."

The current chairman of the Company's Supervisory Board, Mr Jung Hyun Oh, is concurrently the chairman of the Remuneration Committee. A committee that prepares Supervisory Board meetings is currently not provided for. The current size of the Supervisory Board does not require such committee.

## CORPORATE GOVERNANCE REPORT

- Clause 5.3.2 sentence 1 DCGK: "The Supervisory Board shall set up an Audit Committee which, in particular, handles issues of accounting, risk management and compliance, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement."

The Supervisory Board has set up an audit committee whose main tasks are handling of accounting, risk management and compliance issues, the preparation of a proposal to the general meeting for the appointment of auditors, monitoring the internal control system and providing advice and comments to the Management Board. The audit committee shall also carry out a preliminary review of the annual financial statements. Furthermore, the audit committee is authorized to review and report on the appropriateness of resources, the qualification and experience of the Company's personnel in the areas of accounting and financial reporting and the training programmes and budgets of such personnel.

The audit committee has already carried out the relevant tasks requiring particular expertise regarding accounting, book-keeping, risk management and compliance. As far as the audit committee does not carry out the remaining tasks set out in clause 5.3.2 sentence 1 DCGK itself, the full Supervisory Board could carry out such tasks with the support of the audit committee.

- Clause 5.4.1 paragraph 2 and 3 DCGK:

"The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the company, take into account the international activities of the company, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.

Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report."

The Supervisory Board has not specified concrete objectives regarding its composition.

In particular, an age limit for Supervisory Board members has not been specified. In our opinion, such age limit is not necessary because the Supervisory Board will not elect anyone to the Supervisory Board who is considered to be unable to properly exercise her or his duties at the time of appointment or within the foreseeable future due to her or his age or will only appoint her or him with an adequately shortened term of office.

So far, no appropriate degree of female representation in the Supervisory Board is explicitly foreseen. The Supervisory Board, however, will recommend suitable candidates for election as members of the Supervisory Board independently from their gender.

Since the members of the Supervisory Board are currently resident in only one country (Korea), its composition does not reflect the international business presence of the Company in several countries.

On 11 June 2010, Mr Min Koo SOHN has been appointed as member of the Supervisory Board as successor of Mr Suk Whan CHANG. Since the year 2000, Mr Sohn works at SSCP Co. Ltd., which is the Company's largest shareholder holding approximately 40 per cent of the shares and is active in the coatings industry, amongst others in the automotive sector. Mr SOHN is currently a director and the head of a unit of SSCP Co. Ltd. which is active in the coating business. In addition, the Supervisory Board member Mr Jeong Ghi KOO is the head of the electronic material division of SSCP Co. Ltd.. Accordingly, both Mr SOHN and Mr KOO are directly or indirectly subject to the management of Mr Jung Hyun OH, the chairman of the Supervisory Board of the Company, who is also the CEO and a shareholder of SSCP Co. Ltd.

SSCP Co. Ltd. cannot be regarded as a typical competitor of the Company since, as a majority shareholder of the Company, it has an interest in a positive development of the Company's business and is therefore not expected to improve its position to such extent to adversely affect the Company. However, it cannot be entirely excluded that the Company may in future invest in the electronic industry, a business area which SSCP Co. Ltd. is principally engaged in, and that new conflicts of interest may arise. In addition, SSCP Co. Ltd. supplies raw material to the Company so that both companies have to share the margins achieved with the sale of products in the production process the amounts of which have to be negotiated among the companies.

- Clause 5.4.2 sentence 4 DCGK: "Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the enterprise."

Mr Jung Hyun OH, the chairman of the Supervisory Board, is also the CEO and a shareholder of SSCP Co. Ltd. ("SSCP"), which is the Company's largest shareholder holding approximately 40% of the shares and is active in the coatings industry.

The Supervisory Board member Mr SOHN is currently a director and the head of a unit of the SSCP Co. Ltd., which is active in the coating business. In addition, the Supervisory Board member Mr Jeong Ghi KOO is the head of the electronic material division of SSCP Co. Ltd.. Accordingly, both Mr SOHN and Mr KOO are directly or indirectly subject to the management of Mr Jung Hyun OH, the chairman of the Supervisory Board of the Company, who is also the CEO and a shareholder of SSCP Co. Ltd.

SSCP Co. Ltd. cannot be regarded as a typical competitor because, as a majority shareholder of the Company, it has an interest in a positive development of the Company's business and is therefore not expected to improve its position to such extent to adversely affect the Company. However, it cannot be entirely excluded that the Company may in future invest in the electronic industry, a business area which SSCP Co. Ltd. is principally engaged in, and that therefore new conflicts of interest may arise. In addition, SSCP Co. Ltd. supplies raw material to the Company so that both companies have to share the margins achieved with the sale of products in the production process the amounts of which have to be negotiated among the companies.

- Clause 5.4.6 paragraph 1 sentence 3 DCGK: "Also to be considered with regard to the specification of the Supervisory Board members' compensation shall be the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees."

Section 12 (1) of the Articles provides that the exercising of the chair and deputy chair position in the Supervisory Board but not the chair and membership in committees is considered with regard to the Supervisory Board members' compensation. Since a large part of the tasks and responsibilities remains with the full Supervisory Board, we consider that it is justified to determine the Supervisory Board members' compensation regardless of their membership in committees.

- Clause 5.4.6 paragraph 2 sentence 1 DCGK: "Members of the Supervisory Board shall receive fixed as well as performance-related compensation."

Section 12 (1) of the Articles only provides for a fixed compensation for the Supervisory Board members. The relevant legal provisions and the Listing Rules already ensure that the members of the Supervisory Board carry out their tasks responsibly, so a performance-based compensation does not seem necessary.

- Clause 5.5.3 sentence 2 DCGK: "Conflicts of interest which are material and not merely temporary in respect of the person of a Supervisory Board member shall result in the termination of his mandate."

The chairman of the Supervisory Board, Mr. OH currently does not see a conflict of interests in respect of his person, even though conflicts of interest, are possible. In particular, transactions including provision of services and goods take place between the Company and SSCP Co. Ltd.

## CORPORATE GOVERNANCE REPORT

- Clause 5.6 DCGK: "The Supervisory Board shall examine the efficiency of its activities on a regular basis."

So far, a regular examination of the efficiency of the activities of the Supervisory Board has not taken place since it was not regarded necessary. It is, however, intended that the Supervisory Board carries out a regular examination of its efficiency in future.

- Clause 6.3 sentence 2 DCGK: "All new facts made known to financial analysts and similar addressees shall also be disclosed to the shareholders by the company without delay."

The Company will inform its shareholders of new facts and price sensitive information in accordance with the requirements of the Listing Rules which will be published on the Company's website and HKSE's website. This is sufficient because the requirements of the Listing Rules are very strict and investor protection is one of the HKSE's top priorities.

- Clause 6.5 DCGK: "Any information which the company discloses abroad in line with corresponding capital market law provisions shall also be disclosed domestically without delay."

As set out above, the Company will inform its shareholders of new facts and price sensitive information in accordance with the requirements of the Listing Rules. An immediate local publication is also not necessary due to the shareholder structure because European investors are not among the investors addressed directly.

- Clause 6.6 DCGK: "Beyond the statutory obligation to report and disclose dealings in shares of the company without delay, the ownership of shares in the company or related financial instruments by Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1% of the shares issued by the company. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1% of the shares issued by the company, these shall be reported separately by Management Board and Supervisory Board. The aforesaid disclosures shall be included in the Corporate Governance Report."

The Company does not and will not fully comply with these requirements, but will only provide the reports on the shareholdings of Management Board and Supervisory Board members that are required by law and the Listing Rules. To this end, appropriate disclosures will be made in the annual reports and interim reports of the Company. Further publication of the Management Board's and the Supervisory Board's shareholdings will not be made; the publication requirements set out in current legislation and the Listing Rules are enough, in our opinion, to sufficiently inform the capital market and the Company's shareholders.

- Clause 6.7 DCGK: "As part of regular public information policy, the dates of essential recurring publications (including the annual report, interim financial reports) and the date of the General Meeting shall be published sufficiently in advance in a "financial calendar"."

The Company will in any case make the relevant publications in accordance with statutory requirements and the provisions of the Listing Rules. A "financial calendar" is currently not planned and is deemed not necessary because publications will always be made within the periods provided for by law and the Listing Rules, i.e. within the customary periods which are foreseeable by the investors.

- Clause 7.1.2 sentence 4 first half-sentence DCGK: "The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period."

The Consolidated Financial Statements to be prepared under German law for 2009 was only publicly accessible after the 90 days period, but the Company has complied with the time frames established by the Listing Rules. This will also apply to future Consolidated Financial Statements. Also with regard to interim reports, which do not have to be prepared under German Law, but under the Listing Rules, the 45 days period might not be complied with, but the time frames established by the Listing Rules will be complied with.

- Clauses 7.2.1 to 7.2.3 DCGK: "7.2.1 Prior to submitting a proposal for election, the Supervisory Board or, respectively, the Audit Committee shall obtain a statement from the proposed auditor stating whether, and where applicable, which business, financial, personal and other relationships exist between the auditor and its executive bodies and head auditors on the one hand, and the enterprise and the members of its executive bodies on the other hand, that could call its independence into question. This statement shall include the extent to which other services were performed for the enterprise in the past year, especially in the field of consultancy, or which are contracted for the following year.

The Supervisory Board shall agree with the auditors that the Chairman of the Supervisory Board or, respectively, the Audit Committee will be informed immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately.

7.2.2 The Supervisory Board commissions the auditor to carry out the audit and concludes an agreement on the latter's fee.

7.2.3 The Supervisory Board shall arrange for the auditors to report without delay on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit."

Before the listing, the Company has not complied with these provisions because at that time, the German Corporate Governance Code and the obligation to issue a declaration pursuant to section 161 German Stock Corporation Act (Aktiengesetz; AktG) did not apply to the Company. In future, however, the Company intends to comply with these provisions.

For and on behalf of the Supervisory Board

**Mr. Jung Hyun OH**

*Chairman*

10 August 2010

For and on behalf of the Management Board

**Mr. Peter BRENNER**

*Chairman*

10 August 2010



## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

**Mr. Peter BRENNER**, age 39 was appointed as a member of the Management Board on 28 August 2008 and acts as the Chief Executive Officer of the Company. He is responsible for managing the international business development of the Group worldwide. Mr. Brenner has approximately 15 years of experience in the industry. Mr. Brenner first joined the Group in Germany in 1989 to 1992 where his first role was as an apprentice and a sales manager. He rejoined the Group in 1998 after his graduation from university where he served initially as a key account manager for the European general industry division and then as a sales manager for the European automotive division. He was appointed as an executive director and general manager of the Company (Schramm Coatings GmbH) in 2002, assuming primary responsibility for the international business of the Group, and was subsequently promoted to be the managing director in December 2007. Accordingly Mr. Brenner has been working at the Company for a total of approximately 15 years. Mr. Brenner has been involved with the Group business globally from 2002 and has been actively involved in the management of the Group's business. Mr. Brenner graduated from the University of Applied Sciences, Fulda, Germany in 1998 with a diploma ("diplom"), at the time the highest degree attainable in business administration, specializing in marketing and international management.

**Mr. Kyung Seok CHAE**, age 33, was appointed as a member of the Management Board on 28 August 2008 and acts as the Chief Strategic Officer of the Company, with responsibilities for devising the business development and strategies of the Group including responsibilities for planning, human resources, information technology, risk management, and strategic corporate developments of the Group. Mr. Chae joined the Company's controlling shareholder, SSCP, in January 2006 and was appointed as the chief executive officer of SSCP's PRC operation in managing Samsung Bestview (Huizhou) Company Limited, Shanghai Hansheng Chemical Paint Company Limited and Schramm SSCP (Tianjin) Limited ("PRC Subsidiaries") and Samsung Chemical Paint (Thailand) Co. Ltd. ("Thailand subsidiary") (which have been injected into the Group subsequently) in April 2006 where he was responsible for the overall operations and management of these subsidiaries. In April 2008, he joined the Group as chief executive officer of Schramm Korea and was subsequently appointed as the Chief Strategic Officer of our Company in September 2008. Prior to joining SSCP, Mr. Chae served approximately one year as a managing director of a Korean company, approximately one year as a project manager for a multinational software company and five years in corporate finance and business development of a Korean-listed company. Including his time as chief executive officer of the PRC Subsidiaries and Thailand subsidiary, Mr. Chae has worked at the Group for approximately 5 years. Mr. Chae graduated from Cornell University in 1999 with a bachelor degree in economics.

**Mr. Sung Yoon KIM**, age 55, was appointed as a member of the Management Board on 28 August 2008 and acted as the Chief Financial Officer of the Company. Mr. Kim has been a director of Schramm Korea since April 2008. Previously, Mr. Kim joined SSCP in 2006 as the chief financial officer and a board director until his resignation on 24 June 2009 and has approximately 30 years of experience in the finance industry. Prior to joining the Group, Mr. Kim was a manager of a number of branches of Chohung Bank from 1992 to 1994 and was appointed as a senior manager of the bank in 1994 with responsibilities for managing project finance, enterprise finance and lease finance teams of the bank. In 2001 he was appointed as the head of the international sales division responsible for managing the worldwide sales of the bank. He was subsequently appointed as the general manager of the planning division of Chohung Bank in 2003 to manage the planning division and to oversee the business development of the bank. From 2004 to 2005, Mr. Kim was appointed as the deputy president of Chohung Bank where he was responsible for making executive decisions on the overall business strategies of the bank. Mr. Kim graduated from Seoul National University with a bachelor degree in English in 1978 and graduated from New York University with a Master of Business Administration degree in 1986. Mr. Kim's positions as a Director and the Chief Financial Officer of the Company were released with effect from 17 March 2010.

**Mr. Kyung Hwan YEO**, age 40, was appointed as a member of the Management Board on 17 March 2010 and acts as the chief financial officer of the Company. Mr. Yeo has over ten years' finance experience. Before joining the Company, he had been a general manager of Seoul Media Group, a media company engaged in internet, mobile and publication business, from 2005 to February 2010 to manage its finance and planning team which was responsible for financial auditing, preparing financial budgeting and feasibility study on new investments. From 2003 to 2005, he has been a vice president of Triz Corporation, a company engaged in development and production of ADSL modem and ISDN modem for Korean Telecom Corporation, and was responsible for overseeing its finance and planning team in preparing financial auditing, accounts, and feasibility study on information technology investments. From 1999 to 2002, Mr. Yeo served as a manager in international finance team and steel trade team of Halla Group, a multi-business company in Korea which businesses include construction and manufacturing of auto-parts for automotives. Mr. Yeo obtained a bachelor's degree in International Business from Korea University in 1996. Mr. Yeo positions as a Director and the Chief Financial Officer of the Company were released with effect from 11 June 2010.

## SUPERVISORY BOARD

**Mr. Jung Hyun OH**, age 39, is the chairman of the Supervisory Board of which he has been a member since 27 August 2008. Mr. Oh joined the chemical paint production department of the Company's controlling shareholder, SSCP, in 1996 and has approximately 13 years of experience in the industry. Mr. Oh was appointed as the head of the research and development division of SSCP in 1998. In 2002, he was appointed as the chief executive officer of SSCP, a position he has held since then. Mr. Oh graduated from Cornell University with a bachelor degree and a master degree in material science in 1995 and 1996, respectively. Mr. Oh is a director and a major shareholder of SSCP, the Controlling Shareholder of the Company.

**Mr. Suk Whan CHANG**, age 52, was the vice chairman of the Supervisory Board, of which he has been a member since 27 August 2008. Between 1987 to 1990, Mr. Chang has over a decade of experience working in the corporate finance, mergers and acquisitions, securities brokerage, investment advisory, strategy and planning sectors in New York, London and Korea, including at management level. From 2000 to 2005, Mr. Chang founded Hanasset Corporation where he managed the operations of its private equity investment and consulting departments. From 2005 to early 2009, Mr. Chang was the chief executive officer of Qunno Metal Technology, a major supplier of the Group, where he was responsible for making executive decisions in relation to the overall business strategies of the company. Mr. Chang then returned to Hanasset Corporation in 2009, where he is currently its chief executive officer. Mr. Chang graduated from Massachusetts Institute of Technology with a bachelor degree in architecture in 1980 and a master degree in finance management in 1987 from Sloan School of Management. Mr. Chang resigned from his position on 11 June 2010.

**Mr. Jeong Ghi KOO**, age 55, has been a member of the Supervisory Board since 27 August 2008. Mr. Koo joined SSCP as the vice president of its research and development division in 2005 and has approximately 20 years of experience in the industry. Mr. Koo has been the head of the electronic material business unit of SSCP since 2007 where he is responsible for overseeing the operations and development of its electronic material business unit. Prior to joining SSCP, Mr. Koo was a member of the research and development centre of Kolon Co., Ltd. from 1979 to 1981. From 1988 to 2005, he worked as a research manager at Cheil Industries Inc. before being promoted to be the head vice president of its chemicals research and development centre. Mr. Koo graduated from Seoul National University with a bachelor, master and doctoral degree in textile polymer engineering in 1977, 1984 and 1988, respectively. Mr. Koo was appointed as a director of The Polymer Society of Korea in 2004 and subsequently became its deputy chairman in 2008. Following Mr. Chang's resignation on 11 June 2010, Mr. Koo has become the vice chairman of the Supervisory Board with effect from 11 June 2010.

**Mr. Min Koo SOHN**, aged 43, has been a member of the Supervisory Board since 11 June 2011. Mr. Sohn obtained a Bachelor's degree in Commerce & Trade from University of Cheon-Nam, Korea in 1993. Mr. Sohn has over 17 years' experience in sales planning and business and customer support. Mr. Sohn joined SSCP, the controlling shareholder of the Company, in 2000 and has acted as a deputy manager of SSCP's customer support team, sales planning team and business support team respectively since his employment. Mr. Sohn is currently a director and the chief of coating business unit of SSCP. Before joining SSCP, he had been an assistant manager of distribution sales in special business unit of Dong-Won Industries Co., Ltd., a corporation engaged in manufacturing of food and beverage products, from 1993 to 2000.

**Independent Supervisors**

**Mr. Kun Hwa PARK**, age 54, an Independent Supervisor, has been a member of the Supervisory Board since 2 December 2009. Mr. Park joined Samsung Fire & Marine Insurance Company Ltd. in 1982 as a junior staff of the marine claim department, where he was responsible for handling marine claim settlement and recovery against third parties in respect of cargo, hull and machinery. He was then relocated to the underwriting team of the same department from 1987 to 1989. He was promoted in 1994 as a manager of the underwriting and claim department focusing on the commercial lines and long-term insurance. From 1996 to 2001, Mr. Park was a managing director of Samsung Insurance Company of Europe Limited, a subsidiary of Samsung Fire & Marine Insurance Company Ltd.'s where he was in charge managing the retail business of Korean clients in the United Kingdom and Europe. From 2001 to 2002, he was relocated back to the head office of Samsung Fire & Marine Insurance Company Ltd. in Korea as the general manager of the marine claim department where he was in charge of marketing, underwriting and claims of the marine business. In

## DIRECTORS AND SENIOR MANAGEMENT

the following years, he was assigned to reinsurance team and underwriting team as the general manager. In 2006, Mr. Park resigned from Samsung Fire & Marine Insurance Company Ltd. and has been the vice president of the Korea division of Kiln Asia Limited since 2006. Mr. Park graduated from Chung-Ang University with a bachelor degree in business administration in 1982. Mr. Park resigned from his position as a member of the Supervisory Board with effect from 11 June 2010.

**Mr. Choong Min LEE**, age 33, an Independent Supervisor, has been a member of the Supervisory Board since 2 December 2009. Mr. Lee joined Comtec System Co. Ltd. in 1999 as a project manager, where he performed the ERP Implementation Project Planning to a variety of clients across a number of industries, such as the services, manufacturing, pharmacy and distribution industries. From 2003 to 2005, he worked as an auditor at the auditing and advisory department of Deloitte Korea Accounting firm where he actively participated in financial auditing and financial due diligence review of acquisition process from potential buyers. Since 2005 till December 2009, Mr. Lee was a manager in the tax department of Samil PricewaterhouseCoopers, where he was responsible for performing both financial and tax consulting services to a variety of foreign investors as well as tax due diligence consulting services of a number of merger and acquisition deal structures for potential buyers. Mr. Lee graduated from Seoul National University with a bachelor degree in science in 2000. Since March 2010, Mr. Lee has been a tax profession in Bae, Kim & Lee LLC, a law firm in Seoul, Korea. Mr. Lee has been a member of Korean Institute of Certified Public Accountant since 1999. Mr. Lee possesses the appropriate professional qualifications and accounting expertise required under Rule 3.10(2) of the Listing Rules.

**Mr. Kiyoung SHIN**, age 38, an Independent Supervisor, has been a member of the Supervisory Board since 2 December 2009. Mr. Shin joined Arthur Anderson LLP in Seoul, Korea in 1998 as an auditor where he performed internal control system reviews and auditing for a number of clients in a wide range of industries. From 2000 to 2001, Mr. Shin was a technology analyst at ING Barings Securities Co. From 2001 to 2002 and 2003 to 2005, Mr. Shin was a senior technology analyst at Hyundai Securities Co. and Goodmorning Shinhan Securities Co. in Seoul Korea, respectively, where he conducted financial and strategic analysis of technology companies. From 2005 to 2007, Mr. Shin joined Kingdon Capital Korea LLC as the head of Korea office in the Asia Team, where he managed research and investment projects in Hong Kong, the PRC and Singapore and handled long-short equity investment initiatives in Korea. Since 2008, Mr. Shin has been the chief investment officer of Gen2 KS Partners Limited in Hong Kong where he is responsible for portfolio management and research for Pan Asia, which focuses on Korea, Hong Kong, the PRC, Taiwan and Japan. He graduated from Cornell University with a bachelor degree in science, majoring in business management and marketing, in 1995. Mr. Shin has obtained license from SFC in Hong Kong for Pan Asia investment strategy and is registered as a responsible officer with SFC.

**Mr. Bang Seon KO**, aged 41, an Independent Supervisor, has been a member of the Supervisory Board since 11 June 2010. Mr. Ko obtained a Bachelor's degree in Business Administration from Korea University in 1999. Mr. Ko has over 11 years' accounting and finance experience. He is currently the chief executive officer of GAUL Accounting Corp., an accounting firm where he is actively involved in financial auditing, financial due diligence review and provision of merger and acquisition advisory services. From 1999 to 2007, he has been a manager in the audit department of KPMG Samjong Accounting Corp, a company engaged in the provision of audit, audit related advisory services, due diligence, and risk advisory services, where Mr. Ko was responsible for performing and providing auditing, financial due diligence and financial advisory services to a number of listed and unlisted companies. Mr. Ko has been a member of Korean Institute of Certified Public Accountants. Mr. Ko possesses the appropriate professional qualifications and accounting expertise required under Rule 3.10(2) of the Listing Rule.

### SENIOR MANAGEMENT

**Dr. Sung Su HAN**, aged 47, is currently a senior manager of the Company responsible for business developments and new business for the Group. Dr. Han obtained a bachelor degree in material science and engineering and nuclear engineering, a master degree in nuclear engineering and a doctoral degree in nuclear engineering from the University of California, Berkeley in 1985, 1989 and 1993, respectively. Dr. Han has over 14 years of experience in leading and managing research and development and business development functions in diverse technology areas including healthcare, photovoltaics, microelectromechanical systems, optoelectronics, environmental engineering and biochemical.

Before joining the Company, Dr. Han was a Vice President and Director of Electronic Material and Device System Research and Development Laboratory in LG Electronics of LG Corporation in Korea, a company listed on the Korea Stock Exchange which is principally engaged in the manufacturing, marketing and distribution of high technology electronic products including televisions, audio and video products, home appliances, air conditioners and telecommunications devices. From March 2007 to September 2007, he was a director of the Advanced Detection Systems, Radiation Monitoring Division of Thermo Fisher Scientific in the United States, a company listed on the New York Stock Exchange which is principally engaged in the provision of laboratory equipment, chemicals, supplies and services used in healthcare, scientific research, safety and education. From August 2005 to March 2007, he was a vice president and the chief technology officer in Samsung Corning Company Ltd, a Korea-based manufacturer of glass panels and funnels for cathode ray tube television and display monitors where he was responsible for the overall research and development in Suwon City in Korea. From November 1996 to August 2005, Dr. Han was with General Electric Company, a company listed on the New York Stock Exchange which is principally engaged in provision of infrastructure, media and financial services, in the United States. Dr. Han held various positions during his career in General Electric Company and his last position with General Electric Company was the technology leader in the Chemical & Biological Detection business of GE Security in which he had led a team of scientists and engineers to develop leading edge technologies in the detection of explosives, narcotics, and chemical and biological warfare agents. A resolution has been proposed in the extraordinary general meeting of the Company to the anticipated approval of the potential appointment of Dr. Han as member of the Management Board of the Company by the Supervisory Board. Subject of the appointment of Dr. Han by the Supervisory Board, Dr. Han will become a member of the Management Board.

**Mr. Se-Ook LEE**, age 49, is a director of the finance department where he is responsible for the finance, treasury, accounts and insurance of the Group. Mr. Lee is one of the authorised representatives (Prokura) of the Company. Mr. Lee joined the finance department of the Group in 2007 and has approximately 3 years of experience in the chemical industry and approximately 18 years of experience in the finance industry. Prior to joining the Group, Mr. Lee was a director for Shinhan Bank Europe GmbH, Frankfurt am Main from 1997 to 2002 and from 2005 to 2007, where he was responsible for its credit, treasury, trade finance, business planning and risk management. Mr. Lee graduated from Korea University with a bachelor degree in German Language and Literature in 1984 as well as a master degree in Modern German Literature in 1986 and went through Korea Accounting & Information School with a bachelor degree in accounting in 2005. Mr. Lee passed through a course in German accounting at the Volkshochschule, Frankfurt am Main with the certificates in 2008. Mr. Lee completed a course in International Finance in 1993 and another course in Risk management in 2002 with the respective certificates at the Korea Banking Institute.

**Mr. Hans-Peter RÖHRICHT**, age 51, is a director of the controlling department where he is responsible for the budget planning and budget control of the Group. Mr. Röhricht is one of the authorised representatives of the Company. Mr. Röhricht joined the Group in 1989 and has been in charge of the controlling department of the Group since 1997. Mr. Röhricht has approximately 21 years of experience in the chemical industry.

#### COMPANY SECRETARY

**Mr. Kenny Yuen Fai CHAN**, CPA, FCCA, age 33, is the group finance director and the company secretary who is responsible for the Group's external financial reporting. Mr. Chan joined the Group in October 2009 and has approximately 10 years of experience in accounting and auditing profession. Prior to joining the Group, Mr. Chan was a senior audit manager at PricewaterhouseCoopers in Hong Kong in which he was responsible for managing audit engagements from planning to completion for a number of major private and listed companies in Hong Kong. Mr. Chan is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants, graduated from Hong Kong University of Science and Technology in 1999 with a bachelor degree of business administration in accounting.

## DIRECTORS AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

### DIRECTORS' AND SUPERVISORS' INTEREST IN SECURITIES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, the interests and short positions of the Directors, Supervisors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company and the HKSE pursuant to the Model Code were as below:

<b>Name of Director/ Supervisor</b>	<b>Nature of interest</b>	<b>Number and class of securities<sup>(2)</sup></b>	<b>Approximate percentage of interest in the Company</b>
Mr. Jung Hyun OH	Interest in controlled corporation <sup>(1)</sup>	2,328,848 shares	11.70%

Notes:

- (1) Mr. Oh, a Supervisor, was interested in exchangeable bonds through STM Corporation Co., Ltd., a company wholly-owned by Mr. Oh, which upon exercise of the exchange rights in full, were exchangeable into approximately 2,328,848 Shares.
- (2) All interests disclosed above represent long position in the respective Shares.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2010, the interests and short positions of every persons, other than Directors, Supervisors or chief executive of the Company, in the shares and underlying shares of the Company, which would required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register maintained and kept by the Company under section 336 of the SFO were as below:

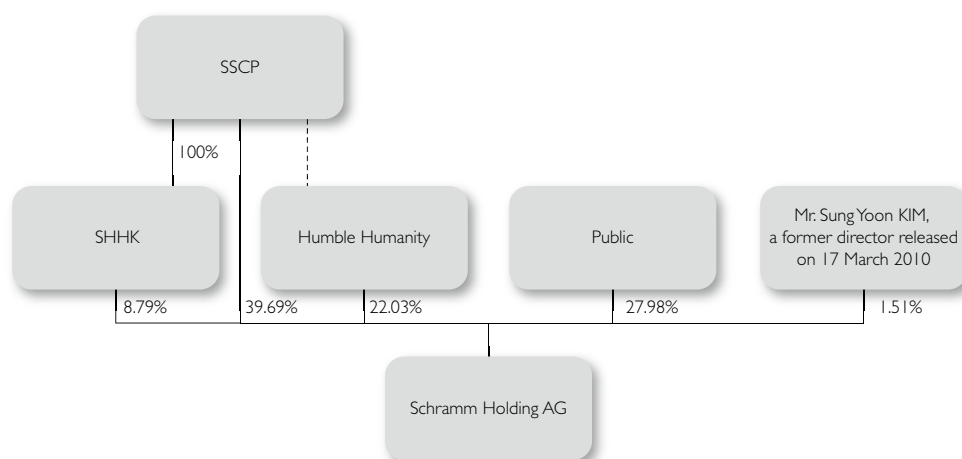
Name of Shareholders	Nature of interest	Number and class of securities <sup>(1)</sup>	Approximate percentage of interest in the Company
SSCP	Beneficial interest <sup>(2)</sup>	7,900,000 Shares (L)	39.69%
		1,091,568 Shares (S)	5.48%
	Interest in controlled corporation <sup>(3)</sup>	4,385,000 Shares (L)	22.03%
		4,385,000 Shares (S)	22.03%
	Interest in controlled corporation <sup>(4)</sup>	1,750,000 Shares (L)	8.79%
Humble Humanity	Beneficial interest <sup>(5)</sup>	4,385,000 Shares (L)	22.03%
		4,385,000 Shares (S)	22.03%
SHHK	Beneficial interest	1,750,000 Shares (L)	8.79%
STM Corporation Co., Ltd.	Beneficial interest <sup>(6)</sup>	2,328,848 Shares (L)	11.70%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares and the letter "S" denotes the person's short position in such Shares.
- (2) SSCP and its controlled corporations were deemed to be interested in a total of 14,035,000 Shares, representing approximately 70.51% of interest in the Company. Pursuant to the Exchangeable Bonds Subscription Agreements, in case Humble Humanity being the issuer of this exchangeable bonds, does not have sufficient number of Shares to be delivered to such exchangeable bondholders, Humble Humanity will, or will cause SSCP to, immediately deposit such number of additional Shares as may be required to be delivered to the exchangeable bondholders exercising the exchange right. Pursuant to the terms and conditions of the exchangeable bonds, SSCP will be required to deliver an aggregate of 1,091,568 Shares for the shortfall of the exchange Shares.
- (3) These Shares were held by Humble Humanity, being the issuer of the exchangeable bonds, which was indirectly controlled by SSCP.
- (4) These Shares were held by SHHK, a wholly-owned subsidiary of SSCP.
- (5) Humble Humanity, as the issuer of the exchangeable bonds, was under an obligation to deliver the exchange Shares to the exchangeable bondholders. Pursuant to the terms and conditions of the exchangeable bonds, Humble Humanity will be required to deliver all of the Shares held by it in the event that the exchange rights are exercised in full (with the shortfall of the exchange Shares being delivered by SSCP).
- (6) STM Corporation Co., Ltd. was interested in exchangeable bonds, which upon exercise of the exchange rights in full, are exchangeable into approximately 2,328,848 Shares.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

The following chart sets out the shareholding structure of the Company as at 30 June 2010:



### EXCHANGEABLE BONDS

On 1 December 2008, Humble Humanity, as the issuer, entered into the Exchangeable Bond Subscription Agreements with E\*Trade Korea Co., Ltd. and KDB Asia Limited collectively as joint lead arrangers (the "Arrangers"). Mr. Oh act as the guarantors under the Exchangeable Bonds Subscription Agreements. Pursuant to the Exchangeable Bonds Subscription Agreements, Humble Humanity issued to the Arrangers zero coupon guaranteed exchangeable bonds due 2010 in an aggregate principal amount of US\$16,939,200 and HK\$26,460,000 (approximately HK\$157,738,800 in aggregate). Upon exercise in full of the exchange rights attaching to the exchangeable bonds, the exchangeable bonds are exchangeable into approximately 5,476,568 Shares. Pursuant to the Exchangeable Bonds Subscription Agreements, in case Humble Humanity does not have sufficient number of Shares to be delivered to such exchangeable bondholders, Humble Humanity will, or will cause SSCP to, immediately deposit such number of additional Shares as may be required to be delivered to the exchangeable bondholders exercising the exchange right. Further details of the exchangeable bonds issued by Humble Humanity are set out in the Prospectus.

### DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than those disclosed above, at no time during the six months ended 30 June 2010 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the announcement of the Company dated 21 June 2010 relating to the Group's acquisition of certain interests in Inlustra from SSCP, a company in which Mr. Oh, a Supervisor, is interested in its shares, there was no contract of significance in relation to the Group's business, to which the Company's or any of its subsidiaries was a party, and in which a Director or a Supervisor had, whether directly or indirectly, a material interest subsisted as at 30 June 2010 or at any time during the period from 1 January to 30 June 2010.

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed of its securities during the period. Neither the Company nor any of its subsidiaries has purchased or sold of any of the Company's listed securities during the period.

### INTERIM DIVIDEND

The management board and the supervisory board resolved that, up to the date of this report, no interim dividend will be distributed.



## INDEPENDENT REVIEW REPORT

# Deloitte.

# 德勤

### REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF SCHRAMM HOLDING AG

*(A joint stock company incorporated under the laws of Germany)*

#### Introduction

We have reviewed the interim financial information set out on pages 33 to 50 which comprises the condensed consolidated statement of financial position of Schramm Holding AG (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

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 interim 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.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 30 June 2009 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
10 August 2010

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	Unaudited	
		Six months ended 30 June	
		2010	2009
		€'000	€'000
Sales	14	57,073	43,719
Other operating income	3	301	359
Changes in inventories of finished goods and work-in-progress		1,702	(2,224)
Cost of materials		(32,904)	(21,258)
Employee benefit expenses		(10,836)	(9,533)
Depreciation and amortization		(1,680)	(1,690)
Other operating expenses		(9,077)	(6,969)
Other gains/(losses), net		533	(83)
Operating profit	4	5,112	2,321
Finance income		94	77
Finance costs		(827)	(852)
Profit before income tax		4,379	1,546
Tax expenses	5	(1,554)	(678)
Profit for the period attributable to the owners of the Company		2,825	868
Earnings per share			
— Basic	6	€0.14	€0.07

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Note	Unaudited	
		Six months ended 30 June	
		2010	2009
		€'000	€'000
Profit for the period attributable to the owners of the Company		2,825	868
Other comprehensive income:			
— Exchange differences arising on the translation of the Company's foreign operations	11	4,842	(182)
Total comprehensive income attributable to the owners of the Company		7,667	686

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	7	3,118	2,829
Property, plant and equipment	7	24,881	24,831
Land use rights	7	638	548
Other assets	8	1,843	343
Deferred tax assets		1,914	2,393
		<b>32,394</b>	<b>30,944</b>
<b>Current assets</b>			
Inventories		20,472	15,689
Trade and bills receivables	9	33,833	30,075
Other receivables and prepayments		1,660	3,694
Income tax recoverable		—	137
Cash and cash equivalents		5,345	14,226
		<b>61,310</b>	<b>63,821</b>
Total assets		<b>93,704</b>	<b>94,765</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Issued capital	10	19,905	19,905
Additional paid-in capital	10	24,921	24,921
Other reserves	11	(10,649)	(15,491)
Retained earnings	12	20,103	18,671
		<b>54,280</b>	<b>48,006</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Pensions and similar obligations		1,128	1,140
Other provisions		616	721
Bank borrowings		16,976	16,453
Finance lease liabilities		895	953
Deferred tax liabilities		1,847	2,028
		<b>21,462</b>	<b>21,295</b>
<b>Current liabilities</b>			
Trade payables	13	6,728	7,127
Other payables		2,711	5,982
Other provisions		2,933	1,342
Bank borrowings		4,769	10,286
Finance lease liabilities		103	107
Income tax liabilities		718	620
		<b>17,962</b>	<b>25,464</b>
Total liabilities		<b>39,424</b>	<b>46,759</b>
Total equity and liabilities		<b>93,704</b>	<b>94,765</b>
Net current assets		<b>43,348</b>	<b>38,357</b>
Total assets less current liabilities		<b>75,742</b>	<b>69,301</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	€'000	€'000
Total equity as at 1 January	48,006	31,954
Profit for the period	2,825	868
Exchange differences arising, on the translation of the Company's foreign operations	4,842	(182)
Total comprehensive income for the period	7,667	686
2009 Final dividend paid	(1,393)	—
Dividend distributed to SSCP, the former immediate holding Company of Schramm Tianjin	—	(298)
Total equity as at 30 June	54,280	32,342

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	€'000	€'000
<b>OPERATING ACTIVITIES</b>		
Net cash inflow from operating activities	2,603	4,839
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(548)	(1,527)
Expenditure on intangible assets	(510)	(534)
Deposit paid for purchase of land use right	(214)	—
Acquisition of an investment	(1,228)	—
Other investing activities	(23)	1,226
Net cash outflow from investing activities	(2,523)	(835)
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(1,393)	(298)
Repayments of bank borrowings	(5,056)	(5,600)
Other financing activities	(2,512)	2,846
Net cash outflow from financing activities	(8,961)	(3,052)
(Decrease)/increase in cash and cash equivalents	(8,881)	952
Cash and cash equivalents as at 1 January	14,226	2,045
Cash and cash equivalents as at 30 June	5,345	2,997

## NOTES TO CONDENSED INTERIM FINANCIAL REPORT

### 1. General information

The Company and its subsidiaries are principally engaged in the development and provision of coating solutions used in automotive, coil, mobile, notebook personal computers, consumer electronics and electrical insulation paints and varnishes industries.

The Company was incorporated in Germany as a limited partnership (Kommanditgesellschaft) on 24 October 1985 under the name of "Grebe GmbH & Co. KG". On 26 June 2000, the Company was converted from a limited partnership to a limited company (GmbH) and changed its name to "Schramm Coatings GmbH" by way of "transformation" German legal process. On 21 November 2008, the Company was further converted to a joint stock company (AG) and changed its name to "Schramm Holding AG".

The Company has been registered in the commercial register of the Offenbach/Main Local Court (Amtsgericht Offenbach/Main) under HRB no. 43749. The address of its registered office is Offenbach, Kettelerstraße 100, Germany. On 29 December 2009, the Company completed its initial public offering and the shares of the Company were listed on the Main Board of the HKSE. The interim report is approved for issue by the Management Board and the Supervisory Board on 10 August 2010.

### 2. Basis of preparation and accounting policies

#### 2.1 Basis of preparation

Interim Financial Report has been reviewed by the Company's audit committee and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

This Interim Financial Report has been prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the IASB. This Interim Financial Report should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which had been prepared in accordance with IFRS.

#### 2.2 Reorganization

As mentioned in the Prospectus and the annual financial statements for the year ended 31 December 2009, the Group had undergone certain reorganizations in preparation of the listing of the shares of the Company.

As part of these reorganizations, SSHK acquired Schramm Tianjin and Schramm Thailand from SBHK (as of the date of this report, SBHK has changed its name and is also known as "SHHK" in the other parts of this report) in August 2009. These acquisitions were considered as transactions under common control.



## NOTES TO CONDENSED INTERIM FINANCIAL REPORT

### 2. Basis of preparation and accounting policies (Continued)

#### 2.2 Reorganization (Continued)

As a result, the Group's results for the six months ended 30 June 2009 have also included the results of Schramm Tianjin and Schramm Thailand while the consolidated financial results of the Company for the six months ended 30 June 2009 as presented in the accountant's report set out in the Prospectus only includes the financial results of the Company and its then acquired subsidiaries as of 31 December 2008.

The same basis was used in the preparation of the annual financial statements for the year ended 31 December 2009. For further details on the reorganization, please refer to the Prospectus and the annual financial statements for the year ended 31 December 2009.

#### 2.3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those financial statements.

Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments are mandatory for the first time for the financial year beginning 1 January 2010. The adoptions of these standards do not have material impact on the results and financial position of the Group.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008
IFRSs (Amendments)	Improvements to IFRSs April 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

#### *Amendment to IAS 17 "Leases"*

As part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. The amendment to IAS 17 requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The Group has not early applied the following new and revised Standards, Amendments to Standards and Interpretations that have been issued but are not yet effective.

## 2. Basis of preparation and accounting policies (Continued)

### 2.3 Accounting policies (Continued)

IFRSs (Amendments)	Improvements to IFRSs May 2010 <sup>1</sup>
IAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
IAS 32 (Amendment)	Classification of Rights Issues <sup>3</sup>
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters <sup>4</sup>
IFRS 9	Financial Instruments <sup>5</sup>
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>2</sup>
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>3</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

The Company anticipates that the adoption of the above new standards and the other minor revisions on standards and interpretations will not have material impact on the results and the financial position of the Group.

## 3. Other operating income

Other operating income is analyzed as follows:

	Unaudited Six months ended 30 June	
	2010 €'000	2009 €'000
License fee income	32	14
Write-back of accruals and other payables	—	64
Others	269	281
	<b>301</b>	<b>359</b>

## 4. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Unaudited Six months ended 30 June	
	2010 €'000	2009 €'000
Charging:		
Auditor's remuneration	166	121
Legal and consulting expenses	1,073	398
Operating lease rental expenses	539	653
Fair value losses on derivatives	281	148
Crediting:		
Net foreign exchange gain	733	84

## NOTES TO CONDENSED INTERIM FINANCIAL REPORT

### 5. Taxation

The Company and Schramm GmbH are subject to the German corporate income tax, the solidarity surcharge as well as trade tax. The applicable tax rate is 31% (2009: 31%).

Subsidiaries established in Mainland China are subject to enterprise income tax:

Schramm Huizhou is entitled to foreign income tax holiday of "2-year exemption and 3-year 50% reduction" commencing from its first profit making year, which was 2007. Schramm Huizhou enjoys a 50% reduction of the statutory rate of 25%, i.e. 12.5%.

Schramm Shanghai and Schramm Tianjin are entitled to the "2-year exemption and 3-year 50% reduction" and the 50% reduction period expired in 2008 and 2010 respectively.

Schramm Korea is subject to Korea national corporate income tax as well as city tax, which is a progressive tax system. The first KRW 200 million is taxed at 11% and any further profit is taxed at 24.2% (2009: 12.1% on first KRW 200 million and 24.2% on any further profit).

Schramm Thailand is subject to the Thailand corporate income tax. The applicable tax rate is 30% (2009: 30%).

The following table summarizes the applicable tax notes for the Company and its major subsidiaries:

	2010	2009
The Company	31%	31%
Schramm GmbH	31%	31%
Schramm Huizhou	12.5%	12.5%
Schramm Shanghai	25%	25%
Schramm Tianjin	25%	12.5%
Schramm Korea	24.2%	24.2%
Schramm Thailand	30%	30%

### 6. Earnings per share

The calculation of basic earnings per share is calculated by dividing the profit for the period attributable to the owners of the Company by the weighted average number of issued shares in issue during the period.

	Unaudited Six months ended 30 June	
	2010	2009
Profit attributable to the owners of the Company (€'000)	2,825	868
Weighted average number of shares in issue (thousand of shares)	19,905	13,155
Basic earnings per share (€)	0.14	0.07

Diluted earnings per share was not presented as there were no outstanding share options or warranties or other instruments that would have a dilutive impact during both periods.

## 7. Capital expenditure

	Land use rights €'000	Intangible assets €'000	Property, plant and equipment €'000	Total €'000
Net book amount as at 1 January 2010	548	2,829	24,831	28,208
Additions	—	510	548	1,058
Disposals	—	—	(56)	(56)
Amortization/depreciation charge	(5)	(268)	(1,407)	(1,680)
Exchange difference	95	47	965	1,107
Net book amount as at 30 June 2010	638	3,118	24,881	28,637

## 8. Other assets

In May 2010, SSHK signed an agreement to acquire a piece of land in Vietnam for approximately US\$656,000 (equivalent to approximately €535,000) for the preparation of the establishment of a new operation in Vietnam. 40% of the total consideration amounting to US\$262,000 (equivalent to approximately €214,000) has been paid to the seller as the deposit for the land and recorded as other assets as at 30 June 2010.

Included in the balance, there is also the purchase consideration amounting to €1,228,000 paid for the acquisition of 3,571,428 shares of Series B Preferred stock in Inlustra (Note 17(b)).

## 9. Trade and bills receivables

	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
Trade receivables — related parties (Note 16(c))	284	5,117
Trade receivables — third parties	32,635	24,278
	32,919	29,395
Less: provision for impairment of receivables	(671)	(533)
Trade receivables, net	32,248	28,862
Bills receivables	1,585	1,213
	33,833	30,075

The carrying amount of the Group's trade and bills receivables approximate their fair value at the reporting date. There is no concentration of credit risk with respect to trade and bills receivables, as the Group has a large number of customers dispersed internationally. The maximum exposure to credit risk at the reporting date is the fair value of receivables set out above.

## NOTES TO CONDENSED INTERIM FINANCIAL REPORT

### 9. Trade and bills receivables (Continued)

Ageing analysis of trade receivables presented based on the invoice date at the reporting date is as follows:

	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
Within 3 months	23,468	18,065
3 to 6 months	5,981	10,313
6 to 9 months	1,681	445
9 to 12 months	832	16
Over 12 months	957	556
	<b>32,919</b>	<b>29,395</b>

### 10. Issued capital and additional paid-in capital

	Number of shares	Issued capital €'000	Additional paid-in capital €'000
<b>Issued and fully paid</b>			
At 1 January and 30 June 2010	19,905,000	19,905	24,921

### 11. Other reserves

	Merger reserve €'000	Exchange reserve €'000	Total €'000
At 1 January 2010	(16,122)	631	(15,491)
Exchange differences arising on the translation of the Company's foreign operations	—	4,842	4,842
At 30 June 2010	<b>(16,122)</b>	<b>5,473</b>	<b>(10,649)</b>

### 12. Retained earnings

	€'000
At 1 January 2010	18,671
2009 Final dividend paid	(1,393)
Profit for the period attributable to the owners of the Company	2,825
At 30 June 2010	<b>20,103</b>

### 13. Trade payables

	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
Trade payables — related parties (Note 16(c))	776	2,504
Trade payables — third parties	5,952	4,623
	<b>6,728</b>	<b>7,127</b>

The ageing analysis of trade payables presented based on the invoice date at the reporting date is as follows:

	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
Within 3 months	6,186	6,761
3 to 6 months	424	251
6 to 9 months	61	10
9 to 12 months	11	3
Over 12 months	46	102
	<b>6,728</b>	<b>7,127</b>

### 14. Segment information

The management considers the Group has three operating segments, including Automotive and General Industry, Coil Coating and Electrical Insulations, which are based on the internal organization and reporting structure.

The "Automotive and General Industry" segment is engaged in the development, manufacturing and sales of metal, plastic and powder coatings for corrosion protection and surface refinement for automotive industry and varnishes used as coatings for consumer electronics.

The "Coil Coating" segment is engaged in the development, manufacturing and sale of specialty varnishes and functional coatings, which include the construction industry, automotive and transport systems and coatings for white and brown goods.

The "Electrical Insulation" segment is engaged in the development, manufacturing and sale of insulating varnishes and filling compounds for ballasts and armature coils.

## NOTES TO CONDENSED INTERIM FINANCIAL REPORT

### 14. Segment information (Continued)

*For the six months ended 30 June 2010 (unaudited)*

	Automotive and General Industry €'000	Coil Coating €'000	Electrical Insulation €'000	Total €'000
SEGMENT REVENUE				
External sales	43,864	10,542	2,667	57,073
Inter-segment sales	2,511	—	—	2,511
	46,375	10,542	2,667	59,584
Elimination	(2,511)	—	—	(2,511)
Group's revenue	43,864	10,542	2,667	57,073
Segment result	6,729	832	82	7,643
Other unallocated expenses				(3,264)
Profit before income tax				4,379
Income tax expense				(1,554)
Profit attributable to the owners of the Company				2,825
Segment assets	66,863	6,870	1,996	75,729
Unallocated assets				17,975
Total assets				93,704

*For the six months ended 30 June 2009 (unaudited)*

	Automotive and General Industry €'000	Coil Coating €'000	Electrical Insulation €'000	Total €'000
SEGMENT REVENUE				
External sales	32,648	8,941	2,130	43,719
Inter-segment sales	1,180	—	—	1,180
	33,828	8,941	2,130	44,899
Elimination	(1,180)	—	—	(1,180)
Group's revenue	32,648	8,941	2,130	43,719
Segment result	1,781	599	(81)	2,299
Other unallocated expenses				(753)
Profit before income tax				1,546
Income tax expense				(678)
Profit attributable to the owners of the Company				868
<b>As at 31 December 2009 (audited)</b>				
Segment assets	55,120	6,902	2,005	64,027
Unallocated assets				30,738
Total assets				94,765

#### 14. Segment information (Continued)

The Company is domiciled in Germany. The results of the Group's turnover from external customers and the total of non-current assets can be analyzed as follows:

Turnover by geographical area is analyzed as follows:

	Unaudited	
	Six months ended 30 June	
	2010	2009
	€'000	€'000
Germany	19,735	15,646
European Union countries other than Germany	12,472	8,666
Countries other than European Union countries	24,866	19,407
Turnover	57,073	43,719

No individual customer accounted for more than 10% of total sales volume.

Non-current assets by geographical area is analyzed as follows:

	Unaudited	Audited
	30 June	31 December
	2010	2009
	€'000	€'000
Germany	18,810	19,381
European Union countries other than Germany	2,452	2,541
Countries other than European Union countries	7,375	6,286
	28,637	28,208
Other receivables and prepayments	1,843	343
Deferred tax assets	1,914	2,393
Total non-current assets	32,394	30,944



## NOTES TO CONDENSED INTERIM FINANCIAL REPORT

### 15. Commitments

#### (a) Operating lease commitments

At 30 June 2010, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of building, equipment and motor vehicles are as follows:

	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
Within one year	578	618
In the second to fifth year inclusive	509	167
	<b>1,087</b>	<b>785</b>

#### (b) Capital commitments

	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
Contracted but not provided for:		
Land use rights	394	—
Property, plant and equipment	72	—

### 16. 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 to 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 Group is controlled by SSCP, a company incorporated in Ansan, Kyonggi, Korea, which owns majority of the issued share capital of the Company. The directors regard SSCP, which Mr. OH is the major shareholder with controlling interest, as being the Group's ultimate holding company.

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

Related party	Relationship with the Group
SSCP	Ultimate holding company
SHHK	Fellow subsidiary
Tianjin M&C	Fellow subsidiary
SSC	Fellow subsidiary

## 16. Related party transactions (Continued)

### (b) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2010	2009
	€'000	€'000
<b>Sales of raw materials, intermediary goods and finished products:</b>		
Ultimate holding company	268	52
<b>Purchases of raw materials, intermediary goods and finished products:</b>		
Ultimate holding company	8,333	3,926
<b>Other expenses:</b>		
Ultimate holding company	8	—

Notes:

- i. Sales of raw materials, intermediary goods and finished products were carried out with the Toll Manufacturing Agreement and the Master Sales Agreement with the ultimate holding company.
- ii. Purchase of raw materials, intermediary goods and commodities were carried out in accordance with the Master Purchase Agreement with the Ultimate holding company.
- iii. Other expenses mainly represented rental expenses and IT license fees, which were charged in accordance with the terms of agreements made between the relevant parties.

### (c) Balances with related parties

The Group had the following significant balances with its related parties as 30 June 2010.

	Unaudited	Audited
	30 June	31 December
	2010	2009
	€'000	€'000
<b>Trade receivables from:</b>		
Ultimate holding company	4	2,999
Fellow subsidiaries	280	2,118
	284	5,117
<b>Trade payables to:</b>		
Ultimate holding company	742	1,683
Fellow subsidiaries	34	821
	776	2,504

Note:

The above balances due from and due to related parties were unsecured, non-interest bearing and are repayable under the relevant trade terms.

## NOTES TO CONDENSED INTERIM FINANCIAL REPORT

### 17. Subsequent events

#### **(a) Agreement on compensation payment with former director**

In July 2010, the Supervisory Board reached an agreement with Mr. Sung Yoon KIM the Company's former director and chief financial officer. Mr. Sung Yoon KIM's service contract terminated on the agreement day and the full settlement of all outstanding amounts and compensation payable to Mr. Sung Yoon Kim was agreed at €343,200.

#### **(b) Acquisition of interests in Inlustra**

On 21 June 2010, the SSHK entered into an agreement to acquire 3,571,428 shares of Series B Preferred Stock in Inlustra for €1,228,000 from SSCP. Inlustra is principally engaged in the provision of high-quality Gallium Nitride substrates for optoelectronic devices to laser, LED and academic customers. The acquisition has not completed until 9 July 2010 and the consideration paid in accordance with the agreement signed by SSHK on 21 June 2010 was recorded as other assets in the condensed consolidated statement of financial position as at 30 June 2010 (Note 8). The agreement constitutes a forward contract with in the scope of IAS 39 Financial Instruments: Recognition and Measurement of which the fair value of the forward contract was insignificant as at 30 June 2010.

Up to the date of the interim report, the Directors of the Company are in the process of considering the potential financial impact of this acquisition to the financial statements.

### 18. Financial risk management

The Group operates mainly in Europe and Asia and its activities expose it to a variety of financial risks (including market risk, such as foreign exchange risk and interest rate risk, liquidity risk and credit risk) as part of its ordinary operating activities. The Group's overall risk management program seeks to minimize potential adverse effects on the Group's financial performance. When necessary, the Group uses derivative financial instruments to mitigate certain risk exposures. At as 30 June 2010, the Group entered into interest rate swap and foreign currency forward contract and incurred a net fair value loss of €281,000.

## GLOSSARY

AGM	The Company's annual general meeting held on 11 June 2010
Articles	The articles of association of the Company
CEO	Chief Executive Officer
Company	Schramm Holding AG
Compliance Guidelines	Compliance Guidelines of the Company and all its subsidiaries
Controlling Shareholders	has the meaning ascribed to it under the Listing Rules, and in the context of this report means the Controlling Shareholders of the Company, SSCP, SHHK and Humble Humanity
DCGK	Deutscher Corporate Governance Kodex
DTT	Deloitte Touche Tohmatsu, the Company's external auditors for the requirements of the Listing Rules
Exchangeable Bonds Subscription Agreements	Exchangeable bonds subscription agreements dated 1 December 2008 (as amended) entered between Humble Humanity and certain exchangeable bonds investors
Group	Schramm Holding AG and its subsidiaries
HGB	Handelsgesetzbuch German Commercial Code
HKCG Code	Code on Corporate Governance Practices
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSE	The Stock Exchange of Hong Kong Limited
Humble Humanity	The Humble Humanity Limited, a company incorporated in Labuan, Malaysia, is one of the Company's Controlling Shareholders
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Independent Supervisors	The members of the Supervisory Board who meet the independence requirements required under Rule 3.13 of the Listing Rules
INEDs	Independent Non-Executive Directors under the definition of the Listing Rules
Inlustra	Inlustra Technologies, Inc.
Interim Financial Information	comprises the condensed consolidated statement of financial position of the Group as of 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then end
Listing Rules	The Rules Governing the Listing of Securities on the HKSE
Management Board	The Management Board of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers

## GLOSSARY

Mr. Oh	Mr. Jung Hyun OH, the Chairman of the Supervisor Board, the chief executive officer and a major shareholder of SSCP and a connected person under the definition of the Listing Rules
Prospectus	The Company's prospectus dated 15 December 2009 for the purpose of the initial listing of the shares of the Company on the HKSE
PRC	The People's Republic of China
PwC	PricewaterhouseCoopers
SBHK	Samsung Bestview (Hong Kong) Co., Limited, changed its name to SHHK in 2010 and is a wholly owned subsidiary of SSCP
Schramm GmbH	Schramm Coatings GmbH, Offenbach, a company incorporated in Germany and is a wholly-owned subsidiary of the Company
Schramm Huizhou	Schramm Bestview (Huizhou) Company Limited, a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
Schramm-SSCP Korea	Schramm-SSCP Korea, Sunggok Daewon, Anson Kyunggi, a company incorporated in Korea and is a wholly-owned subsidiary of the Company
Schramm Shanghai	Shanghai Hansheng Chemical Paint Company Limited, a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
Schramm Thailand	Samsung Chemical Paint (Thailand) Co. Ltd, a company incorporated in Thailand and is a subsidiary which is legally owned as 99.96% by the Company
Schramm Tianjin	Schramm SSCP (Tianjin) Limited, a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
SFO	Securities and Future Ordinance
SHHK	SSCP Holdings (Hong Kong) Limited, formerly known as "Samsung Bestview (Hong Kong) Co., Limited, a wholly owned subsidiary of SSCP
SSC	Samsung Chemical (Shanghai) Co., Ltd, a subsidiary of SSCP
SSCP	SSCP Co. Ltd, a company incorporated in Korea and listed on the KOSDAQ Market Division of the Korea Exchange
SSHK	Schramm SSCP (Hong Kong) Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
Supervisory Board	The Supervisory Board of the Company
Tianjin M&C	Tianjin M&C Electronics Company Ltd, a subsidiary of SSCP



**SCHRAMM HOLDING AG**

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