annual report 年報

SCHRAMM HOLDING AG
星亮控股股份公司*

(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

annual report

* For identification purpose only 僅供識別

2009

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IMPORTANT NOTICE:

THIS ANNUAL REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF THE STOCK EXCHANGE OF HONG KONG LIMITED, WHICH CONTAINS INFORMATION RELATING TO THE COMPANY REQUIRED BY THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED.

IN ADDITION TO THIS ANNUAL REPORT, SHAREHOLDERS OF THE COMPANY ARE ENTITLED TO FURTHER DOCUMENTS, INFORMATION AND REPORTS OF THE COMPANY PURSUANT TO GERMAN STATUTORY LAWS AND REGULATORY REQUIREMENTS, INCLUDING WITHOUT LIMITATION THE FINANCIAL STATEMENTS IN ACCORDANCE WITH THE PROVISIONS OF THE GERMAN COMMERCIAL CODE, THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO THE REQUIREMENTS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AS APPLICABLE IN THE EUROPEAN UNION ("EU") AND THE GROUP MANAGEMENT REPORT, WHICH ARE NOT CONTAINED IN THIS ANNUAL REPORT. THOSE DOCUMENTS, TOGETHER WITH THE COMPLETE MATERIALS TO WHICH A SHAREHOLDER IS ENTITLED PURSUANT TO GERMAN LAWS, WILL BE AVAILABLE ON THE COMPANY'S OFFICIAL WEBSITE: www.schramm-holding.com/en_generalmeeting2010.html AND AT THE REGISTERED OFFICES OF THE COMPANY, KETTELERSTRAßE 100, 63075 OFFENBACH/MAIN, FROM THE DATE ON WHICH THE FORTHCOMING ANNUAL GENERAL MEETING WILL BE CONVENED.

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)

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)
Mr. Jeong Ghi KOO
Mr. Kun Hwa PARK (until the end of the forthcoming annual general meeting)
Mr. Choong Min LEE
Mr. Kiyoung SHIN

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:
PricewaterhouseCoopers Hong Kong

For Germany statutory requirements:
PricewaterhouseCoopers AG

PRINCIPAL BANKERS

Bayerische Hypo-und Vereinsbank AG
Commerzbank AG
Industrial Bank of Korea
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
Shops 1712–1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

WEBSITE

www.schramm-holding.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

955

CHIEF EXECUTIVE OFFICER'S STATEMENT

Mr. Brenner
Chief Executive Officer

Dear Shareholders

I have the pleasure to present you the first annual report of Schramm Holding AG (the "Company" or "Schramm") and its subsidiaries (collectively, the "Group", "we" or "us") after Schramm was listed on the Stock Exchange of Hong Kong Limited (the "HKSE").

2009 was a difficult year for most businesses, industries, and national economies. The financial crisis that broke out in the fourth quarter of 2008 brought with it global recession, low consumer confidence and a general squeeze on trade credit and bank loans. These factors put huge pressure on our operations in the first half of 2009. We have learned new ways to improve efficiency and offset our shrinking margins. By working together, the Schramm community managed to avoid losses during this treacherous period in the global market.

The second half of 2009 saw a gradual return to normalcy, as governments around the globe engaged in economic stimulus to combat the massive crisis. China and the Asian market led the recovery, while the European market became less volatile. Consumer confidence gradually improved enough to restore our sales to the level of the comparable period in the first half of 2008. Efficiency measures that we implemented during the crisis offset the negative impact of shrinking margins.

While most companies struggled to ride out the storm, Schramm has not only survived but has achieved one of the most successful years in our history. We maintained

profitability, and, despite an 23% decline relative to the previous year, profit before income tax of €6 million ranked among the highest in the last four years. At the same time, we strengthened our balance sheet by repaying or replacing short term bank borrowings with long term facilities and reducing our gearing ratio from 36.6% to 28.2%.

A good balance of back office and frontline operations is essential for successful companies. We invested in back office functions in order to cope with the demand of our fast growing frontline operation. Among other improvements, we expanded the central finance function, established a Hong Kong Asia head office and set up a global compliance team. We have improved corporate governance and compliance throughout the Group. These actions have helped us to be better prepared for the future.

Apart from the ups and downs, 2009 was a year to remember. Our listing on HKSE on 29 December was a milestone in Schramm's corporate history, spanning two centuries. The listing on the Hong Kong Stock Exchange allows us to expand our footprint in Asia and gives us opportunity to strengthen the "Schramm" brand name in the region. The listing also gives us the ability to speed up transfer of our technology to Asia, enabling us to maintain our technological leadership in our major market.

The listing is memorable as well because of the new friends we have made – you, our new shareholders. Together with our existing shareholders, please allow me to say "thank you" for your confidence in Schramm.

Looking ahead to 2010, we are optimistic, although a full recovery of the global economy remains in question. As governments begin to wrap up stimulus programs, or

debate their renewal, recovery may falter. Consumer confidence continues to improve but remains unstable. Such confidence depends very much on the employment market, inflation rates, and interest rates that are barely under anyone's control at the moment. This is an environment in which customers demand higher quality, more advanced technologies and better products; this is a time when shareholders demand higher standards of corporate governance and more transparent management; this is a time when investors become more selective and demand only the best equities and assets. These demands may represent a threat to some companies, but not to us. With our advanced technologies, innovative R&D functions, experienced frontline personnel, strong back office support and committed global workforce, I am confident that we will have a strong performance in 2010. In the coming year, we will continue focusing on our Schramm's long-term development while at the same time, seizing appropriate short-term opportunities in the market.

We will soon celebrate our two hundredth anniversary. I look ahead to our future, but this time, our future includes our shareholders. We will make history together.

Lastly, on behalf of the Board, I would like to thank our customers, shareholders and business partners for their trust and support. I would also like to express my gratitude to my fellow management team members for their well-planned strategies and to all of our staff for their devoted service in the past year. We will work diligently and with determination to attain success and begin a new chapter for Schramm.

Peter Brenner
Chief Executive Officer

REVIEW OF MARKET SITUATION

2009 was a year full of challenges. In the first half of 2009, the global market was deeply affected by the financial crisis that broke out in the fourth quarter of 2008. Consumer confidence was low and demand for consumer products dropped significantly. The drop eventually reduced the demand for our products. The situation improved in the second half of 2009 when governments' economic stimulus policies started having results. Global economies stabilized with the PRC leading the recovery. Conditions in the global market were gradually restored to their to its pre-financial crisis situation. Demand for raw materials increased significantly during this period, partly due to the recovery of the economy and partly due to the fact that the market had only kept inventory at bare minimum level. Qualified raw materials suppliers were able to recover from the crisis through this prime opportunity.

REVIEW OF OPERATIONS

Although the year ended 31 December 2009 was a tough one, the Group managed to have another productive year. The Group's total revenue was €98.5 million, (compared to €104.3 million for the year ended 31 December 2008) and the profit for the year was €4.5 million (compared to €5.5 million for the year ended 31 December 2008).

GLOBAL NETWORK

1. Schramm Coatings GmbH (Germany)
2. Schramm Coatings Iberia (Spain)
3. Shanghai Hansheng Chemical Paint Company Limited (Shanghai)
4. Samsung Bestview (Huizhou) Co., Limited (Huizhou)
5. Schramm SSCP (Tianjin) Limited and the Yantai Branch (Tianjin)
6. Samsung Chemical Paint (Thailand) Co., Ltd (Thailand)
7. Schramm SSCP (Hong Kong) Limited and the Taiwan Branch (Hong Kong)
8. Schramm SSCP Co., Ltd. (Korea)
9. Schramm Licensed Partners

Sales dropped by 5.5% compared to the year ended 31 December 2008 while material costs (being equal to the sum of change in inventories of finished goods and work in progress and cost of materials) dropped by 6.7%. The decrease in sales was pre-dominantly due to the shrinking volume and the increase in margin (being amount of sales minus material costs) was mainly due to a change in product mix. Sales contributed by the Group's Asian operations has increased from €40.2 million in 2008 to €45.2 million for the year ended 31 December 2009. Contribution to the total sales by the Asian operation increased from 38.6% in 2008 to 45.9% in 2009. The majority of our Asian sales is from the sales of coating materials used in mobile phones, notebook computers and consumer electronics, which are normally at lower volumes but have higher margins.

AUTOMOTIVE AND GENERAL INDUSTRY DIVISION

The automotive and general industry division continues to be the largest division of the Group, contributing 76% (2008: 73%) of the total sales in 2009. Sales decreased from €76.0 million in 2008 to €75.4 million in 2009 while operating result improved from €6.5 million in 2008 to €6.6 million in 2009. This was mainly due to the shift of sales from Europe to Asia.

General industry

High technology products appeared to have suffered the least impact from the financial crisis that the speed of companies launching new products was at a faster pace as compared to that in 2008. New products, especially mobile phones and notebook computers, are competing not only on their functionality but also on their appearances. Products with a better appearance are more likely to be accepted by the market. Product design is becoming more and more important given that these products are becoming more unified in the technological specifications. We were able to secure new contracts and at the same time, maintain our existing customers because of our tailor-made high quality coating products. As a result, our Group's overall profitability in this division has increased.

Automotive industry

The automotive industry has been significantly hurt by the financial crisis and we experienced a significant drop in product demand in the first half of the year. The market has improved since the second half of the year and we have also seen automobile manufacturers launching more entry-class and environmentally friendly models. Instead of competing with others by equipping their automobiles with powerful engines and hi-tech parts, automotive manufacturers aimed to focus on the quality and appearance of their products.

In addition, we are among the first few companies to supply automotive water-borne coatings in the PRC, where we expect sales of water-borne coatings will increase significantly in the foreseeable future, owing to the expected growing demand for quality automobiles and the increasing desire for Chinese automobile manufacturers to compete with global players.

COIL COATING DIVISION

Sales from the coil coating division decreased from €21.4 million in 2008 to €18.5 million in 2009 which was mainly due to the fact that this division operates primarily in Europe where the business has been deeply affected by the global economic crisis. For sales to European countries alone, including these sold to Belgium, France and the Netherlands sales decreased by approximately €2.1 million during the year. Contribution to the Group's total sales decreased from 20.6% in 2008 to 18.8% in 2009, at the same time, operating results of this division decreased from €1.6 million in 2008 to €0.9 million in 2009.

ELECTRICAL INSULATION

Sales from the division contributed 4.5% (2008: 6.5%) of the Group's total sales and down from €6.8 million in 2008 to €4.4 million in 2009. Operating results changed from a profit of €0.4 million in 2008 to a loss of €0.2 million in 2009. This is a market our company dominated in and is also one which has been affected by the global financial crisis, resulting in a reduction of the overall market profitability.

BUSINESS OUTLOOK

Looking forward, we expect 2010 will be challenging but full of opportunities. We see governments starting to wrap up stimulus programs as it seems likely markets will be able to recover without further government assistance.

We believe that the Eurozone will stabilize but a full recovery may take a few more years. The PRC will continue to lead the world in economic recovery and its domestic consumer market will continue to grow at a fast pace. We also believe that demand for high quality products will increase.

We expect steady growth in the automotive market and that automobile manufacturers will invest further in environmentally friendly automobiles. European and Korean automobile manufacturers could benefit in the short-term following the recent product recalls by the Japanese automobile manufacturers. We also expect that they will further expand their production facilities and sales networks in the PRC. Chinese automobile manufacturers are expected to grow at a faster pace than other manufacturers. We are seeing improvement in the quality of the automobiles produced by Chinese manufacturers. We believe that they will further improve in style and quality in the future.

High technology products are expected to continue their fast-paced growth in 2010 as we continue to see new products coming out to the market. We do believe this will be a continuing development in the industry.

Coil coatings and electrical insulation markets are expected to improve in 2010. We believe market demand for these products will improve steadily following the recovery of the global economy.

Meanwhile, we are working closely with our end product makers to develop new products. We are seeing more innovative products coming to the market. Functionable and stylish coatings will play a more important role. On the other hand, we also plan to bring the coil coatings and electrical products to the Asian market. We are confident these products will be well accepted in the Asian market.

We understand the future will be challenging. We will differentiate ourselves by our advanced technology and quality products, as in the past. We will continue to work closely with the end product makers and invest in research and development ("R&D") to ensure our leading position in product technology. We are committed to boosting overall competitiveness and seizing every opportunity in the market.

FINANCIAL REVIEW

Net Revenue

The Group's total revenue was €98.5 million for the year ended 31 December 2009, (compared to €104.3 million for year ended 31 December 2008). Profit for the year was €4.5 million (compared to €5.5 million for the year ended 31 December 2008). The drop was mainly due to the lower profitability in the first half of 2009 as a result of the global financial crisis.

Total material costs

"Total material costs" is defined as the sum of "change in inventories of finished goods and work in progress" and "Cost of materials". Total material costs dropped from €57.8 million in 2008 to €53.9 million in 2009. The drop was mainly due to the decrease in sales volume.

Employee benefit expenses

Employee benefit expenses increased from €19.0 million in 2008 to €20.0 million in 2009. This was mainly due to the expansion of the Group's operations. Both the frontline and back office support functions have expanded to cope with the future developments of the Group.

Depreciation and amortization

Depreciation and amortization increased from €2.9 million in 2008 to €3.3 million in 2009 due to the increase in depreciation on additional capital expenditures we invested in our German and Tianjin facilities.

Other operating expenses

Other operating expenses fell from €17.4 million in 2008 to €14.6 million in 2009. This was mainly due to cost control measures carried out.

Finance costs

Our finance costs remained stable in 2009 year at €1.6 million. This is resulting from a net effect of an increase in the Group's average bank borrowings over the year and the decrease in market interest rate.

Tax

Our tax expenses decreased from €2.1 million in 2008 to €1.5 million in 2009 mainly due to the decrease in assessable profit.

Profit for the year

Our profit for the year decreased by 19.4% year-on-year to €4.5 million as a result of the cumulative effect of the foregoing factors.

Liquidity and Financial Resources

At 31 December 2009, cash and cash equivalents were €14.2 million (2008: €2.0 million) and net current assets were €38.4 million (2008: €6.6 million), with a current ratio of 2.51 (2008: 1.14). The strong cash and cash equivalent position and relatively high current ratio was mainly due to the proceeds received from the Company's initial public offering in December 2009.

As at 31 December 2009, total bank loans were €26.7 million (2008: €30.3 million). Out of this amount, €10.3 million (2008: €30.0 million) was repayable within one year.

The annual average interest rate on bank loans during the year varied from 3% to 7%. The Group has entered into interest rate swap contracts to hedge part of the interest rate exposure to the Group. In 2009, the Group recorded €100,000 fair value loss as a result of the revaluation of these derivatives as they are not qualified for hedging accounting under IFRS.

Regarding foreign exchange fluctuations, during the year, the Group's sales and business were evenly derived from Asia and Europe, where income and expenses were income and expenses were primarily denominated in Renminbi and Euro. In addition, the proceeds from the initial public offerring were denominated in Hong Kong dollars so the Group does have foreign currency risk.

We consider the foreign currency risk is managable as:

1. Both our Asian and European operations are profit making. The income generated from each of the operations is sufficient to cover its expenditures. This naturally minimizes the Group's foreign currency exposure;

2. Upon the receipt of the proceeds from the Company's initial public offering, we have exchanged the Hong Kong dollars into appropriate currencies and sent the proceeds to the respective operations in order to minimize any unnecessary risk of currency fluctuations; and

3. We monitor the relevant exchange rates on a daily basis and review the Group's exposure on foreign currency risk from time to time.

Should foreign exchange exposure become unmanageable; we will consider entering into derivatives to hedge against the exposure. As at 31 December 2009, the Group had not entered into any derivative instruments for hedging against foreign exchange risk.

Charges on Assets

Details on charges on the Groups' assets are set out in the Note 26 to the Group's consolidated financial statements.

Gearing Ratio

The analysis on the Group's gearing ratio is set out in Note 3(iv) to the Group's consolidated financial statements.

Cash Flow

Net cash inflow from operating activities in 2009 was €8.0 million, attributable primarily to the Group's operating profit and the reduction in inventory levels.

Net cash outflow from investing activities in 2009 was €2.4 million, consisting primarily of the capital expenditures invested in the production facilities.

Net cash inflow from financing activities in 2009 was €6.7 million, consisting primarily of proceeds from listing of €10.6 million and partial repayment of bank loans of €28.5 million.

Capital expenditures

Our capital expenditures for 2009 were €2.4 million predominantly spent on our German production line and the Tianjin production facilities.

Human Resources

At 31 December 2009, the Group had 819 employees. In order to attact and retain high quality talent to ensure smooth operations and facilitate the Group's constant expansion, the Group offers market comparable remuneration packages and provides continuous training to its employees. The remuneration packages are subject to review on a regular basis.

RELEVANT INFORMATION REGARDING THE CORPORATE GOVERNANCE PRACTICE

Since the listing of the ordinary shares with nominal value of €1.00 each in the capital of the Company (the "Shares") on the HKSE on 29 December 2009 (the "Listing Date") to 31 December 2009, the Company has complied with the applicable legal and regulatory requirements, including the Code on Corporate Governance Practices (the "HKCG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the provisions contained in the articles of association of the Company (the "Articles") and in principle complies also with the recommendations of the "Government Commission German Corporate Code" (Regierungskommission Deutscher Corporate Governance Kodex; DCGK, dated 18 June 2009).

Adoption of the "Internal Control Integrated Framework"

The Management Board of the Company (the "Management Board") has overall responsibility for maintaining the soundness and effectiveness of the internal control and risk management system of the Company. Such systems are designed to meet the Group's particular needs and minimize the risk to which it is exposed. The Company has adopted the "Internal Control Integrated Framework" formulated by the Reporting Committee of Sponsoring Organisations of the Treadway Committee, which is a recommended framework under the Corporate Governance Guidelines issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Procedures have been set up for safeguarding the Group's assets against any unauthorized use or disposal and ensuring an appropriate maintenance of accounting records and the availability of reliable financial information for internal or external use.

Compliance Guidelines of the Company

The Company has adopted the "Compliance Guidelines of Schramm Holding AG and all subsidiaries", which is a key component of our compliance system. Interests of the Company can only be effectively guaranteed through responsible dealings and adherence to ethical principles. These principles are clearly formulated in the Compliance Guidelines. These apply to all employees of the Group and include fundamental rules for counteraction in case of corruption, bribery, bid rigging, illegal employment and money-laundering. Furthermore, they contain guidelines for business behaviour on non-discrimination, protection of assets, information and data, insider information, the avoidance of conflict of interest, collaboration with customers and suppliers, attitude towards competitors, and the dealing with confidential information and gifts.

Each operating unit is subject to the Guidelines. Each of the Management Board and/or the Supervisory Board has an unrestricted right to conduct or instruct audits, unless laws and regulations or works agreements otherwise require. All employees have the right and are required to report any suspected or observed violations of the law or these Guidelines, or if they are asked to do something that might violate the same.

Anonymous individual reports may be made or sent to supervisor, representative of the respective department, Compliance Office or the Management Board, upon discretion of the sender.

The control systems of the Company were implemented to ensure compliance with the Compliance Guidelines which include both routine and extraordinary audits from the internal auditing. The Compliance Guidelines forms an important part of the employee training programme.

The Company closely monitors non-compliance through own investigations, and will notify the relevant authorities and cooperate with them to fully address the issues. Any misconduct, if found, will result in personal liability and corporate actions as required. Information collected from reporting, comparison with other systems and evaluations by external specialists all lead to ongoing development and improvement of the Company's compliance system.

Independent non-executive directors

Further, since German stock corporation law does not provide for the appointment of independent non-executive directors ("INEDs"), the Company has appointed three additional Supervisory Board members who meet the independence requirements of the Listing Rules (the "Independent Supervisors") and assume the duties and responsibilities of INEDs as set out under the Listing Rules.

The Independent Supervisors have assumed, in addition to their general duties and obligations as Supervisory Board members under statutory law and the Articles, the following principal duties and obligations specific to INEDs as set out in the Listing Rules:

- Rule 3.21 — establishment of audit committee comprising majority of INEDs
- Rule 8.10(3) — in case where the controlling shareholder with an interest in a business apart from the Company's business which competes or is likely to compete with the Company's business, the HKSE may require the appointment of sufficient number of INEDs to ensure that the interests of the general shareholders will be adequately represented
- Rules 13.39(6) and (7) — establishment of an independent board committee which shall consist only of INEDs to advise shareholders as to whether the terms of the relevant transaction or arrangement are in the interest of the issuer and its shareholders as a whole
- Rule 13.68 — establishment of remuneration committee or independent board committee, which is required to form a view in respect of service contracts falling under Rule 13.68
- Rule 14A.37 — annual review and confirmation of the continuing connected transactions by INEDs
- Rule 14A.55 — INEDs to provide their views on connected transactions not falling under Rule 14A.31 or Rule 14A.33
- Rule 14A.57 — INEDs to provide their opinion on the profit guarantees given by a connected person
- Rule 17.04(1) — grant of options to a director, chief executive or substantial shareholder of a listed issuer or their associates that must be approved by INEDs
- B.1.1 of Appendix 14 — establishment of remuneration committee comprising majority of INEDs
- A.4.4 of Appendix 14 — establishment of nomination committee comprising majority of INEDs

PROCEDURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD AS WELL AS THE COMPOSITION AND PROCEDURES OF THEIR COMMITTEES

Duties and activities of the Management Board

The Company is run by its 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 statutory law, the Articles , the Management Board's internal rules and their service contracts, and 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 resulting 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.

Meetings of the Management Board are held regularly. They are convened by the CEO. However, any member of the Management Board may demand that a meeting to be held. The Management Board makes decisions by a simple majority of votes cast, except where unanimous vote is required by law.

Each member of the Management Board is assigned with particular responsibility, including strategy, human resources and finance.

No committee of the Management Board has been set up in view of the small number of members and its role in the Company.

Supervisory Board: members, oversight and control functions

The Supervisory Board currently has the following members:

- Mr. Jung Hyun OH *(Chairman)*
- Mr. Suk Whan CHANG *(Vice-chairman)*
- Mr. Jeong Ghi KOO
- Mr. Kun Hwa PARK (until the end of the forthcoming annual general meeting of the Company)
- Mr. Choong Min LEE
- Mr. Kiyoung SHIN

The role of the Supervisory Board is to oversee, control and advise the Management Board. The Supervisory Board appoints the Directors. 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 procedures 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.

Committees of the Supervisory Board

The Supervisory Board currently has the following committees:

Audit Committee

The audit committee was established on 4 December 2009 in compliance with Rule 3.21 of the Listing Rules and the HKCG Code. Members of the audit committee comprise:

Mr. Choong Min LEE *(Chairman)*
Mr. Kun Hwa PARK (until the end of forthcoming annual general meeting of the Company)
Mr. Kiyoung SHIN

The primary duties of the audit committee are 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 also makes a preliminary examination of the financial statements. 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.

Mr. Choong Min LEE has been a member of the Korean Institute of Certified Public Accountants since 1999 and possesses the appropriate professional qualifications and accounting expertise required under Rule 3.10(2) of the Listing Rules.

The audit committee has reviewed the internal control, connected transactions and annual results of the Company for the year ended 31 December 2009 and the accounting principles and practices adopted by the Group. External auditors and senior management attended the meeting to answer questions raised by the audit committee.

Remuneration committee

The remuneration committee was established on 4 December 2009 in compliance with the HKCG Code. Members of the remuneration committee comprise:

Mr. Jung Hyun OH *(Chairman)*
Mr. Kun Hwa PARK (until the end of the forthcoming annual general meeting of the Company)
Mr. Choong Min LEE
Mr. Kiyoung SHIN

The primary duties of the remuneration committee include the preparation of decisions regarding the appointment and dismissal of members of the Management Board, which have to be ultimately resolved at by the plenum of the Supervisory Board, as well as reviewing the terms of the remuneration packages and other benefits offered by the Company to the Directors, Supervisors and senior management of the Company.

For the period between the date of establishment of the remuneration committee and 31 December 2009, there was no change in the policy and structure of the remuneration for Directors and senior management of the Company, and accordingly the remuneration committee did not convene any meeting.

Biographical details of managing Directors and Supervisors

The brief biographical details of the Directors and Supervisors are set out in "Biographical information of Directors, Supervisors and Senior Management" section on pages 29 and 32 of this annual report.

Retirement of directors

Pursuant to the Articles, each of the managing directors may be subject to re-election for a period not exceeding three years. Mr. Kyung Hwan YEO has been appointed as a Director and the chief financial officer of the Company with effect from 17 March 2010. According to the requirements of the HKCG Code, Mr Yeo shall retire in the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Communications between the Management Board and the Supervisory Board, and Supervisory Board meeting

Since its establishment, the Supervisory Board has monitored 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 acted in an advisory capacity. In addition, the Chairman of the Supervisory Board and the Management Board maintained 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 was 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.

According to the internal rules of the Supervisory Board, the Supervisory Board shall meet at least twice per calender half year, or, if the Listing Rules or the interests of the Company so require, more frequently. For the period between the Listing Date and 31 December 2009, no Supervisory Board meeting was held as there were only three business days during such period. The first plenary Supervisory Board meeting was held on 17 March 2010.

Shareholders' rights

The shareholders' rights arise from applicable statutory law, the Listing Rules, the provisions contained in the Articles and the German Corporate Governance Code.

Each shareholder has, among others, the following general rights:

- in addition to special information rights which are only applicable under specific circumstances, the right to, upon request, be provided with information at the general meeting by the Management Board regarding the Company's affairs to the extent that such information is necessary to permit a proper evaluation of the relevant item on the agenda;
- the right to contest any resolution of the general meeting that does not comply with the law, the Articles or certain other principles;
- the right to receive dividends out of distributable profit (if any);
- the right to subscribe for new shares in the Company in the event of a capital increase;
- the right to receive liquidation proceeds (if any); and
- the right to vote at the general meeting where their shares confer voting rights.

The shareholders exercise their rights at the general meeting. The shareholders' rights at the general meeting include the right of participation and proxy, the voting rights and the information rights. Each shareholder is entitled to participate at the general meeting. However, based on the proposed amendment to the Articles and subject to the approval by the Shareholders in the annual general meeting, only those shareholders who are registered in the share register of the Company at the end of the third business day prior to the day of the general meeting are entitled to participate and exercise their voting right in the general meeting. Beginning with the third business day prior to the day of the general meeting until and including the date of the general meeting the share register is closed for new registration and any transfer of shares will not be registered on the share register during such period. A form of proxy must be deposited at the person or body specified in the invitation to the general meeting at least 48 hours before the date of the general meeting.

The annual general meeting is to be convened at least once each year within the first eight months of the financial year and not more than 15 months shall elapse between the date of one annual general meeting and the next. The annual general meeting shall take place at the registered office of the Company, but may also take place at another German stock exchange centre, which is also Munich, at which the shareholders may be present to participate in the annual general meeting.

The Management Board presents to the annual general meeting certain documents, including the individual and consolidated financial statements, the Group Management Board report, the Corporate Governance Report including the Compensation Report and the Report of the Supervisory Board for the Company. Those documents have been made available on the website of the Company prior to the annual general meeting. The annual general meeting decides, among other points, on the appropriation of profits and ratifying the actions of the Management Board and the Supervisory Board, elects the members of the Supervisory Board, and appoints the external auditors. In addition, it resolves upon amendments to the Articles and other matters as specified by applicable law or the Articles.

In addition to those areas which a resolution by the general meeting is mandatory, pursuant to section 119 para. 2 German Stock Corporation Act (AktG), the general meeting may decide upon measures or transactions if the Management Board requests a decision of the general meeting. The Management Board acts in its own discretion and will consider the nature of the transaction and the implications of such referral for the Company, including the requirements of the Listing Rules and the scope of discretion granted by German corporate laws in order to comply with, to the greatest extent possible, the Listing Rules, the HKCG Code and German corporate governance. The Management Board is required to refer notifiable transactions pursuant to Chapter 14 of the Listing Rules, i.e. very substantial acquisitions, very substantial disposals and reverse takeovers, with any of the applicable percentage ratios exceeding 75% to the general meeting. The Management Board is permitted to refer all notifiable transactions subject to shareholders' approval pursuant to Chapter 14 of the Listing Rules with any of the applicable percentage ratios from 25% to 75% as well as all major transactions as defined under Chapter 14 of the Listing Rules with any of the applicable percentage ratios exceeding 25% to the general meeting. The Management Board is permitted to refer all connected transactions with any of the applicable percentage ratios exceeding 2.5%, all continuing connected transactions with a transaction amount exceeding 2.5% calculating on an annual basis and all other connected transactions subject to shareholders' approval pursuant to Chapter 14A of the Listing Rules to the general meeting.

Respective responsibilities of Management Board, Supervisory Board and external auditors

The Management Board are responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs, and cash flow of the Group in accordance with relevant law and disclosure requirements under the Listing Rules. The financial statements are subject to approval of the Supervisory Board.

The external auditors are responsible for forming an independent opinion, based on the audit, on the financial statements prepared by the Management Board and approved by the Supervisory Board.

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 German Stock Corporation Act (Aktiengesetz; AktG) that since the first quotation of its shares on the HKSE 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 18 June 2009) published in the official section of the German electronic Federal Gazette.

The following recommendations were or are to date not complied with or only complied with in parts:

- 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."

  It is intended to publish the notification of the convening of the general meeting and the convention documents on the Company's website. It is currently not intended to send the notification of the convening and the convention documents by e-mail.

- 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 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 was not necessary anymore.

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 consists of only three members, responsibilities are clearly allocated and any matters requiring the resolution of the Management Board as a whole 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.

  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 CEO; it is, however, not explicitly provided for either. Thus, an explicit exclusion 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 3 DCGK: "Together with the Management Board the Supervisory Board shall ensure that there is a long-term succession planning."

  The Supervisory Board plans with the current Management Board members on a long-term basis, so that succession planning is currently not required.

- 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 somebody 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.

- 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 also carries 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 sentence 2 DCGK: "Furthermore, with regard to the nominations for the election of Supervisory Board Members, attention shall also be paid to the international activities of the enterprise, potential conflicts of interest and an age limit to be specified for the members of the Supervisory Board as well as diversity."

  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 somebody to the Supervisory 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 5.4.2 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 current Supervisory Board chairman is also a shareholder of SSCP Co. Ltd. ("SSCP"), which is the Company's largest shareholder holding approximately 40% shareholding and is active in the coatings industry, amongst others in the automotive sector. The Supervisory Board member Mr Jeong Ghi KOO is head of the electronic material division of SSCP.

  SSCP is not 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.

- 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 currently does not see a conflict of interests in respect of his person. However, if there is a material and not only temporary conflict of interests in respect of a member of the Supervisory Board, the termination of his mandate will be sought for.

- 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 in accordance with the requirements of the Listing Rules. 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."

  The Company will inform its shareholders, as set out above, 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, reference will also be made to the annual accounts. 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 2 DCGK: "Half-year and any quarterly financial reports shall be discussed with the Management Board by the Supervisory Board or its Audit Committee prior to publication."

  Such discussion has not taken place in the past, but is intended to take place in the future.

- 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."

  The Consolidated Financial Statements to be prepared under German law for 2010 will only be publicly accessible after the 90 days period, but the Company will comply with the time frames established by the Listing Rules.

- Clauses 7.2.1 to 7.2.3 DCGK: "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."

  The Supervisory Board shall arrange for the auditors to inform it and/or note in the Auditor's Report if, during the performance of the audit, the auditor comes across facts which show a misstatement by the Management Board and Supervisory Board on the DCGK. In the past, the Company has not complied with these provisions since the audit assignment for the past financial year did not include the activities set out above 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.

Management Board and Supervisory Board of Schramm Holding AG

Hong Kong, 12 April 2010

CORPORATE GOVERNANCE REPORT

The Management Board is committed to creating value and maximizing returns to the shareholders of the Company (the "Shareholders") while striving to maintain high standards of corporate governance. The Management Board as well as the Supervisory Board will continue to review and enhance the standards of corporate governance practices with reference to the standards in German and Hong Kong as well as the international standards.

The Company had, throughout the period from its listing on the Stock Exchange of Hong Kong Limited ("HKSE") on 29 December 2009 (the "Listing Date") to 31 December 2009, in principle complied with the recommendations of the "Government Commission German Corporate Code" (Regierungskommission Deutscher Corporate Governance Kodex; DCGK, dated 18 June 2009) with the exceptions set out in the Compliance statement pursuant to section 161 German Stock Corporation Act contained above. In addition, the Management Board and the Supervisory Board have also considered all the additional requirements under the Code on Corporate Governance Practices (the "HKCG Code") as set out in Appendix 14 to the Listing Rules and are of the opinion that the Company complied with all applicable requirements during the period between the Listing Date to 31 December 2009.

Duties and activities of the Supervisory Board and Management Board are set out on pages 12 to 22 of the Corporate Governance Declaration Pursuant to Section 289 A HGB.

The compositions of the Supervisory Board and Management Board are set out as follows:

Supervisory Board:

Mr. Jung Hyun OH (Chairman)
Mr. Suk Whan CHANG (Vice Chairman)
Mr. Jeong Ghi KOO
Mr. Kun Hwa PARK (appointed on 2 December 2009)* (until the end of the forthcoming annual general meeting of the Company)
Mr. Choong Min LEE (appointed on 2 December 2009)*
Mr. Kiyoung SHIN (appointed on 2 December 2009)*

* Independent Supervisors

Management Board:

Mr. Peter BRENNER (Chief Executive Officer)
Mr. Kyung Seok CHAE
Mr. Sung Yoon KIM (released on 17 March 2010)
Mr. Kyung Hwan YEO (appointed on 17 March 2010)

Biographical details of the members of Supervisors and Directors as at the date of this report are set out in the "Biographical Information of Directors, Supervisors and Senior Management" section on pages 29 to 32.

The Management Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. During the year, 4 meetings were held and attendance of each Director is set out as follows:

	Number of meetings attended/ eligible to attend
Mr. Peter BRENNER	4/4
Mr. Kyung Seok CHAE	4/4
Mr. Sung Yoon KIM	4/4
Mr. Kyung Hwan YEO	0/0

Supervisory Board also meets regularly and the details of the meetings held during the year are set out on pages 33 of this annual report.

Independence of Independent Supervisors

The Company has appointed three Independent Supervisors, namely Mr. Kun Hwa PARK, Mr. Choong Min LEE and Mr. Kiyoung SHIN, who are in compliance with the independence requirements under Rule 3.13 of the Listing Rules and take the place of an INEDs under Rule 3.10 of the Listing Rules. The Company has received annual confirmation of independence from the three Independent Supervisors confirmation that they are in compliance with Rule 3.13 of the Listing Rules. The Supervisory Board has assessed their independence and considered that all the Independent Supervisors complied with the independence requirements under Rule 3.13 of the Listing Rules.

Supervisory Board Chairman and chief executive officer

The roles of the chairman of the Supervisory Board and the chief executive officer of the Company are separate to reinforce their respective independence and accountability. The duties and responsibilities of the CEO and the chairman of the Supervisory Board are set out on pages 14 to 15 of this annual report.

No Director was appointed as chairman of the Management Board.

Committees of the Supervisory Board

The Supervisory Board currently has set up audit committee and remuneration committee. The composition, duties, number of meetings held during the year and summary of work for the committees are set out on pages 13 to 15 of this annual report.

Internal Control and Internal Compliance Guidelines

The Company has established an internal compliance team which is in charge of the overall compliance, risk management and internal audit. It is also responsible for overseeing the implementation of the Company's internal compliance guidelines, which are described in detail in the Corporate Governance Declaration pursuant to section 289A HGB, so as to ensure that all the requisite requirements are complied with. The compliance team has been in place since the Listing Date and has yet to conduct an internal audit in the period between the Listing Date and the year end.

In addition, as a common practice for companies envisaging a listing, the Management Board engaged an external consultant to conduct a review of the effectiveness of the Group's internal control systems, workflows and management system. No major issue was identified during the review and the internal control systems functioned properly in compliance with the internal compliance guidelines.

For the year ended 31 December 2009, the Management Board and the audit committee reviewed the findings of the external consultant, reviewed the Group's internal control procedures and compliance with the internal compliance guidelines and considered they were effectively implemented and properly complied with.

Investor relations

The Company believes that effective communications with the investors are pivotal in enhancing their understanding of the Company's business and development. To achieve this and to enhance transparency, the Company maintains a proactive approach in promoting investor relations and communications. These include arranging investors' road shows and setting up meetings with investors. Therefore, investors are able to obtain sufficient information on a timely basis to facilitate them to make investment decisions.

Compensation report

The following Compensation Report is part of the financial report. It includes a description of the Management Board's compensation system.

The Supervisory Board resolved that the Management Board's compensation system shall be referred to the forthcoming annual general meeting for approval. The chairman of the Supervisory Board will read the general features of the compensation system and its proposed changes at the annual general meeting.

Compensation system for the Management Board of Schramm Holding AG

When considering the appropriateness of the Management Board's compensation, responsibilities of individual members of the Management Board, personal performance, the financial position and the Company's success and future prospects are taken into account. Moreover, the Management Board's compensation system is compared to remuneration structures within the Group and to those of other comparable companies.

Settlement and severance payments apply in case of an early termination without good cause. The CEO of the Company, Mr. Brenner is entitled to payments in case of early termination of his contract due to a change of control. Except for the payment of several insurance contributions for a member of the Management Board, the contracts of the members of the Management Board do not provide for additional remuneration elements such as payments from third parties and/or affiliated companies, starting bonuses, pension claims etc. The Management Board contracts provide for a share option agreement to be concluded with the members of the Management Board under a share option scheme; such scheme has been planned but yet implemented. Therefore, there are currently no share options.

The compensation system comprises a non-performance-related (fixed earnings, additional benefits) element and a performance-related one-off payment to be paid under certain circumstances. The CEO of the Company shall additionally receive a performance-related variable bonus as of 1 January 2010. There are no further performance-related variable compensation elements. The non-performance-related element of the compensation system consists of monthly fixed earnings and additional bonuses in the form of benefits in cash and in kind. The additional bonuses consist of insurance premia, grants for insurance contributions, other subsidies and, partially, private use of company cars. The respective member of the Management Board shall pay tax on these additional bonuses, which are part of their compensation. The fixed earnings will be increased by 4% at the beginning of each calendar year; at least, however, it will be adjusted by the amount of the inflation rate of the respective previous year.

The Company will pay the Mr. Brenner's contribution to a direct insurance as well as the contributions to relief funds and other insurance contributions.

In the event of early termination of the service contract of the CEO, Mr Brenner, he shall receive a settlement in the sum of the total fixed earnings, performance-related variable bonuses as well as other agreed benefits and share options for the remaining period of the contract, unless the contract will be terminated by the Company for a serious cause for which Mr Brenner is to be held accountable. The service contract with Mr Brenner provides that the Company may become obligated to pay to Mr Brenner additionally a severance payment of €5 million (the "Severance Payment"), gross, in the event that his employment is early terminated by the Company (unless such early termination is for a serious cause for which Mr Brenner is to be held accountable), or where his employment is terminated as a result of a consensual agreement initiated by new majority shareholders of the Company. In the event of a change of control, where SSCP ceases to have control in the Company, or where Mr Jung Hyun OH ceases to be the largest or controlling shareholder in SSCP, Mr Brenner is entitled to terminate the service contract with a notice of 4 weeks as to the 15th day or the last day of the calendar month within two months from the time when he is notified in writing of the relevant change in the Company. In the event that Mr Brenner chooses to exercise his special termination right and if the service contract terminates as a result, or where his service contract is terminated by the Company or it ends as a result of a consensual agreement initiated by new majority shareholders in the Company, then he is entitled to the Severance Payment. The Severance Payment becomes due at the time of legal termination of the service contract. In case of revocation of his appointment, withdrawal or other termination of office, the Company shall be entitled to release Mr. Brenner from any further work while paying the pro rata annual fixed earnings applicable at the date of the release. Any existing or possible holiday entitlement shall be set off. The performance-related variable bonus as well as the performance-related one-off payment shall be paid in the amount, which is relevant at the time of the release. Any rights arising from any existing share option scheme shall remain unaffected.

In the event of early termination of the service contract of Mr Chae, he shall receive a settlement in the sum of the total fixed earnings, performance-related variable bonuses as well as other agreed benefits and share options for the remaining period of the contract, unless the contract will be terminated by the Company for a serious cause for which Mr Chae is to be held accountable. In case of revocation of his appointment, withdrawal or other termination of office, the Company shall be entitled to release Mr. Chae from any further work while paying the pro rata annual fixed earnings applicable at the date of the release. Any existing or possible holiday entitlement shall be set off. The performance-related one-off payment shall be payable in the amount agreed at the time of the release. Any rights arising from any existing share option scheme shall remain unaffected.

The service contract with Mr Kim provides that in the event of early termination of the service contract, Mr Kim shall receive a severance payment in the sum of the total fixed earning, performance-related variable bonuses as well as other agreed benefits and share options for the remainder of the period of the contract, unless the contract be terminated by the Company for a serious cause for which Mr Kim is to be held to be accountable. In case of revocation of his appointment, withdrawal or other termination of office, the Company shall be entitled to release Mr. Kim from any further work while paying the pro rata annual fixed earnings applicable at the date of the release. Any existing or possible holiday entitlement shall be set off. The performance-related one-off payment shall be payable in the amount agreed at the time of the release. Any rights arising from any existing share option scheme shall remain unaffected. Mr. Kim positions as a director and the chief financial officer of the Company have been released with effect from 17 March 2010. The Company is having discussions with Mr. Kim for the possibility of engaging Mr. Kim with the Company for other services. Compensation and severance payments arising from the early release will also be discussed.

Subject to the shareholders' approval being obtained in the annual general meeting, taking into account Mr. Yeo's experience and qualifications and the industry practice, the Company will enter into a service contract with Mr. Yeo for a specific term of two years. Mr. Yeo's remuneration packages include an annual emolument of €200,000 and an appropriate housing allowance for his relocation to Hong Kong. The service contract with Mr. Yeo does neither provide for a performance related one-off payment, nor for an increase of the fixed earnings at the beginning of each calendar year nor for a settlement or severance payment.

The compensation of the members of the Management Board for the financial year 2009 amounted to a total of €974,000 and is distributed as follows:

in €'000	**fixed earnings/ gross**	**performance-related salary**	**Retirement provision**	**benefits in kind/other benefits***	**Total**
Mr. Peter BRENNER	545	—	44	10	599
Mr. Kyung Seok CHAE	217	—	—	26	243
Mr. Sung Yoon KIM **	108	—	—	25	133
Total	870	—	44	61	975

* includes the use of company car, housing allowances, insurance contributions, other subsidies

** Mr. Sung Yoon KIM's position as a Director and the chief financial officer of the Company were released on 17 March 2010. Please refer to the Report of the Directors for further details.

For the financial year 2008, the compensation of the members of the Management Board was distributed as follows:

in €'000	fixed earnings/ gross	performance-related salary	Retirement provision	benefits in kind/other benefits*	Total
Mr. Peter BRENNER	360	—	33	13	406
Mr. Kyung Seok CHAE **	17	—	—	—	17
Mr. Sung Yoon KIM **	17	—	—	—	17
Total	394	—	33	13	440

* includes the use of company car, insurance contributions, housing allowances, other subsidies

** Starting from 1 September 2008

Moreover, the members of the Management Board have taken out a D&O insurance, which complies with the statutory requirements under the Act on the Appropriateness of Management Board Compensation (VorstAG).

Compensation of the Supervisory Board

The compensation of the Supervisory Board has been determined by the general meeting and is subject to section 12 of the Articles. It is based on the responsibilities and the scope of work of the Supervisory Board members. Under this compensation scheme, the Supervisory Board members are entitled to fixed earnings in the amount of €2,000, in addition to the reimbursement of their expenses, whereby the chairman receives twice the amount of the fixed earnings and the deputy chairman receives one and a half times the amount of the fixed earnings. In the financial year 2009 and in the previous year, however, a lower amount of compensation was paid out. Having regard to the remuneration offered to the Supervisors and similar positions in comparable companies, on 17 March 2010 the remuneration committee of the Company resolved to increase the annual remuneration of the members of the Supervisory Board to €10,000 ("Fixed Compensation") with retrospective effect of 1 January 2010, and as such the remuneration for the chairman of the Supervisory Board will be €20,000 which equals to 2 times of the Fixed Compensation, and the remuneration for the vice chairman of the Supervisory Board will be €15,000 which equals to 1.5 times of the Fixed Compensation. Resolutions will be proposed at the annual general meeting to revise the remuneration for the members of the Supervisory Board.

The payment of meeting attendance allowances is not part of the Supervisory Board's compensation.

No advance payments or loans have been granted to any member of the Management Board or the Supervisor Board.

For the financial year 2009, a total compensation sum in the amount of €15,000 was paid out. This sum was distributed to the Supervisory Board members as follows:

in €'000	fixed earnings/ gross 2009	fixed earnings/ gross 2008
Mr. Jung Hyun OH *(Chairman)*	4	4
Mr. Suk Whan CHANG *(Vice Chairman)*	3	3
Mr. Jeong Ghi KOO	2	2
Mr. Kun Hwa PARK	2	—
Mr. Choong Min LEE	2	—
Mr. Kiyoung SHIN	2	—
Total	15	9

Furthermore, the Supervisory Board members have not received any further compensation or benefits for personally performed services, in particular advisory and arrangement services, in the year which this report relates to or in the previous year.

The Supervisory Board compensation shall be payable following the conclusion of the annual general meeting at which the appropriation of the distributable profits for the respective financial year is resolved.

External Auditor's remuneration

For the year ended 31 December 2009 total remuneration for audit and non-audit services provided by the external auditors are as follows:

For the year ended 31 December 2009:	**€'000**
Audit services:	
— For the audit for the year ended 31 December 2009	241
— For acting as the Company's reporting accountant for the purpose of initial public offering	1,066
Non-audit services:	
— Other services rendered for the purpose of the Company's initial public offering	171
— Others	11
Total	1,489

The re-appointment of PricewaterhouseCoopers Hong Kong as auditor of the Company for the requirements of the Listing Rules and of PricewaterhouseCoopers AG as auditor for the financial statements for German statutory requirement has been recommended by the audit committee and endorsed by the Supervisory Board and is subject to approval by the shareholders at the forthcoming annual general meeting.

Ownership of shares in the Company

The Company will 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, reference will also be made to the annual accounts. Further reports will not be made.

Model Code for Securities

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules as its own code for dealing in securities by the directors of the Company. Based on specific enquiry with the Directors and the Supervisors, all the Directors and the Supervisors confirmed that they have complied with the required standards as set out in the Model Code throughout the period from the Listing Date to 31 December 2009.

Disclosure of securities transactions by members of the Supervisory Board and Management Board

Pursuant to the Securities and Futures Ordinance (Cap 571 of Laws of Hong Kong) ("SFO"), members of Supervisory Board and Management Board, as well as their associates, 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.

No such transactions were reported from the period between the Listing Date and 31 December 2009.

BIOGRAPHICAL INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Peter BRENNER, age 38 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 14 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 (the 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 14 years. Mr. Brenner has been involved with the Group business globally from 2002 and has been actively involved in the management of the Group 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, specialising 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 were then part of the SSCP Group) in April 2006 where he was responsible for the overall operations and management of theses 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 the SSCP Group, 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 4 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 the SSCP Group 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 position as a Director and the chief financial officer of the Company was 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.

SUPERVISORY BOARD

Mr. Jung Hyun OH, age 38, 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. Suk Whan CHANG, age 52, is 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. Change then returned to Hanasset Corporation in 2009, where he is currently its chief financial 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. Jeong Ghi KOO, age 55, has been a member of the Supervisory Board since 27 August 2008. Mr. Koo joined SSCP as the head 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 vice president in 2008.

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 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 has tendered his resignation as a member of the Supervisory Board which will be effective as at the end of the forthcoming annual general meeting.

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. 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 resulting in sizable absolute gains during the course of employment. 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.

SENIOR MANAGEMENT

Mr. Se-Ook LEE, age 48, 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 17 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 20 years of experience in the chemical industry.

Mr. Matthias JANEZIC, age 48, is the sales director of our coil coating production department and our head of internal sales, a position he has held since 2006. Mr. Janezic is responsible for the development and implementation of marketing and sales strategies, business development and customer care for the coil coating products of the Group. Mr. Janezic joined the Group in 1983 and has approximately 26 years of experience in the paint industry. Mr. Janezic started working in the Group as a chemical worker in the Group's production department and was subsequently promoted to act as a laboratory assistant in the Group's quality control department. In 1995, Mr. Janezic was appointed as a project manager in the coil coating production department.

Mr. Thomas MANGOLD, age 43, is the sales director of the Group's metal and powder department. He is responsible for the marketing and sales, business development and after-sales service of the products of the Group. Mr. Mangold joined the Group in 2008 and has approximately 21 years of experience in the chemical Industry. Prior to joining the Group, Mr. Mangold was a sales director of Cytec Surface Specialties GmbH from 2001 to 2007 where he was responsible for managing its sales to Northern Europe. Since 1998, he had worked in the coating and resins department of the former Hoechst AG, Vianova Resins, Solutia and UCB Chemicals.

Mr. Les BARRETT, age 51, is a director of our overseas business development department. He is responsible for supporting business and technology transfer, to and from the Group's facilities in Europe and Asia and to the Group's licensed partners in Japan and the US. He joined the Group in 1983 and has approximately 30 years of experience in the paint industry. Prior to joining the Group, Mr. Barreett was a sales manager at Weilburger Schramm Brazil Limited from 1983 to 1989 where he was responsible for overseeing the sales of automotive interior, general industry and high temperature resistance and non-stick coatings (Fluoropolymers) in South America. Mr. Barrett was then transferred to Weilburger Schramm Coatings in the U.K. as technical manager and later became sales manager at the Group's facility in the U.K. from 1989 to 2001 where he was responsible for the transfer to business and technology from the German headquarter and product localisation for the U.K. applicators in the automotive interior and general industry plastic coatings sectors.

Mr. Youn Ho LEE, age 31, is the head of the sales of the Group's subsidiaries in Asia and is responsible for managing sales and business development of the Group's products in the region. Mr. Lee joined the Group in 2006 and has approximately 9 years of experience in sales and business development. Prior to joining the Group, Mr. Lee was a general manager in the sales department of F.I.D Corporation, and IT system integration company in Seoul, South Korea, from 2000 to 2003 and he was responsible for managing the sales of the company. He was a partner of Crave Capital Sdn. Bhd, a securities firm in Malaysia from 2003 to 2005, where he oversaw its business development department. From 2005 to 2006, he was an executive director of iFutures Sdn. Bhd, a corporate advisory & consulting company in Malaysia where he was responsible for the client's business strategies. Mr. Lee graduated from Syracuse University in 2000 with a bachelor degree in information sciences and technology.

Mr. Dong Ha SEOL, age 40, is the managing director of the PRC Subsidiaries. Mr. Seol is responsible for the sales of products of the Group in the PRC region. He joined the Group in 2003 and has approximately 10 of experience in the sales industry. Prior to joining the Group, Mr. Seol was an employee of the loans department of Southeast Bank from 1996 to 1998 where he was responsible for loan approval. From 1998 to 2000, he was an assistant manager of the bond department of Korea Asset Management Corporation where he was responsible for the classification and carrying out the due diligence process for bad debts and bond. Mr. Seol graduated from Chungnam National University in Korea in 1996 with a bachelor degree in Chinese literature and Sogang University in Korea in 2001 with a master degree in international economy.

COMPANY SECRETARY

Mr. Kenny Yuen Fai CHAN, CPA, FCCA, age 32, is the company secretary and is also 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.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

During 2009 the Supervisory Board monitored the conduct of the Company's business on a regular basis with the aid of written and oral reports received from the Management Board, and also acted in an advisory capacity. In addition, the Chairman of the Supervisory Board and members of the Management Board maintained a constant exchange of information. In this way the Supervisory Board was kept continuously informed about the Company's intended business strategy, corporate planning (including financial, investment and human resources planning), earnings performance, the state of the business and of the Company and the Group as a whole.

The documents relating to the Management Board decisions or actions, whether by law or under the Articles or the rules of procedure, requiring the approval of the Supervisory Board were inspected by the Supervisory Board at its plenary meetings, sometimes after preparatory work of the committees. In certain cases the Supervisory Board gave its approval on the basis of documents circulated to its members. The Supervisory Board was involved in decisions of material importance to the Company.

APPOINTMENTS OF NEW SUPERVISORY BOARD MEMBERS:

In light of the statutory differences between German law and the requirements under the Listing Rules, we have on 2 December 2009 appointed three Independent Supervisors who are in compliance with the independence requirements under Rule 3.13 of the Listing Rules. The background of these Independent Supervisors is set out in the "Biographical Information of Directors, Supervisors and Senior Management" section on pages 29 to 32 of this annual report.

PRINCIPAL TOPICS DISCUSSED BY THE SUPERVISORY BOARD:

The Supervisory Board focused on questions relating to the strategies and business activities of the Group as a whole. One of the main topics was the preparation of the listing on the HKSE and the related issues. During the year, the Supervisory Board, among others, reviewed and approved the proposed amendments to the Company's Article put forward to the general shareholders' meeting.

CONFLICTS OF INTERESTS BETWEEN MEMBERS OF THE SUPERVISORY BOARD AND THE COMPANY:

During the year, the Group entered into certain connected transactions, details of which are set out on pages 44 to 47 of the annual report. Certain Supervisory Board members, including Mr. Jung Hyun OH, Mr. Suk Whan CHANG and Mr. Jeong Ghi KOO, had direct or indirect interests in these transactions. In order to avoid conflicts of interests, as Mr. OH and Mr. KOO have interests in the transactions involving SSCP, and Mr. OH and Mr. CHANG have interests in the transactions involving Qunno, they abstained from physically attending meetings or voting on any such board resolution approving the relevant transactions.

THE SUPERVISORY BOARD OF THE COMPANY HELD THREE MEETINGS DURING 2009:

Meetings were held on 17 September, 24 November and 3 December 2009. Among other matters the Supervisory Board discussed, we approved the increase in the Company's share capital for the preparation of the Company's initial public offering. Supervisors including Mr. Jung Hyun OH, Mr. Suk Whan CHANG and Mr. Jeong Ghi KOO attended all these meetings.

Mr. Kun Hwa PARK, Mr. Choong Min LEE and Mr. Kiyoung SHIN, being Supervisors who are in compliance with the independence requirements of the Listing Rules, did not attend the above-mentioned meetings. These Supervisors were appointed on 2 December 2009. However, the appointment of the Supervisors took effect only on 11 December 2009, the day of the registration with the commercial register, which was after the last Supervisory Board meeting held during the year 2009.

COMMITTEES OF THE SUPERVISORY BOARD:

The Supervisory Board has established an audit committee and a remuneration committee.

The audit committee was established on 4 December 2009 in compliance with Rule 3.21 of the Listing Rules and the HKCG Code. Members of the audit committee comprise:

Mr. Choong Min LEE *(Chairman)*
Mr. Kun Hwa PARK (until the end of the forthcoming annual general meeting of the Company)
Mr. Kiyoung SHIN

The primary duties of the audit committee are handling of accounting, risk management, 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 also makes a preliminary examination of the financial statements. 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.

Mr. Choong Min LEE has been a member of the Korean Institute of Certified Public Accountant since 1999 and possesses the appropriate professional qualifications and accounting expertise required under Rule 3.10(2) of the Listing Rules.

The audit committee has reviewed the internal control, connected transactions and annual results of the Company for the year ended 31 December 2009 and the accounting principles and practices adopted by the Group on the first audit committee meeting held on 17 March 2010. External auditors and senior management attended the meeting to answer questions raised by the audit committee.

The remuneration committee was established on 4 December 2009 in compliance with the HKCG Code. Members of the remuneration committee comprise:

Mr. Jung Hyun OH *(Chairman)*
Mr. Kun Hwa PARK (until the end of the forthcoming annual general meeting of the Company)
Mr. Choong Min LEE
Mr. Kiyoung SHIN

The primary duties of the remuneration committee include the preparation of decisions regarding the appointment and dismissal of members of the Management Board, which have to be ultimately resolved by the Supervisory Board, as well as reviewing the terms of the remuneration packages and other benefits offered by the Company to the Directors, Supervisors and senior management of the Company. For the period between the date of establishment of the remuneration committee and 31 December 2009, there was no change in the policy and structure of the remuneration for Directors and senior management of the Company, and accordingly the remuneration committee did not convene any meeting.

Given the short period of time since their establishment to 31 December 2009, neither the audit committee nor remuneration committee has held any meeting during the year ended 31 December 2009.

CORPORATE GOVERNANCE:

The Supervisory Board dealt with the ongoing development of corporate governance of the Company, taking into account the relevant provisions, codes and requirements under the DCGK and the HKCG Code as set out in Appendix 14 to the Listing Rules. Details of the Company's compliance are set out in the Corporate Governance Report on pages 23 to 28 of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS CONTAINED IN THIS ANNUAL REPORT AND AUDIT OF THESE CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements for the year ended 31 December 2009 of the Company were prepared according to the requirements of the IFRS and the disclosure requirements of the Hong Kong Companies Ordinances (Cap 32 of Laws of Hong Kong). The auditor, PricewaterhouseCoopers Hong Kong, has audited the consolidated financial statements for the year ended 31 December 2009 of the Company and the conduct of the audit is explained in the auditor's report. The audit did not give rise to any objections, so that an unqualified opinion was issued. The consolidated financial statements for the year ended 31 December 2009 together with the draft auditor's report were submitted to all members of the Supervisory Board. The auditor submitted a report to the audit committee and was present during the discussion.

We examined the consolidated financial statements for the year ended 31 December 2009 of the Company. We found no objections, thus we concur with the result of the audit. We have approved the consolidated financial statements for the year ended 31 December 2009 of the Company prepared by the Management Board.

FINANCIAL STATEMENTS AND AUDITS PURSUANT TO GERMAN LAW:

(Please note that the financial statements in accordance with the provisions of the German Commercial Code, the consolidated financial statements according to the requirements of the IFRS as applicable in the EU and the group management report are not contained in this annual report, but from the day on which the forthcoming annual general meeting will be convened will be available for inspection on the Company's website at www.schramm-holding.com/en_generalmeeting2010.html and at the registered office of Schramm Holding AG, Kettelerstraße 100, 63075 Offenbach/Main.)

The financial statements were drawn up by the Supervisory Board in accordance with the provisions of the German Commercial Code. The consolidated financial statements for the year ended 31 December 2009 of the Company were prepared according to the requirements of the IFRS as applicable in the EU. The auditor, PricewaterhouseCoopers AG, has audited the financial statements, the consolidated financial statements and the group management report for the year ended 31 December 2009 of the Company and the conduct of the audit is explained in the auditor's report issued by PricewaterhouseCoopers AG. The audit did not give rise to any objections, so that in each case an unqualified opinion was issued. The financial statements, the consolidated financial statements and the group management report for the year ended 31 December 2009 of the Company, together with the draft auditor's report issued by PricewaterhouseCoopers AG, were submitted to all members of the Supervisory Board. The auditor submitted a report to the audit committee and was present during the discussion.

We examined the financial statements, the consolidated financial statements and the group management report for the year ended 31 December 2009 of the Company and the proposal of dividend. We found no objections, thus we concur with the result of the audit. We have approved the financial statements and the consolidated financial statements for the year ended 31 December 2009 of the Company prepared by the Management Board. The financial statements for the year ended 31 December 2009 of the Company are thus confirmed. We assent to the proposal for distribution of the profit, which provides for payment of a dividend of €0.7 per share.

The report on the relations between the Company and its affiliated companies ("Dependency Report") drawn up by the Management Board in accordance with section 312 of the German Stock Corporation Act was audited by PricewaterhouseCoopers AG, which issued the following unqualified opinion on 16 April 2010:

"As instructed we have audited the report of the Management Board pursuant to section 312 German Stock Corporation Act on the relations to affiliated companies in accordance with section 313 German Stock Corporation Act for the financial year 2009. As no objections are to be raised after the final result of our audit, we issue the following unqualified opinion pursuant to section 313 (3) sentence 1 of the German Stock Corporation Act:

Having conducted a proper audit and appraisal, we hereby confirm that:

1. the facts set out in the report are correct.

2. payments made by the Company in connection with legal transactions referred to in the report were not unduly high.

3. no circumstances give rise to an appraisal of the measures stated in the report that significantly differs from the Management Board's appraisal."

The draft of the Dependency Report was submitted to the members of the audit committee together with the other financial statements documentation and drafts of the audit reports in due time before the meeting of the audit committee. In this meeting, the audit committee thoroughly considered the draft of the Dependency Report and received the report from the auditor, who informed about the essential findings of its audit and was available for questions of the committee members. After thoroughly conducting its own review the audit committee did not raise any objections against the Dependency Report.

The Dependency Report was also submitted to the members of the Supervisory Board for review in due time. The auditor also took part in the consultations on the report in the context of the balance sheet meeting and reported on the essential findings of the audit. In addition, the chairman of the audit committee reported on the review of the Dependency Report by the audit committee. Taking into consideration the results of the auditor and the audit committee, the Supervisory Board conducted a thorough review of the Dependency Report with regard to its completeness and correctness. The review of the report on relations to affiliated companies by the Supervisory Board did not lead to any objections. The Supervisory Board assents to the findings of the audit by the auditor. After this and after the final result of its own review, the Supervisory Board does not raise any objections against the declaration of the Management Board at the end of the report on relations to affiliated companies.

The Supervisory Board would like to thank the Management Board and all employees for their dedication and hard work in 2009.

For and on behalf of the Supervisory Board
Mr. Jung Hyun OH
Chairman

Hong Kong, 19 April 2010

REPORT OF THE DIRECTORS

The Company was incorporated in Germany as a limited partnership on 24 October 1985 and was converted to a limited company in 2000 and then further converted to a joint stock company on 21 November 2008. Shares of the Company have been listed on the Main Board of the HKSE since 29 December 2009 (the "Listing Date"). The Directors hereby present their report together with the financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the manufacturing and distribution of a targeted range of state-of-art, technical and custom-tailored coatings solutions.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 51 to 115 of this annual report. The Company has not declared any interim dividend since the Listing Date. The Supervisory Board agrees with the Management Board's recommendation to pay to the Shareholders a final dividend of €0.07 per share for the year ended 31 December 2009. Subject to the approval of the Company's German GAAP financial statements by the Supervisory Board and the approval of the 2009 final dividend by the Shareholders at the forthcoming annual general meeting, it is expected that the 2009 final dividend will be paid on or before 11 June 2010 to those Shareholders whose names appear on the register of members of the Company on the date of the forthcoming annual general meeting.

WITHHOLDING TAX

According to section 43(1) sentence 1 No. 1 in conjunction with section 43a(1) sentence 1 No. 1 of the German Income Tax Act and section 1 in conjunction with section 3(1) No. 5 of the German Solidarity Surcharge Act, the Company must withhold and remit to the German tax authorities a withholding tax in the amount of 25% on dividends it distributes plus solidarity surcharge of 5.5% on the amount of the withholding tax (i.e. a total of 26.375% on dividends declared by the Company). The assessment basis for the withholding tax is the dividend resolved in the annual general meeting to be distributed to the shareholders. The capital gain withholding tax is withheld irrespective of whether and to what extent the dividend is tax exempt on the level of the shareholder and whether the shareholder a resident of Germany or abroad. For details of the German withholding tax and the possible dispensation with or reduction of the German withholding tax pursuant to the applicable legislation or double tax treaty, please refer to "Appendix VI - Taxation in Germany" to the prospectus of the Company issued on 15 December 2009. (the "Prospectus")

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the HKSE, after deduction of the related issuance expenses, amounted to approximately €11.7 million (equivalent to approximately HK$129.6 million). These proceeds had not been applied during the year ended 31 December 2009. The proposed applications set out in the Prospectus are as follows:

	Proposed plan set out in the Prospectus €'million	**Utilized €'million**	**Unutilized as at 31 December 2009 €'million**
For the expansion of the liquid coatings production capacity in the Group's German facility (10.5%)	1.2	—	1.2
For the development of support facilities on the Phase 3 property at the Group's production facility located in Tianjin, People's Republic of China ("PRC") (18.8%)	2.3	—	2.3
For the construction of resin production plant in the PRC (15.5%)	1.8	—	1.8
For additions of other production and testing equipments in the Group's facilities located in Shanghai, Huizhou and Tianjin, the PRC ("PRC Facilities") (5.2%)	0.6	—	0.6
For the production and testing equipment in the PRC Facilities for coil, electronic and powder coatings (2.5%)	0.3	—	0.3
For the integration and consolidation by way of mergers or acquisitions of targets (20%)	2.3	—	2.3
For the repayment of part of the Group's existing bank loans (17.5%)	2.0	—	2.0
For general working capital (10%)	1.2	—	1.2
Total	**11.7**	**—**	**11.7**

As explained in the Prospectus, the Company intended to use part of the proceeds which is not immediately required for the above purpose to deposit into the Company's short term revolving credit facilities to minimize interest expense.

The unutilized balances have been placed with licensed banks in Hong Kong and in Germany as interest bearing deposits.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 55 and Note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under German law, only the retained earnings shown on the individual financial statements of the Company prepared in accordance with Handelsgesetzbuch (also known as "HGB" and commonly translated as "German generally accepted accounting principles" in English) are available for distribution. As at 31 December 2009, the Company's available distributable reserves were €2.8 million, of which €1.4 million has been proposed as final dividend for the year.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in intangible assets and the property, plant and equipment of the Group and the Company during the year are set forth in Notes 14 and 15 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Article or the German law which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2009 are set out in note 35 to the consolidated financial statements.

DIRECTORS AND SUPERVISORY BOARD MEMBERS ("SUPERVISORS")

The Directors and Supervisors of the Company since the Listing Date and up to the date of this annual report have been:

Directors

Mr. Peter BRENNER *(Chief Executive Officer)*
Mr. Kyung Seok CHAE
Mr. Sung Yoon KIM (released on 17 March 2010)
Mr. Kyung Hwan YEO (appointed on 17 March 2010)

Supervisors

Mr. Jung Hyun OH
Mr. Suk Whan CHANG
Mr. Jeong Ghi KOO

Independent Supervisors

Mr. Kun Hwa PARK (until the end of the forthcoming annual meeting of the Company)
Mr. Choong Min LEE
Mr. Kiyoung SHIN

CHANGES OF DIRECTORSHIP AND SENIOR MANAGEMENT

(a) Appointment of new director and chief financial officer

The Management Board was informed that, pursuant to resolutions passed by the Supervisory Board on 17 March 2010, Mr. Kyung Hwan YEO has been appointed as a Director and the chief financial officer of the Company with effect from 17 March 2010 until the next general meeting of the Company. Subject to the shareholders' approval at the forthcoming annual general meeting, taking into account of Mr. Yeo's experience and qualifications and the industry practice, the Company will enter into a service contract with Mr. Yeo for a specific term of two years. Mr. Yeo's remuneration package includes an annual emolument of €200,000 and an appropriate housing allowance for his relocation to Hong Kong.

Brief biographical information of Mr. Yeo is set out in the "Biographical Information of Directors, Supervisors and Senior Management" section on pages 29 to 32.

Mr. Yeo does not hold any other position in the Company or any of its subsidiaries nor did he hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. As at the date of this report, Mr. Yeo does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Yeo does not have any relationship with any other Directors, senior management or any substantial or controlling shareholders of the Company.

To the best of the Management Board's knowledge, information and belief having made reasonable enquiry, save as disclosed above, there is no information which is discloseable nor is/was Mr. Yeo involved in any of the matters required to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning him that need to be brought to the attention of the shareholders of the Company.

(b) Release of Mr. KIM Sung Yoon's positions as a Director and the chief financial officer of the Company

The Management Board was informed by the Supervisory Board that, pursuant to a resolution passed by the Supervisory Board on 17 March 2010, Mr. Sung Yoon KIM was released from the positions as a Director and the chief financial officer of the Company with effect from 17 March 2010. The Company is having discussions with Mr. Kim for the possibility of engaging Mr. Kim with the Company for other services. Compensation and severance payments arising from the early release will also be discussed. A further announcement will be made after the Company has reached an arrangement with Mr. Kim.

DIRECTORS' SERVICE CONTRACTS

None of the Directors and Supervisors proposed for re-election at the forthcoming annual general meeting has entered or has proposed to enter into any service contracts with Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SUPERVISORS

Brief biographical information of the Directors and Supervisors is set out in the "Biographical Information of Directors, Supervisors and Senior Management" section on pages 29 to 32.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2009:

None of the Directors of the Company was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Mr. Jung Hyun OH ("Mr. Oh"), one of the Supervisors, holds approximately 15.45% interests in the shares of SSCP and is the CEO of SSCP, the Company's ultimate holding company. SSCP, among other businesses it engages in, is also engaged in the mobile handsets and consumer electronic coating manufacturing business in Korea ("SSCP Coatings Business"). SSCP Coatings Business, to certain extent, overlaps with the Group's business of coating products for general industry in the markets outside of Korea. SSCP is considered to be in a competing business to the Group despite the fact that the Group's mobile handsets and consumer electronic businesses are not predominately based in Korea. As mentioned in the Prospectus, SSCP and Mr. Oh, among the others, entered into a deed of non-competition in favor of the Company, pursuant to which each of them has undertaken to the Company (for itself and for the benefit of its subsidiaries) that (a) it shall not, and shall procure that its/his associates (other than the Group) shall not, during the restricted period set out below, directly or indirectly, either on its/his own account or in conjunction with or on behalf of any business or acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) business which is or may be in competition with the business ("Business") of any member or the Group from time to time ("Restricted Activity") and (b) in the event that either SSCP or Mr. Oh intends to transfer the whole or part of the SSCP Coating Business to any third parties, the Company has the right of first refusal to acquire the same on terms and conditions no less favorable than those offered to the third party, provided that there shall be no restriction on any of them holding or being interested in shares or other securities in any company which conducts or is engaged in any Restricted Activity (the "Subject Company") if:

(i) such shares or securities are listed on a stock exchange and the aggregate number of shares held by SSCP or/and Mr. Oh and/or their associates does not exceed 5% of the issued share capital of the Subject Company and that is a holder (together where appropriate, with its associates) holding a larger shareholding in the Subject Company than the aggregate shareholding held by SSCP or/and Mr. Oh or/and its/his associates at all times; and

(ii) they shall not appoint directly or indirectly any executive director in the Subject Company.

The deed of non-competition does not prohibit SSCP and its relevant subsidiaries from carrying on the SSCP Retained Business being carried by the respective member of SSCP Group as at the date of the deed of non-competition.

Further details of the deed of non-competition is set out in the Prospectus.

DIRECTORS' INTEREST IN SECURITIES

As at 31 December 2009, 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 for Securities Transaction by Directors of Listed Issues ("Model Code") were as below:

Name of Director/ Supervisor	Nature of interest	Number and class of securities[3]	Approximate percentage of interest in the Company
Mr. Sung Yoon KIM	Interest in controlled corporation[1]	300,000 shares	1.51%
Mr. Jung Hyun OH	Interest in controlled corporation[2]	4,402,177 shares	22.12%

Notes:

(1) These Shares were held by Myriad Finance Investment Limited ("Myriad Finance") of which Mr. Sung Yoon KIM, a Director, was interested in the entire issued share capital.

(2) Mr. Oh, a Supervisor, was interested in exchangeable bonds in a principal amount of HK$10,584,000 and US$10,421,832 (equivalent to approximately HK$91,353,198 in aggregate) 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 4,402,177 Shares.

(3) All interests disclosed above represent long position in the respective Shares.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2009, 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 fail 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[(1)]	Approximate percentage of interest in the Company
SSCP Co., Ltd.	Beneficial interest[(2)]	7,900,000 Shares (L)	39.69%
		3,164,897 Shares (S)	15.90%
	Interest in controlled corporation[(3)]	4,385,000 Shares (L)	22.03%
		4,385,000 Shares (S)	22.03%
	Interest in controlled corporation[(4)]	1,750,000 Shares (L)	8.79%
The Humble Humanity Ltd.	Beneficial interest[(5)]	4,385,000 Shares (L)	22.03%
		4,385,000 Shares (S)	22.03%
Samsung Bestview (Hong Kong) Co., Ltd.	Beneficial interest	1,750,000 Shares (L)	8.79%
STM Corporation Co., Ltd.	Beneficial interest[(6)]	4,402,177 Shares (L)	22.12%

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 The Humble Humanity Ltd. ("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 3,164,897 Shares for the shortfall of the exchange Shares.

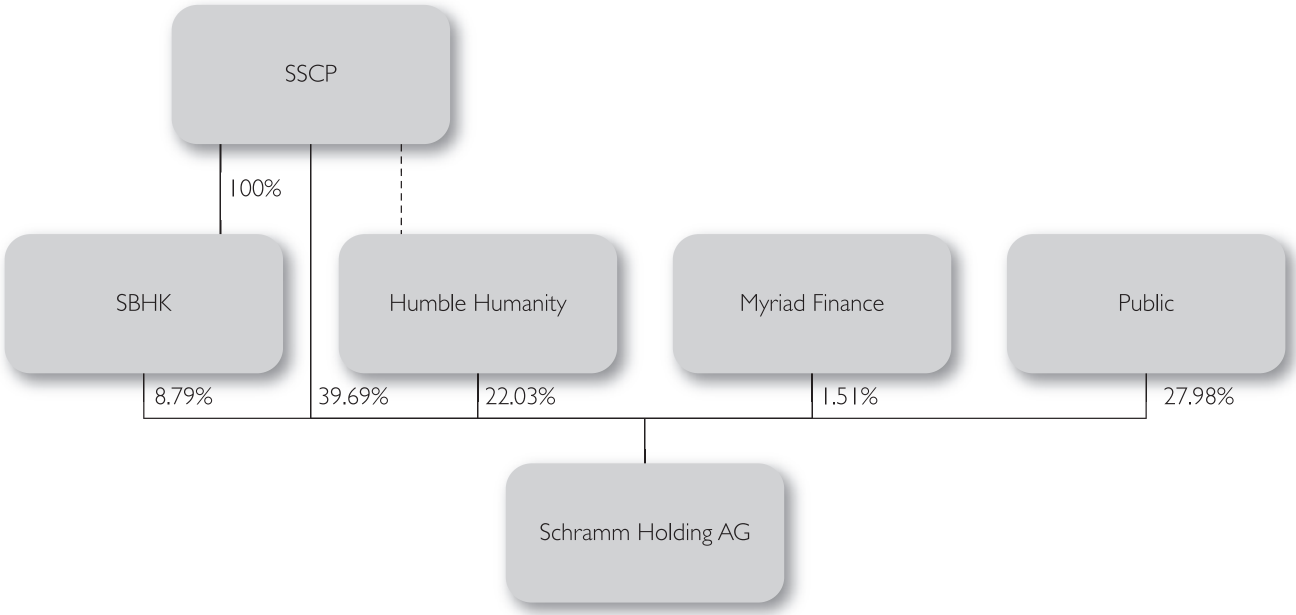
(3) These Shares were held by Humble Humanity, being the issuer of the exchangable bonds, which was indirectly controlled by SSCP.

(4) These Shares were held by Samsung Bestview (Hong Kong) Co., Ltd., 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 one of the exchangeable bondholders, which was interested in exchangeable bonds in a principal amount of HK$10,584,000 and US$10,421,832 (equivalent to approximately HK$91,353,198 in aggregate), which upon exercise of the exchange rights in full, are exchangeable into approximately 4,402,177 Shares.

The following chart sets out the shareholding structure of the Company as at 31 December 2009:



EXCHANGEABLE BONDS

On 1 December 2008, The Humble Humanity Ltd. ("Humble Humanity"), as the issuer, entered into four exchangeable bond subscription agreements (together with the amendment agreements dated 23 January 2009 and 10 April 2009, and bond conditions agreements dated 23 January 2009 and 10 April 2009, 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 7,549,897 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.

SHARE CAPITAL

Details of the movements of share capital of the Company during the year are set out in Note 22 to the consolidated financial statements.

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

Other than those disclosed above, at no time of the year 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

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 had, whether directly or indirectly, a material interest subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transactions:

A. Non-Exempt Continuing Connected Transactions

The following transactions were regarded as continuing connected transactions non-exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

1. *The Toll Manufacturing Agreement with SSCP*

The Company and SSCP entered into a manufacturing and service agreement on 10 December 2009 (the "Toll Manufacturing Agreement") for a term of three years commencing from the Listing Date. Under the Toll Manufacturing Agreement,

(i) The Group supplies raw materials and intermediary goods to SSCP for the production of coatings products (including the license of certain know-how and technology rights by the Group to SSCP Group at nil consideration for the manufacturing process); and

(ii) SSCP sells the coatings products manufactured under the Toll Manufacturing Agreement to the Group for distribution and sales to the Group's customers in Korea. The prices of the coatings products supplied by SSCP shall be determined on a cost-basis within the tax legal boundaries having regard to the total raw material costs, delivery costs, manufacturing costs (excluding depreciation and selling, general and administrative costs) incurred by SSCP in the manufacturing of the coatings products.

SSCP, the controlling shareholder and its associates are connected persons by virtue of Rule 14A.11(4) for the purpose of Chapter 14A of the Listing Rules.

The annual cap for the supply of raw materials and intermediary goods by the Group under the Toll Manufacturing Agreement is €600,000 (the "Toll Sales Cap") and the annual cap for purchasing from SSCP under the Toll Manufacturing Agreement is €6,500,000 (the "Toll Purchase Cap") for the year ended 31 December 2009.

During the year, the Group sold raw materials and intermediary goods amounting to €279,000 and purchased coatings products amounted to €6,189,000 under the Toll Manufacturing Agreement.

2. *The Master Purchase Agreement with SSCP*

The Group entered into an agreement with SSCP on 10 December 2009 (the "Master Purchase Agreement") to source certain raw materials, intermediate goods and commodities from SSCP Group as these raw materials, intermediary goods and commodities are available in Korea at lower prices compared with direct purchase from Europe, taking into account of the lower transportation cost of such materials from Korea to the PRC and Thailand as compared to purchase from Europe.

The prices of the raw materials, intermediary goods and commodities are determined on arm's length negotiation, at the lower of the prices offered by independent third parties and the SSCP Group's acquisition costs plus a maximum margin of 10% under the Master Purchase Agreement.

SSCP, the controlling shareholder and its associates are connected persons by virtue of Rule 14A.11(4) for the purpose of Chapter 14A of the Listing Rules.

The annual capped purchase amount under the Master Purchase Agreement for the year ended 31 December 2009 is €6,300,000. During the year, the Group purchased raw materials, intermediary goods and commodities amounting to €4,023,000.

3. *The Master Sales Agreement with SSCP*

The Group supplies raw materials, intermediary goods and coatings products to SSCP Group, which are on-sold by SSCP Group to its own customers. Since SSCP is engaged in the coating industry, SSCP's customers may from time to time require certain raw materials or intermediary goods for their own production process. The Company and SSCP entered into an agreement on 10 December 2009 (the "Master Sales Agreement") for a term of three years commencing from the Listing Date. The prices of the raw materials, intermediary goods and coatings products the Group sells under the Master Sales Agreement are determined based on arm's length negotiation based on market prices and having regard to the original purchase costs of raw materials and intermediary goods, and quantity, specifications and/or other conditions of coatings products to be offered.

SSCP, our controlling shareholder and its associates are connected persons by virtue of Rule 14A.11(4) for the purpose of Chapter 14A of the Listing Rules.

The annual capped sales amount under the Master Sales Agreement for the year ended 31 December 2009 amounted to €630,000. During the year, the Group sold raw materials, intermediary goods and coatings products amounting to €283,000 under the Master Sale Agreement.

B. Continuing Connected Transactions Exempt from the Independent Shareholders' approval requirements

The following transactions were regarded as continuing connected transactions exempt from the independent shareholders' approval requirements, but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

1. The Qunno Purchase Agreement

The Group purchases aluminum paste (a raw material used in the Group's production process) of different specifications and quality from various suppliers and one of our aluminum paste supplier is Qunno Metal Technology Inc. ("Qunno"). The Company and Qunno entered into an agreement on 10 December 2009 (the "Qunno Purchase Agreement") for a term of three years commencing from the Listing Date. The price of the aluminum paste should be determined on normal commercial terms based on arm's length negotiation based on market prices and having regard to the quantity, specifications and/or other conditions of the aluminum paste to be offered.

Qunno is indirectly owned as to approximately 57% by Mr. Oh, a Supervisor. Pursuant to the Listing Rules, Mr. Oh, being a Supervisor, is a connected person of the Company and accordingly, Qunno, as an associate of Mr. Oh, is a connected person of the Company by virtue of Rule 14A.11(4) of the Listing Rules.

The annual capped purchase amount under the Qunno Purchase Agreement for the year ended 31 December 2009 is €131,000. During the year, the Group's total purchase amount under the Qunno Purchase Agreement was €129,000.

2. SAP License Agreement with SSCP

The Group's PRC subsidiaries and SSCP principally shared an information technology system, including the SAP platform. The PRC subsidiaries of the Company have entered into sub-licensing agreements with SSCP for the user right to the SAP platform (the "SAP License Agreement"). Pursuant to the SAP License Agreement, SSCP sub-licenses the user right of the SAP platform to the PRC subsidiaries at a license fee determined according to the number of licenses having the right to use the SAP platform.

SSCP, the controlling shareholder and its associates are connected persons by virtue of Rule 14A.11(4) for the purpose of Chapter 14A of the Listing Rules.

The annual capped sub-licensing fee amount for the year ended 31 December 2009 is US$330,000 (approximately €495,000) and the aggregated sub-licensing fees paid by the Group to SSCP during the year was US$26,000 (approximately €17,000).

WAVIER GRANTED BY THE HKSE

The connected transactions set out in above, as disclosed, are subject to either (a) reporting, announcement and independent shareholders' approval or (b) reporting and announcement requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.42(3) of the Listing Rules, the Company has applied to the HKSE, and the HKSE has granted (i) a waiver from strict compliance with the announcement requirements and independent shareholders' approval requirements under Rules 14A.47 and 14A.48 of the Listing Rules in connection with the Toll Manufacturing Agreement, the Master Purchase Agreement and the Master Sales Agreement for a period of three years, on the condition that the annual transaction amounts under each of these agreements do not exceed the respective caps provided therein; and (ii) a waiver from strict compliance with the announcement requirements under Rule 14A.47 in connection with the Qunno Purchase Agreement and the SAP License Agreement for the period of three years, on the condition that the annual transaction amounts under each of these agreements do not exceed the respective caps provided therein.

The Supervisory Board (including the Independent Supervisors) and the Directors have reviewed and confirmed that the above-mentioned agreements have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The Directors are further of the opinion that the caps for the above-mentioned transactions are arrived at after due and careful consideration and are fair and reasonable.

The auditors of the Company have performed certain agreed-upon-procedures and reported their findings as to whether the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2009:

(i) have received the approval of the Company's Supervisory Board;

(ii) were in accordance with the pricing policies of the Group (in relation to the transactions involving provision of goods and services by the Group);

(iii) have been entered into in accordance with the relevant terms of the agreements governing the transactions; and

(iv) have not exceeded the relevant cap amounts.

As Mr. Oh and Mr. Koo have interests in the transactions involving SSCP, and Mr. Oh and Mr. Chang have interests in the transactions involving Qunno, they abstained from physically attending meetings or voting on any such board resolution approving the relevant transactions.

Saved as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirement of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 December 2009 are set out in Note 26 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregates sales to the five largest customers of the Group accounted for approximately 19.5% of the Group's total revenue and sales to the Group's largest customers accounted for approximately 6.6% of the Group's total revenue for the year 2009. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 35.4% of the Group's total purchases and purchases from the Group largest supplier accounted for approximately 17.2% of the Group's total purchases for the year 2009.

SSCP the ultimate holding company of the Company is one of the Group's top five customers and the Group's largest supplier.

Saved as disclosed above, none of the Directors, their associates, or any Shareholder which to the knowledge of the Directors own more than 5% of the Company's issued share capital has any interest in the Group's five largest customers or the Group's five largest suppliers.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in Note 24 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was sufficient prescribed public float of the issued share of the Company under the Listing Rules.

AUDITORS

The financial statements for the requirements of the Listing Rules were audited by PricewaterhouseCoopers Hong Kong and the financial statements for Germany statutory requirements will be audited by PricewaterhouseCoopers AG. PricewaterhouseCoopers Hong Kong will retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers AG will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers Hong Kong and PricewaterhouseCoopers AG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

For and on behalf of the Management Board

Peter BRENNER **Kyung Seok CHAE** **Kyung Hwan YEO**

Hong Kong, 12 April 2010

AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SCHRAMM HOLDING AG
(A joint stock company incorporated under the laws of Germany)

We have audited the consolidated financial statements of Schramm Holding AG ("the Company") and its subsidiaries (together the "Group") set out on pages 51 to 115, which comprise the consolidated and company balance sheets as of 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

	Notes	2009 €'000	2008 €'000
Continuing operations:			
Sales	31	**98,526**	104,250
Other operating income	5	**591**	498
Changes in inventories of finished goods and work-in-progress		**(823)**	70
Cost of materials	6	**(53,061)**	(57,821)
Employee benefit expenses	7	**(19,965)**	(18,981)
Depreciation and amortization	8	**(3,337)**	(2,947)
Other operating expenses	8	**(14,627)**	(17,359)
Other gains, net	9	**253**	1,502
Operating profit		**7,557**	9,212
Finance income	10	**30**	43
Finance costs	10	**(1,587)**	(1,531)
Share of results from a jointly controlled entity		**—**	42
Profit before income tax		**6,000**	7,766
Income tax expense	11	**(1,537)**	(2,086)
Profit for the year from continuing operations		**4,463**	5,680
Discontinued operations:			
Loss for the year from discontinued operations	33	**—**	(141)
Profit attributable to equity holders of the Company		**4,463**	5,539
Earnings per share			
— basic and diluted	12	**€0.33**	N/A
Dividend	13		
— proposed final		**1,393**	—

The notes on pages 57 to 115 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	2009	2008
	€'000	€'000
Profit attributable to equity holders of the Company	**4,463**	5,539
Translation differences on foreign operations	**(492)**	1,271
Other comprehensive income for the year	**(492)**	1,271
Total comprehensive income attributable to equity holders of the Company	**3,971**	6,810

The notes on pages 57 to 115 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2009

	Notes	2009 €'000	2008 €'000
ASSETS			
Non-current assets			
Intangible assets	14	**2,829**	2,203
Property, plant and equipment	15	**24,831**	26,750
Land use rights	16	**548**	573
Other receivables and prepayments	18	**343**	296
Deferred tax assets	28	**2,393**	1,033
		30,944	30,855
Current assets			
Inventories	19	**15,689**	24,145
Trade and bill receivables	20	**30,075**	22,716
Other receivables and prepayments	18	**3,694**	2,624
Income tax recoverable		**137**	585
Cash and cash equivalents	21	**14,226**	2,045
		63,821	52,115
Total assets		**94,765**	82,970
EQUITY			
Capital and reserves			
Issued capital	22	**19,905**	13,155
Additional paid-in capital	22	**24,921**	12,284
Other reserves	23	**(15,491)**	(7,694)
Retained earnings		**18,671**	14,208
		48,006	31,953
LIABILITIES			
Non-current liabilities			
Pensions and similar obligations	24	**1,140**	1,160
Other provisions	25	**721**	708
Financial liabilities	26	**17,406**	1,358
Deferred tax liabilities	28	**2,028**	2,259
		21,295	5,485
Current liabilities			
Trade and other payables	27	**13,109**	13,320
Other provisions	25	**1,342**	1,496
Financial liabilities	26	**10,393**	30,241
Income tax liabilities		**620**	475
		25,464	45,532
Total liabilities		**46,759**	51,017
Total equity and liabilities		**94,765**	82,970
Net current assets		**38,357**	6,583
Total assets less current liabilities		**69,301**	37,438

Director *Director*

The notes on pages 57 to 115 are an integral part of these financial statements.

BALANCE SHEET

as at 31 December 2009

	Notes	2009 €'000	2008 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**21**	—
Investments in subsidiaries	17	**48,031**	34,419
Deferred tax assets	28	**1,372**	2
		49,424	34,421
Current assets			
Other receivables and prepayments	18	**10,490**	5,632
Income tax recoverable		**137**	585
Cash and cash equivalents	21	**2,166**	155
		12,793	6,372
Total assets		**62,217**	40,793
EQUITY			
Issued capital	22	**19,905**	13,155
Additional paid-in capital	22	**24,921**	12,284
Retained earnings	23	**11,992**	11,836
		56,818	37,275
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	28	**2**	3
		2	3
Current liabilities			
Other payables	27	**5,156**	2,642
Other provisions	25	**241**	88
Financial liabilities	26	**—**	785
		5,397	3,515
Total liabilities		**5,399**	3,518
Total equity and liabilities		**62,217**	40,793
Net current assets		**7,396**	2,857
Total assets less current liabilities		**56,820**	37,278

Director *Director*

The notes on pages 57 to 115 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Capital and reserves attributable to equity holders				
	Issued capital €'000	Additional paid-in capital €'000	Retained earnings €'000	Other reserves (Note 23) €'000	Total equity €'000
As at 1 January 2008	1,400	7,878	8,669	6,502	24,449
Conversion of additional paid-in capital (Note 22(a))	6,500	(6,500)	—	—	—
Issuance of shares for cash (Notes 22(b) and (d))	5,255	10,906	—	—	16,161
Distribution to previous shareholders of subsidiaries (Note 23(c))	—	—	—	(17,813)	(17,813)
Capital contribution from previous shareholders of subsidiaries (Note 23(d))	—	—	—	2,173	2,173
Acquisition of a subsidiary (Note 33)	—	—	—	173	173
Profit for the year	—	—	5,539	—	5,539
Exchange differences	—	—	—	1,271	1,271
As at 31 December 2008	**13,155**	**12,284**	**14,208**	**(7,694)**	**31,953**
Distribution to previous shareholders of subsidiaries (Note 23(e))	**—**	**—**	**—**	**(7,305)**	**(7,305)**
Issuance of shares for acquisition of a subsidiary (Note 22(e))	**1,750**	**5,940**	**—**	**—**	**7,690**
Issuance of shares for cash (Note 22(f))	**5,000**	**11,450**	**—**	**—**	**16,450**
Share issuance costs charged to equity	**—**	**(4,753)**	**—**	**—**	**(4,753)**
Profit for the year	**—**	**—**	**4,463**	**—**	**4,463**
Exchange differences	**—**	**—**	**—**	**(492)**	**(492)**
As at 31 December 2009	**19,905**	**24,921**	**18,671**	**(15,491)**	**48,006**

Note:

The profit attributable to equity holders for the year ended 31 December 2009 are dealt with in the financial statements of the Company to the extent of €156,000 (2008: €3,821,000).

The notes on pages 57 to 115 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2009

	2009 €'000	2008 €'000
Operating activities		
Net cash generated from/(used in) operations (Note 30)	**10,281**	(2,924)
Interest paid	**(1,587)**	(1,531)
Interest received	**30**	43
Income tax paid	**(768)**	(124)
Net cash generated from/(used in) operating activities	**7,956**	(4,536)
Investing activities		
Proceeds from disposals of property, plant and equipment	**153**	140
Proceeds from sale of investment in a jointly controlled entity	**—**	633
Purchase of intangible assets and property, plant and equipment	**(2,599)**	(5,329)
Acquisition of a subsidiary (Note 33)	**—**	21
Capital injection to subsidiaries by the previous shareholders	**—**	5,898
Capital injections for investments in subsidiaries	**—**	(21,744)
Net cash used in investing activities	**(2,446)**	(20,381)
Financing activities		
Proceeds from issuance of additional capital, net of share issuance costs	**10,566**	16,160
Profit distribution	**—**	(1,557)
Proceeds from loans from previous shareholder	**—**	123
Repayments of loans from previous shareholder	**—**	(761)
Distribution to previous shareholder of a subsidiary	**(298)**	—
Proceeds from borrowings	**24,900**	10,321
Repayments of borrowings	**(28,497)**	(206)
Net cash generated from financing activities	**6,671**	24,080
Increase/(decrease) in cash and cash equivalents	**12,181**	(837)
Cash and cash equivalents at 1 January	**2,045**	2,882
Cash and cash equivalents at 31 December	**14,226**	2,045

The notes on pages 57 to 115 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Schramm Holding AG (the "Company") and its subsidiaries (together the "Group") is principally engaged in the development, production and sale of automotive, coil, mobile and consumer electronics coatings and electrical insulation paints and varnishes.

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 Stock Exchange of Hong Kong Limited (the "HKSE"). These consolidated financial statements have been approved for issue by the Management Board and the Supervisory Board on 17 March 2010.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative instruments at fair value.

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

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRS as of 1 January 2009:

IAS 1 (Revised)	Presentation of financial statements
IAS 16 (Amendment)	Property, plant and equipment
IAS 23 (Revised)	Borrowing costs
IAS 28 (Amendment)	Investments in associates
IAS 32 (Amendment)	Financial instruments: Presentation
IAS 36 (Amendment)	Impairment of assets
IAS 39 (Amendment)	Financial instruments: Recognition and measurement
IAS 40 (Amendment)	Investment property
IFRS 7 (Amendment)	Financial instruments: Disclosures
IFRS 8	Operating segments
IFRIC Interpretation 13	Customer loyalty programmes

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

Adoption of the above standards, amendments and interpretations to existing standards has not had a significant impact on these financial statements except as stated below.

— IAS 1 (Revised) "Presentation of financial statements" prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

— IFRS 7 "Financial Instruments – Disclosures" (amendment) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

— IFRS 8 "Operating segments" requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. However, such restatement in note disclosure does not have any impact on the balance sheet.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The Company has considered the new standards, amendments, interpretations and annual improvement project that may be applicable to the Group's accounting periods beginning on or after 1 January 2010. The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

IAS 1 (Amendment)	Presentation of financial statements
IAS 27 (Revised)	Consolidated and separate financial statements
IAS 38 (Amendment)	Intangible assets
IFRS 2 (Amendment)	Share-based payment
IFRS 3 (Revised)	Business combinations
IFRS 5	Non-current assets held for sale and discontinued operations
IFRIC 17	Distributions of non-cash assets to owners
IFRIC 18	Transfers of assets from customers
IFRIC 19	Extinguishing financial liabilities with equity instruments
IFRSs (Amendments)	Improvements to IFRSs 2009

2 Summary of significant accounting policies (Continued)

2.2 Reorganisation

On 17 November 2007, SSCP Co., Ltd. ("SSCP"), a company incorporated in Korea and listed on the KOSDAQ Market Division of the Korea Exchange, acquired the entire interest in the Company from Grebe Holding AG ("Grebe") and shareholders of Grebe. The Company became a wholly owned subsidiary of SSCP.

In preparation for the listing of the Company in Hong Kong, the Company acquired from Samsung Bestview (Hong Kong) Co., Limited ("SBHK"), a wholly-owned subsidiary of SSCP, 100% equity interests each in Schramm SSCP (Hong Kong) Limited ("Schramm Hong Kong") in 2007, Schramm SSCP Co., Ltd. ("Schramm Korea"), Samsung Bestview (Huizhou) Co. Limited ("Schramm Huizhou"), Shanghai Hansheng Chemical Paint Company Limited ("Schramm Shanghai") in 2008, and Schramm SSCP (Tianjin) Limited ("Schramm Tianjin") in 2009 and 99.96% equity interests in Samsung Chemical Paint (Thailand) Co. Ltd. ("Schramm Thailand") in 2009.

Schramm Thailand was registered as a company with limited liability in Thailand on 25 December 2008 through the amalgamation (the "Amalgamation") of the former Samsung Chemical Paint (Thailand) Company Limited (the "Old Company") and Techno Coat Company Limited ("Techno") as mentioned in the following section, both were limited liability companies incorporated in Thailand.

The Old Company was incorporated on 7 February 2005 in Thailand as a limited liability company, which was held as to 99.96% indirectly by SSCP. Techno was incorporated in February 2006 in Thailand as a limited liability company, and was acquired by SBHK on 31 March 2008 from a third party and become an indirect wholly owned subsidiary of SSCP since then (Note 33).

The Amalgamation was approved by shareholders of the Old Company and Techno in their extraordinary meetings on 16 September 2008. Pursuant to the Amalgamation which was effectively completed on 25 December 2008, the Old Company and Techno were automatically dissolved, and Schramm Thailand was incorporated and registered with the Ministry of Commerce of Thailand under the name of Samsung Chemical Paint (Thailand) Company Limited on the same date.

For further details of the group reorganization and abovementioned acquisitions, please refer to the Company's prospectus dated 15 December 2009 (the "Prospectus") for the purpose of the initial listing of shares of the Company on the HKSE.

Since the Company, Schramm Hong Kong, Schramm Korea, Schramm Huizhou, Schramm Shanghai, Schramm Tianjin and the Old Company were subsidiaries of SSCP as at 17 November 2007 and Techno was acquired by SBHK on 31 March 2008, the acquisitions as described above were considered as transactions under common control. Accordingly, these transactions have been accounted for using merger accounting as if the Company had been the holding company of Schramm Hong Kong, Schramm Korea, Schramm Huizhou, Schramm Shanghai, Schramm Tianjin and the Old Company since 17 November 2007, and of Techno since 31 March 2008. The consolidated financial statements include the financial position, results and cash flows of the companies comprising the Group since 17 November 2007 or the date of the acquisition by SBHK, whichever is later.

2 Summary of significant accounting policies (Continued)

2.2 *Reorganisation (Continued)*

The following is a reconciliation of the Group's equity as at 31 December 2008 as previously presented in the accountant's report of the Company included in the Prospectus and the 2008 comparatives in these financial statements:

	As at 31 December 2008 (as previously reported) (Note)	Combining entities acquired in 2009		As at 31 December 2008 (as reported in these financial statements)
		Schramm Tianjin	Schramm Thailand	
	€'000	€'000	€'000	€'000
Equity	26,231	6,491	(769)	31,953

Note: The consolidated financial information of the Group as presented in the accountant's report of the Company set out in the Prospectus only includes the financial information of the Company and its then acquired subsidiaries as of 31 December 2008.

2.3 *Consolidation*

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Acquisition of subsidiaries by the Group other than those described in Note 2.3(b) below are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (Continued)

2.3 Consolidation (Continued)

(b) Common control combination

The consolidated financial statements includes the financial statements of the Company and all of its subsidiaries made up to the year end. Details of the Company's subsidiaries can be found in Note 35.

The consolidated financial statements incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the period in which it is incurred.

2.4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board that makes strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Euros ("EURO" or "€"), which is the Company's functional and the Group's presentation currency.

2 Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

(ii) Transactions and balances

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

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in income statement, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment

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

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

Freehold land is not amortized. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings and leasehold improvements	20 to 40 years
Technical equipment and machinery	4 to 10 years
Motor vehicles, furniture and other office equipment	3 to 15 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2.7 Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2 Summary of significant accounting policies (Continued)

2.7 *Intangible assets (Continued)*

(ii) Research and development costs

Costs associated with research activities are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognized as intangible assets when the following criteria are met:

(a) it is technically feasible to complete the product so that it will be available for use;

(b) management intends to complete the product and use or sell it;

(c) there is an ability to use or sell the product;

(d) it can be demonstrated how the product will generate probable future economic benefits;

(e) adequate technical, financial and other resources to complete the development and to use or sell the product are available; and

(f) the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are recognized as part of the product include the product development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Product development costs recognized as assets are amortized over their estimated useful lives, which do not exceed four years.

(iii) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

(iv) Club membership

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

Club membership that has an indefinite useful life is carried at cost less accumulated impairment loss.

2 Summary of significant accounting policies (Continued)

2.8 Impairment of investments in subsidiaries and non-financial assets

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are carried at amortized cost using the effective interest method.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged.

Since the derivative instruments entered into by the Group do not quality for hedge accounting, changes in the fair value of these derivative instruments are recognized immediately in the consolidated income statement within "other gains, net".

2.11 Inventories

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

2 Summary of significant accounting policies (Continued)

2.12 Trade and other receivables

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

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the consolidated balance sheet.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

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

2.16 Borrowings

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

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

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

2 Summary of significant accounting policies (Continued)

2.17 Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entity, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of significant accounting policies (Continued)

2.18 Employee benefits

(a) *Pension and similar obligations*

The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to the income statement over the employees' expected average remaining working lives.

Past-service costs are recognized immediately in income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2 Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognized termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(d) Profit-sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after balance sheet date are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.19 Provisions

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

2.20 Revenue recognition

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

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

(i) Sales of goods

Sales of goods are recognized when a group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(ii) Interest income

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

(iii) License fees income

Income from license fees is recognized on an accrual basis over time and in accordance with the substance of the relevant agreement.

2 Summary of significant accounting policies (Continued)

2.21 Leases — as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made by the Group under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.22 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Anti-dilutive potential ordinary shares are not considered in the calculation of the diluted earnings per share. Potential ordinary shares are anti-dilutive when the conversion in ordinary shares increases the earnings per share or decreases the net losses per share.

2.23 Contingent liabilities

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

A contingent liability is not recognized but is disclosed in the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 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 programme seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

(i) Market risk

Market risk can be broken down into foreign exchange risk and interest rate risk.

(a) Foreign exchange risk

Exchange rate risk arises from future commercial transactions both on the purchase side from the purchase of raw materials as well as on the sales side from the sale of goods, recognized assets and liabilities in foreign operations.

Majority of the Group's subsidiaries conduct their transactions in their functional currencies. The Group's operations in Europe are located in the Euro zone and majority of the sales and purchases transactions are denominated in Euros. The Group's sales and purchases in Thailand are mainly denominated in Thailand Baht ("THB"). The Group's sales and purchases in the PRC are mainly denominated in Renminbi ("RMB") while certain purchases or sales are denominated in US dollars ("USD") and Hong Kong dollars ("HK$").

The Group's subsidiaries in the PRC borrowed short-term bank loans denominated in US dollars amounting to USD4,000,000 as at 31 December 2009 (2008: USD5,500,000) for settlement of certain accounts payable. The Group also had bank balances denominated in HK$ and RMB.

At 31 December 2009, if the Hong Kong dollar had weakened/strengthened by 5% against Euros and RMB and with all other variables held constant, post tax profit for the year ended 31 December 2009 would have been lower/higher by EUR286,000, mainly as a result of foreign exchange gains/losses on translation of HK$-denominated bank balances.

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

(b) Interest rate risk

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

The Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The details of the Group's borrowings are set out in Note 26.

Majority of the Group's short-term borrowings were taken out at variable interest rate. As at 31 December 2009, the Group's borrowings at variable interest rate amounted to €8,546,000 (2008: €21,088,000). The Group manages its cash flow interest rate risk by using variable to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. The details of the interest rate swap contracts are included in Note 32.

3 Financial risk management (Continued)

(i) Market risk (Continued)

(b) Interest rate risk (Continued)

If interest rates had been 200 basis points higher/lower with other variables held constant, post tax profit for the year ended 31 December 2009 would have been lower/higher by €171,000 (2008: €422,000), mainly as a result of higher/lower interest expenses on variable rate borrowings.

The above sensitivity analysis does not take into consideration the effect of a higher/lower interest rate on the fair value of the derivatives designed to manage the cash flow interest risk by using floating-to-fixed interest rate swaps. The fair value of these derivatives at period end is not material.

(ii) Liquidity risk

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

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2009			2008		
	Up to 1 year €'000	**1 to 5 years €'000**	**More than 5 years €'000**	Up to 1 year €'000	1 to 5 years €'000	More than 5 years €'000
Bank borrowings	**10,745**	**17,400**	**24**	30,051	217	118
Finance leases liabilities	**183**	**620**	**675**	199	659	818
Other provisions	**1,342**	**721**	**—**	1,496	708	—
Trade and other payables	**13,109**	**—**	**—**	13,320	—	—
	25,379	**18,741**	**699**	45,066	1,584	936

3 Financial risk management (Continued)

(iii) Credit risk

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

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

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

The credit risk on deposits with banks is limited because the Group mainly places the deposits in banks with high credit rating and management does not expect any losses from non-performance by banks. Cash transactions are also limited to financial institutions with high credit quality.

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

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

(iv) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios as at 31 December 2009 and 2008 were as follows:

	2009 **€'000**	2008 €'000
Total borrowings	**26,739**	30,336
Total assets	**94,765**	82,970
	28.2%	36.6%

The decrease in the Company's gearing ratio resulted primarily from the issuance of shares upon the Company's initial listing in Hong Kong and the repayment of a portion of the Group's bank borrowings.

4 Critical accounting estimates and judgments

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

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

(a) Useful lives of property, plant and equipment and intangible assets

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

(b) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) Estimated provision for inventories

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

4 Critical accounting estimates and judgments (Continued)

(d) Estimated impairment of receivables

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

(e) Income taxes and deferred income tax

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

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

(f) Research and development costs

Critical judgment by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new products is continuously monitored by the Group's management.

5 Other operating income

Other operating income are analyzed as follows:

	2009 €'000	2008 €'000
Write-back of accruals and other payables	**86**	38
Management fee income from related parties	**—**	56
Licence fee income	**30**	83
Others	**475**	321
	591	498

6 Cost of materials

	2009 €'000	2008 €'000
Purchase of raw materials, supplies and goods	**52,475**	57,031
Other services	**586**	790
	53,061	57,821

For the year ended 31 December 2009, the cost of materials included write-down of inventories to their net realisable values of €976,000 (2008: €1,151,000). There were no reversals of write-downs of inventories made in prior years.

7 Employee benefit expenses

(a) Employee benefit expenses are analyzed as follows:

	2009 €'000	2008 €'000
Wages and salaries	**17,480**	16,382
Social security contributions	**2,229**	2,773
Pension costs	**316**	358
Other employee benefit expenses	**570**	445
	20,595	19,958
Less: Employee benefit expenses capitalized as development costs	**(630)**	(977)
	19,965	18,981

7 Employee benefit expenses (Continued)

(b) Supervisors' emoluments

Prior to 21 November 2008, the Company was a limited company (GmbH) and these was no board of directors pursuant to the relevant German laws. On 21 November 2008, the Company was converted to a joint stock company (AG) and the board of directors was formed with Mr. Peter Brenner, Mr. Kyung Seok Chae and Mr. Sung Yoon Kim as the directors of the Company.

The remuneration of every director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2009 and 2008 in respect of their services provided to the Group is set out below:

	Fees €'000	Basic salaries, allowances and benefits in kind €'000	Retirement benefits schemes contributions €'000	Total €'000
For the year ended 31 December 2009				
Mr. Peter Brenner	**—**	**555**	**44**	**599**
Mr. Kyung Seok Chae	**—**	**243**	**—**	**243**
Mr. Sung Yoon Kim	**—**	**134**	**—**	**134**
Supervisors:				
Mr. Jung Hyun Oh	**4**	**—**	**—**	**4**
Mr. Suk Whan Chang	**3**	**—**	**—**	**3**
Mr. Jeong Ghi Koo	**2**	**—**	**—**	**2**
Mr. Kun Hwa Park	**2**	**—**	**—**	**2**
Mr. Choong Min Lee	**2**	**—**	**—**	**2**
Mr. Kiyoung Shin	**2**	**—**	**—**	**2**
For the year ended 31 December 2008				
Mr. Peter Brenner	360	13	33	406
Mr. Kyung Seok Chae	17	—	—	17
Mr. Sung Yoon Kim	17	—	—	17
Supervisors:				
Mr. Jung Hyun Oh	4	—	—	4
Mr. Suk Whan Chang	3	—	—	3
Mr. Jeong Ghi Koo	2	—	—	2

There were no arrangement under which a director or a supervisor has waived or agreed to waive any emoluments for the years ended 31 December 2009 and 2008. There were no payments made for the years ended 31 December 2009 and 2008 to Directors and Supervisors as an inducement to join the Group or as compensation for loss of office.

7 Employee benefit expenses (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2008 and 2009 include 1 and 2 directors respectively, whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining 4 and 3 individuals during the years ended 31 December 2008 and 2009 respectively are as follows:

	2009	2008
	€'000	€'000
Wages and salaries	**657**	688
Pension costs	**2**	6
	659	694

The emoluments of the remaining individuals fell within the following bands:

	2009	2008
HK$1,000,001 to HK$1,500,000 (2009: equivalent to €93,001 to €139,000; 2008: equivalent to €95,001 to €142,500)	**—**	3
HK$1,500,001 to HK$2,000,000 (2009: equivalent to €139,001 to €186,000; 2008: equivalent to €142,501 to €190,000)	**1**	—
HK$2,000,001 to HK$2,500,000 (2009: equivalent to €186,001 to €232,000; 2008: equivalent to €190,001 to €237,000)	**1**	—
HK$3,000,001 to HK$3,500,000 (2009: equivalent to €279,001 to €325,000; 2008: equivalent to €285,001 to €332,500)	**1**	1

8 Depreciation, amortization and other operating expenses

	2009	2008
	€'000	€'000
Auditors' remuneration	**241**	170
Depreciation	**2,941**	2,823
Amortization	**396**	124
Freight charges	**2,952**	3,080
Legal and consulting expenses	**972**	2,125
Energy and water costs	**1,561**	1,477
Repair and maintenance costs	**1,258**	1,270
Travelling expenses	**1,337**	1,302
Operating lease rental in respect of buildings, equipment and motor vehicles	**1,220**	1,011
Others	**5,086**	6,924
Total depreciation, amortization and other operating expenses	**17,964**	20,306

9 Other gains, net

	2009	2008
	€'000	€'000
Net foreign exchange gain	**350**	1,495
Loss on disposal of property, plant and equipment	**(88)**	(7)
Gain on disposal of a jointly controlled entity	**—**	108
Fair value losses on derivatives (Note 32)	**(100)**	(98)
Others	**91**	4
	253	1,502

10 Finance income and costs

	2009	2008
	€'000	€'000
Finance income:		
Interest income on short-term bank deposits	**30**	43
Finance costs:		
Interest expense on bank borrowings wholly repayable within five years	**(1,454)**	(1,373)
Interest expense on finance lease liabilities	**(79)**	(92)
Net interest expense on pensions and similar obligations	**(54)**	(66)
	(1,587)	(1,531)
Finance costs, net	**(1,557)**	(1,488)

11 Income tax expense

The amount of income tax charged to the consolidated income statement represents:

	2009	2008
	€'000	€'000
Current income tax	**1,746**	1,895
Deferred tax (Note 28)	**(209)**	191
	1,537	2,086

The Company and Schramm Coatings GmbH are subject to the German corporate income tax, the solidarity surcharge as well as trade tax. The applicable tax rate for the year ended 31 December 2009 is 31% (2008: 31%).

11 Income tax expense (Continued)

Subsidiaries established in the PRC are subject to enterprise income tax of 25% except for the followings:

	2009	2008
Schramm Bestview (Huizhou) Co. Limited ("Schramm Huizhou")	**12.5%**	—
Schramm Tianjin	**12.5%**	12.5%

Schramm Huizhou is entitled to foreign enterprise income tax holiday of "2-year exemption and 3-year 50% reduction" commencing from its first profit making year which was 2007. Schramm Huizhou was entitled to tax exemption for 2008. In 2009, it enjoys a 50% reduction of the statutory tax rate of 25%, i.e. 12.5%.

Schramm Tianjin is also entitled to foreign enterprise income tax holiday of "2-year exemption and 3-year 50% reduction" commencing from its first profit making year which was 2005, and accordingly it enjoys 50% reduction tax rate of 25% (i.e. 12.5%) in 2008 and 2009.

Schramm Thailand is subject to the Thailand corporate income tax. The applicable tax rate for the years ended 31 December 2008 and 2009 is 30% (2008: 30%).

The tax on the Group's profit before income tax for the years ended 31 December 2009 and 2008 differ from the theoretical amount that would arise using the German tax rates as follows:

	2009 **€'000**	2008 €'000
Profit before income tax	**6,000**	7,766
Tax calculated at the German tax rates	**1,860**	2,407
Effect of different assessment base for German trade tax	**9**	(36)
Effect of different taxation rates in other countries	**(428)**	(574)
Utilization of tax losses previously not recognized	**—**	(43)
Recognition of previously unrecognized tax losses	**(249)**	—
Effect of changes in tax rate and tax laws	**—**	(93)
Expenses not deductible for taxation purpose	**309**	216
Income not subject to taxation	**(70)**	(58)
Share of profit from a jointly controlled entity	**—**	(13)
Others	**106**	280
Income tax expense	**1,537**	2,086
The weighted average applicable tax rate in %	**25.6%**	26.9%

12 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009
Profit attributable to equity holders of the Company (€'000)	**4,463**
Weighted average number of shares in issue (thousand of shares)	**13,682**
Basic earnings per share (€)	**0.33**

Diluted earnings per share equals to basic earnings per share as there was no outstanding share options or warranties on other instruments that would have a dilutive impact during the year.

No earnings per share information is presented for the year ended 31 December 2008 because the Directors considered the information not meaningful as the Company changed its legal status from a limited company (GmbH) to a joint stock company (AG) during the year ended 31 December 2008.

13 Dividend

	2009 **€'000**	2008 €'000
Proposed final cash dividend of €0.07 per share	**1,393**	—

The Management Board proposed and the Supervisory Board agreed a final cash dividend for the year ended 31 December 2009 of €0.07 (2008: Nil) per share. This dividend will be accounted for as an appropriation of distributable reserve in the year ending 31 December 2010.

The proposed final cash dividend for the year ended 31 December 2009 is subject to the approval of the Company's financial statements prepared under Generally Accepted Accounting Principles in Germany ("German GAAP financial statements") by the Supervisory Board, which is expected to be obtained before the forthcoming annual general meeting (the "Annual General Meeting") and the approval of the Company's shareholders at the Annual General Meeting.

14 Intangible assets

Group

Year ended 31 December 2008

	Goodwill €'000	Computer software €'000	Development costs €'000	Club membership €'000	Total €'000
Cost					
At 1 January 2008	936	1,621	—	52	2,609
Additions	—	336	977	—	1,313
Exchange differences	—	—	—	7	7
At 31 December 2008	936	1,957	977	59	3,929
Accumulated amortization and impairment charges					
At 1 January 2008	—	1,612	—	1	1,613
Charge for the year	—	19	92	1	112
Exchange differences	—	—	—	1	1
At 31 December 2008	—	1,631	92	3	1,726
Net book value					
At 31 December 2008	936	326	885	56	2,203
At 1 January 2008	936	9	—	51	996

Year ended 31 December 2009

	Goodwill €'000	**Computer software €'000**	**Development costs €'000**	**Club membership €'000**	**Total €'000**
Cost					
At 1 January 2009	**936**	**1,957**	**977**	**59**	**3,929**
Additions	**—**	**31**	**774**	**214**	**1,019**
Disposals	**—**	**(1)**	**—**	**—**	**(1)**
Exchange differences	**—**	**—**	**—**	**(8)**	**(8)**
At 31 December 2009	**936**	**1,987**	**1,751**	**265**	**4,939**
Accumulated amortization and impairment charges					
At 1 January 2009	**—**	**1,631**	**92**	**3**	**1,726**
Charge for the year	**—**	**67**	**317**	**1**	**385**
Disposals	**—**	**(1)**	**—**	**—**	**(1)**
At 31 December 2009	**—**	**1,697**	**409**	**4**	**2,110**
Net book value					
At 31 December 2009	**936**	**290**	**1,342**	**261**	**2,829**

14 Intangible assets (Continued)

Development costs

For the year ended 31 December 2009, development costs for formulations of €774,000 (2008: €977,000) were recognized as intangible assets and are amortized over four years on a straight-line basis. Research and development expenses incurred during the year ended 31 December 2009 amounted to €3,961,000 (2008: €6,500,000).

Goodwill

Goodwill arose from the acquisition of Schramm Coatings Iberia S.A. ("Schramm Spain") in 2007. It is mainly attributable to the anticipated profitability of operations and the anticipated future operating synergies. Goodwill is allocated to the Group's CGUs identified according to its business segments. As at 31 December 2009, the Group's goodwill amounting to €936,000 (2008: €936,000) is wholly attributable to the Automotive and General Industry segment.

For the purpose of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the historical average growth rate of the Group's Automotive and General Industry segment.

Key assumptions used for value-in-use calculations are as follows:

Growth rate	1%
Discount rate	7.5%

Management estimates the pre-tax discount rate that reflects market assessments of the time value of money and specific risks relating to the industry. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

15 Property, plant and equipment

(a) Movements of property, plant and equipment of the Group:

Year ended 31 December 2008

	Freehold land, buildings and leasehold improvements €'000	Technical equipment and machinery €'000	Motor vehicles, furniture and other office equipment €'000	Prepayments and assets under construction €'000	Total €'000
Cost					
At 1 January 2008	20,088	20,048	11,813	1,115	53,064
Additions	108	1,243	1,638	1,230	4,219
Disposals	—	—	(153)	—	(153)
Transfers	1,170	706	50	(1,926)	—
Exchange differences	212	137	177	46	572
At 31 December 2008	21,578	22,134	13,525	465	57,702
Accumulated depreciation and impairment charges					
At 1 January 2008	6,978	12,702	8,456	—	28,136
Charge for the year	614	1,357	852	—	2,823
Disposals	—	—	(88)	—	(88)
Exchange differences	25	19	37	—	81
At 31 December 2008	7,617	14,078	9,257	—	30,952
Net book value					
At 31 December 2008	13,961	8,056	4,268	465	26,750
At 1 January 2008	13,110	7,346	3,357	1,115	24,928

15 Property, plant and equipment (Continued)

(a) Movements of property, plant and equipment of the Group: (Continued)

Year ended 31 December 2009

	Freehold land, buildings and leasehold improvements €'000	Technical equipment and machinery €'000	Motor vehicles, furniture and other office equipment €'000	Prepayments and assets under construction €'000	Total €'000
Cost					
At 1 January 2009	21,578	22,134	13,525	465	57,702
Additions	45	147	473	723	1,388
Disposals	—	(42)	(476)	—	(518)
Transfers	725	197	54	(976)	—
Exchange differences	(63)	(52)	(75)	(1)	(191)
At 31 December 2009	22,285	22,384	13,501	211	58,381
Accumulated depreciation and impairment charges					
At 1 January 2009	7,617	14,078	9,257	—	30,952
Charge for the year	658	1,297	986	—	2,941
Disposals	—	(21)	(256)	—	(277)
Exchange differences	(16)	(18)	(32)	—	(66)
At 31 December 2009	8,259	15,336	9,955	—	33,550
Net book value					
At 31 December 2009	14,026	7,048	3,546	211	24,831

15 Property, plant and equipment (Continued)

(b) Movements of property, plant and equipment of the Company:

Year ended 31 December 2008

	Freehold land, buildings and leasehold improvements €'000	Technical equipment and machinery €'000	Motor vehicles, furniture and other office equipment €'000	Prepayments and assets under construction €'000	Total €'000
Cost					
At 1 January 2008	16,244	17,287	10,364	495	44,390
Transfer to a subsidiary	(16,244)	(17,287)	(10,364)	(495)	(44,390)
At 31 December 2008	—	—	—	—	—
Accumulated depreciation and impairment charges					
At 1 January 2008	6,586	11,773	8,103	—	26,462
Transfer to a subsidiary	(6,586)	(11,773)	(8,103)	—	(26,462)
At 31 December 2008	—	—	—	—	—
Net book value					
At 31 December 2008	—	—	—	—	—
At 1 January 2008	9,658	5,514	2,261	495	17,928

Year ended 31 December 2009

	Freehold land, buildings and leasehold improvements €'000	**Technical equipment and machinery €'000**	**Motor vehicles, furniture and other office equipment €'000**	**Prepayments and assets under construction €'000**	**Total €'000**
Cost					
At 1 January 2009	**—**	**—**	**—**	**—**	**—**
Additions	**—**	**—**	**23**	**—**	**23**
At 31 December 2009	**—**	**—**	**23**	**—**	**23**
Accumulated depreciation and impairment charges					
At 1 January 2009	**—**	**—**	**—**	**—**	**—**
Change for the year	**—**	**—**	**2**	**—**	**2**
At 31 December 2009	**—**	**—**	**2**	**—**	**2**
Net book value					
At 31 December 2009	**—**	**—**	**21**	**—**	**21**

15 Property, plant and equipment (Continued)

(c) Technical equipment and machinery of the Group includes the following amounts where the Group is a lessee under a finance lease:

	2009 €'000	2008 €'000
Cost	**1,643**	1,608
Accumulated depreciation	**(577)**	(371)
Net book value	**1,066**	1,237

As at 31 December 2008 and 2009, property, plant and equipment of €409,000 of the Group were pledged as securities for certain bank borrowings (Note 26).

16 Land use rights

Land use rights represent prepaid operating lease payments for two parcels of land located in Tianjin and Huizhou, the PRC, on which the Group's factory premises are situated.

	2009 €'000	2008 €'000
At 1 January	**573**	524
Amortization	**(11)**	(12)
Exchange differences	**(14)**	61
At 31 December	**548**	573

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

The Group has not obtained the land use rights certificate for a parcel of land in Tianjin with carrying value of approximately €172,000 as at 31 December 2009 (2008: €180,000) because the Group has not commenced the planned construction on this parcel of land within the respective construction periods as stated under the Construction Works Commencement Permit granted by the relevant authority, which would result in a land idle fee to be levied and the withdrawal of the land use rights by the relevant authority without return of the paid land premium or compensation.

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

17 Investments in subsidiaries

	2009 €'000	2008 €'000
Unlisted investment, at cost	**48,031**	34,419

Details of subsidiaries are disclosed in Note 35.

18 Other receivables and prepayments

As at 31 December 2009, included in the Group's non-current other receivables and prepayments was a deposit of €250,000 (2008: €250,000), which is denominated in EURO and non-interest bearing. This amount is pledged as securities for partial early retirement obligations of the Group's employee in Germany.

The Company's other receivables and prepayments are analyzed as follows:

	2009 €'000	2008 €'000
Amount due from subsidiaries (Note 34(c))	**7,578**	3,954
Other receivables and prepayments — third parties	**2,912**	1,678
	10,490	5,632

19 Inventories

	2009 €'000	2008 €'000
Raw materials and consumables	**8,567**	16,001
Work-in-progress	**2,450**	2,934
Finished goods	**4,672**	5,210
	15,689	24,145

20 Trade and bill receivables

	2009 €'000	2008 €'000
Trade receivables — related parties (Note 34(c))	**5,117**	145
Trade receivables — third parties	**24,278**	22,233
Trade receivables, gross	**29,395**	22,378
Less: provision for impairment of receivables	**(533)**	(704)
Trade receivables, net	**28,862**	21,674
Bill receivables	**1,213**	1,042
	30,075	22,716

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

20 Trade and bill receivables (Continued)

The majority of the Group's customers are granted with credit terms of 30 to 90 days. Occasionally, certain customers enjoy a longer credit period. Ageing analysis of trade receivables from due date at the balance sheet date are as follows:

	2009 **€'000**	2008 €'000
Within 3 months	**18,065**	16,312
3 to 6 months	**10,313**	4,370
6 to 9 months	**445**	846
9 to 12 months	**16**	478
Over 12 months	**556**	372
	29,395	22,378

The ageing analysis of trade receivables past due but not impaired by due date is as follows. These relate to a number of independent customers for whom there is no recent history of default.

	2009 **€'000**	2008 €'000
Within 3 months	**9,865**	3,128
3 to 6 months	**3,359**	3,214
6 to 9 months	**79**	485
9 to 12 months	**90**	432
Over 12 months	**348**	238
	13,741	7,497

The ageing analysis of trade receivables impaired and provided for is as follows. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations.

	2009 **€'000**	2008 €'000
Within 3 months	**108**	318
3 to 6 months	**187**	125
6 to 9 months	**72**	253
9 to 12 months	**33**	45
Over 12 months	**362**	134
	762	875
Less: provision for impairment	**(533)**	(704)
Net amount	**229**	171

20 Trade and bill receivables (Continued)

The Group's movements for provision of impairment of trade receivables are as follows:

	2009 €'000	2008 €'000
At 1 January	**704**	138
(Reversal of provision)/provision for impairment	**(122)**	583
Amounts written off	**—**	(27)
Exchange differences	**(49)**	10
At 31 December	**533**	704

The creation and release of provision for impaired receivables have been included in "other gains, net" in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

	2009 €'000	2008 €'000
EURO	**7,201**	7,064
USD	**4,464**	503
RMB	**15,911**	13,109
Korean Won ("KRW")	**1,219**	1,314
THB	**600**	388
	29,395	22,378

21 Cash and cash equivalents

(a) The Group's cash and cash equivalents are analyzed as follows:

	2009 €'000	2008 €'000
Cash on hand	19	9
Cash at bank	14,207	2,036
	14,226	2,045

Cash and bank deposits of the Group were denominated in the following currencies:

	2009 €'000	2008 €'000
EURO	5,711	529
HK$	6,413	6
RMB	1,469	1,218
USD	208	69
KRW	310	81
THB	79	142
Other currencies	36	—
	14,226	2,045

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

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

(b) The Company's cash and cash equivalents are analyzed as follows:

	2009 €'000	2008 €'000
Cash at bank	2,166	155

Cash and bank deposits of the Company were denominated in the following currencies:

	2009 €'000	2008 €'000
EURO	28	155
HK$	2,138	—
	2,166	155

22 Issued capital and additional paid-in capital

	Number of quota/shares	Issued capital €'000	Additional paid-in capital €'000
Issue and fully paid:			
At 1 January 2008	1#	1,400	7,878
Conversion of additional paid-in capital (Note a)	—	6,500	(6,500)
Issuance of shares for cash (Note b)	3#	870	—
At 21 November 2008	4#	8,770	1,378
Conversion from a limited company to a joint stock company on 21 November 2008 (Note c)	8,770	8,770	1,378
Issuance of shares for cash (Note d)	4,385	4,385	10,906
At 31 December 2008	13,155	13,155	12,284
Issuance of shares for acquisition of a subsidiary (Note e)	1,750	1,750	5,940
Issuance of shares for cash (Note f)	5,000	5,000	11,450
Share issuance costs charged to equity	—	—	(4,753)
At 31 December 2009	19,905	19,905	24,921

#: quota of a German limited company ("GmbH")

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

Notes:

(a) By a notarial deed and resolution of the general meeting of shareholders dated 17 January 2008, the Company increased its capital by €6,500,000 by conversion of the additional paid-in capital, which was effective on 8 July 2008.

(b) By a notarial deed dated 28 July 2008, the Company increased its share capital by €870,000 by issuing one quota for cash consideration of €300,000 to Myriad Fine Investment Limited, one quota for cash consideration of €350,000 to Pacific Finance Limited and one quota for cash consideration of €220,000 to Apex Link Investment Limited.

(c) On 21 November 2008, the Company was converted to a joint stock company and changed its name to "Schramm Holding AG". The Company's capital of €8,770,000 was transformed into 8,770,000 shares with par value of €1 each.

(d) On 21 November 2008, a general mandate was granted to the Management Board authorizing it to increase the share capital of the Company by an amount up to €4,385,000 by the issuance of new shares before 1 August 2013 (the "Authorized Capital 2008").

The general mandate under the Authorized Capital 2008 was exercised and the share capital of the Company was increased by €4,385,000 to €13,155,000 through the issue of 4,385,000 shares, at €3.487 per share, to Humble Humanity Limited for a cash consideration of €15,291,000. The capital increase was registered with the commercial register on 24 April 2009.

22 Share capital (Continued)

Notes: (Continued)

(e) On a shareholders' meeting held on 10 June 2009, a general mandate was granted to the Management Board authorizing it to increase the share capital of the Company by an amount up to €6,577,500 by the issuance of new shares in cash or in kind, once or several times, before 1 June 2014 (the "Authorized Capital 2009").

The general mandate under the Authorized Capital 2009 was exercised and the share capital of the Company was increased by €1,750,000 to €14,905,000 through the issue of 1,750,000 shares, at €4.394 each, to SBHK for the settlement of the purchase consideration for the acquisition of Schramm Tianjin. The capital increase was registered with the commercial register on 12 November 2009.

(f) The general mandate under Authorized Capital 2009 was exercised and the share capital of the Company was increased by €5,000,000 to €19,905,000 through the issue of 5,000,000 shares, to prepare for the public offering of the Company's shares. The capital increase was registered with the commercial register on 11 December 2009. On 29 December 2009, the Company's shares were listed on the Main Board of the HKSE and 5,000,000 shares were issued, at €3.287 per share, to public investors.

23 Other reserves

The Group

The movements in the Group's other reserves are as follows:

	Group		
	Merger reserve (Note b) €'000	**Other reserves €'000**	**Total €'000**
At 1 January 2008	6,650	(148)	6,502
Exchange differences	—	1,271	1,271
Distribution to previous shareholders of subsidiaries (Note c)	(17,813)	—	(17,813)
Capital contribution from previous shareholders of subsidiaries (Note d)	2,173	—	2,173
Acquisition of Techno (Note 33)	173	—	173
At 31 December 2008	(8,817)	1,123	(7,694)
Exchange differences	—	(492)	(492)
Distribution to previous shareholders of subsidiaries (Note e)	(7,305)	—	(7,305)
At 31 December 2009	(16,122)	631	(15,491)

(a) Under German law, only the retained earnings of the individual financial statements of Schramm Holdings AG prepared in accordance with HGB are available for distribution.

(b) The merger reserve of the Group represents the difference between the total of nominal value of shares on the capital of the subsidiaries that had been acquired and the pre-acquisition reserves of these subsidiaries and the investment consideration paid by the Company to effect the common control acquisition.

23 Other reserves (Continued)

(c) Amount represented increase in registered capital injected by the previous shareholders of Schramm Shanghai and Schramm Huizhou of EUR4,245,000, set off with the investment consideration paid by the Company to their previous shareholders totalling EUR22,058,000.

(d) Amount represented the increase in capital injected by the then shareholders of subsidiaries before the Company acquired these subsidiaries.

(e) Amount represented the net investment consideration paid by the Company of EUR7,007,000 to the previous shareholders of Schramm Tianjin and Schramm Thailand and the dividend declared by a subsidiary to its previous shareholders out of its pre-acquisition retained earnings amounting to EUR298,000.

The Company

The movements in the Company's retained earnings are as follows:

	Retained earnings **€'000**
At 1 January 2008	8,015
Profit for the year	3,821
At 31 December 2008	11,836
Profit for the year	156
At 31 December 2009	11,992

24 Pensions and similar obligations

The provision for pensions and similar obligations covers the pension fund scheme of the Company and Schramm Coatings GmbH and two individual pension schemes with employees in Germany.

The pension fund scheme is a defined benefit scheme which covers commitments for retirement, disability and survivor benefits of employees of the Group. The amount of benefits depends on the length of service and the remuneration payable to the employees. The scheme is unfunded and is covered by funding through assets of the Group.

In addition to the pension fund scheme, there are two individual pension schemes. Both individual pension schemes are secured by pledged reinsurance policies. One of these individual schemes is refinanced by a single-premium endowment life insurance policy. The pensions obligation under the individual pension scheme and the present value of the pledged pension reinsurance policy recognized as plan assets are congruent with each other and are stated on a net basis in the financial statements to the extent that the reinsurance is pledged (so-called plan assets). The additional disability insurance policy of such scheme is not covered by a congruent pledge.

Actuarial methods and assumptions (pension fund agreement):

- Calculation basis: 2005 G actuarial tables of Dr. Klaus Heubeck
- Notional interest rate: 5.10% p.a. (2008: 4.75%)
- Pension and salary growth trend: 2.0% p.a. (2008: 2.0%)

Actuarial methods and assumptions (two individual commitments):

- Calculation basis: 2005 G actuarial tables of Dr. Klaus Heubeck
- Notional interest rate: 5.8% p.a. (2008: 5.8% p.a.)
- Pension and salary growth trend: 0% p.a. (2008: 0% p.a.)
- Return on plan assets: 4.0% (2008: 4.0%)
- Pledged congruent reinsurance policies from Alte Leipziger Leben (with the exception of one disability pension commitment)

24 Pensions and similar obligations (Continued)

(a) The amounts recognized in the Group's consolidated balance sheet are determined as follows:

	2009 €'000	2008 €'000
Present value of all defined benefit obligations	**1,151**	1,042
Present value of pension plan assets under reinsurance policy	**(204)**	(192)
	947	850
Unrecognized actuarial gains	**193**	310
Liability recognized in the consolidated balance sheet	**1,140**	1,160

The movements in the defined benefit obligations during the year are as follows:

	2009 €'000	2008 €'000
At 1 January	**1,042**	1,080
Current service costs	**6**	7
Interest costs	**54**	66
Actuarial losses/(gains)	**96**	(102)
Plan curtailments	**—**	45
Pension payments	**(47)**	(54)
At 31 December	**1,151**	1,042

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation are recognized in the income statement over the employees' expected average remaining working lives of 6.5 years. The movement of unrecognized actuarial gains are as follows:

	2009 €'000	2008 €'000
Unrecognized actuarial gains brought forward	**(310)**	(229)
Recognized in the income statement	**21**	21
Current year changes	**96**	(102)
Unrecognized actuarial gains carried forward	**(193)**	(310)

For the year ended 31 December 2009, the actuarial gains/(losses) arose included an amount of €67,000 (2008: €65,000) for the result of changes in the notional interest rate.

24 Pensions and similar obligations (Continued)

(a) (Continued)

The amounts recognized in the income statement are as follows:

	2009 €'000	2008 €'000
Current service costs	6	7
Interest expense	54	66
Recognition of net gains	(21)	(21)
Total pension cost	39	52

Excepted contributions to post-employment benefit plans for the year ending 31 December 2010 are €63,000.

The interest expense shown above is reported as finance costs in the consolidated income statement. The remaining amounts are included in employee benefit expenses.

In addition, costs have been incurred for defined contribution plans operated by the governments where the Group operates. These expenses are reported under employee benefit expenses as social security contributions.

(b) The amounts recognized in the Company's balance sheet are determined as follows:

	2009 €'000	2008 €'000
Present value of all defined benefit obligations	11	11
Present value of pension plan assets under reinsurance policy	(11)	(11)
	—	—
Unrecognized actuarial gains	—	—
Liability recognized in the balance sheet	—	—

The movements in the defined benefit obligations are as follows:

	2009 €'000	2008 €'000
At 1 January	11	1,080
Current service costs	—	1
Interest costs	—	1
Plan curtailments	—	4
Transfer to a subsidiary	—	(1,075)
At 31 December	11	11

24 Pensions and similar obligations (Continued)

(b) (Continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligations are recognized in the income statement over the employees' expected average remaining working lives of 6.5 years in 2008 and 6.5 years in 2009. The movement of unrecognized acturarial gains are as follows:

	2009 €'000	2008 €'000
Unrecognized actuarial gains brought forward	—	(229)
Transfer to a subsidiary	—	229
Unrecognized actuarial gains carried forward	—	—

Since all the Company's pensions and similar obligations were transferred to a subsidiary in 2008, no pension cost was charged to the Company's income statement for the year ended 31 December 2009.

25 Other provisions

(a) The movements in the Group's other provisions are analyzed as follows:

	Personnel provisions (Note i) €'000	**Other provisions (Note ii) €'000**	**Total €'000**
At 1 January 2008	1,482	1,504	2,986
Charged/(credited) to the income statement:			
— Additional provisions	404	3,321	3,725
— Unused amounts reversed	(1)	(69)	(70)
Used during the year	(788)	(3,647)	(4,435)
Exchange differences	(2)	—	(2)
At 31 December 2008	1,095	1,109	2,204
Charged to the income statement:			
— Additional provisions	719	735	1,454
Used during the year	(739)	(858)	(1,597)
Exchange differences	2	—	2
At 31 December 2009	1,077	986	2,063

25 Other provisions (Continued)

(a) (Continued)

Analysis of the Group's total provisions:

	2009 €'000	2008 €'000
Non-current	**721**	708
Current	**1,342**	1,496
	2,063	2,204

Notes:

(i) Personnel provisions mainly include provision for partial early retirement obligations which are mainly attributable to the Group's employees in Germany, and accruals for vacations, overtime and bonuses for the Group's employees. The provision for partial early retirement relates to the provision made by an employer where the employee first works full time (for less pay) and in return is eligible to an early retirement. The employer provides for the time the employee is in early retirement while the employee is still working.

Partial early retirement relates to a German local labor regulation of 1996 to "Provide for a smooth transition to retirement". The central feature of the law is the provision for the part-time employment of older employees who, in agreement with their employer, can reduce their working week by half when they reach a certain age ("Altersteilzeit" — partial early retirement). If the employer increases the employee's part-time remuneration by a certain percentage and pays contributions to the pension scheme on the basis of a certain percentage of full-time remuneration then, under certain circumstances, the employment office will reimburse the employer for this outlay. An important condition for reimbursement is that the vacancy created by partial early retirement is filled by the hiring of an unemployed person or the acceptance of a trainee.

(ii) Other provisions mainly comprises provision for warranty and product claims.

(b) The Company's other provisions are analyzed as follows:

	2009 €'000	2008 €'000
Personnel provisions	**66**	78
Other provisions	**175**	10
	241	88

Analysis of the Company's total provisions:

	2009 €'000	2008 €'000
Non-current	**—**	—
Current	**241**	88
	241	88

26 Financial liabilities

(a) The Group's financial liabilities are analyzed as follows:

	2009 €'000	2008 €'000
Bank borrowings (Note 26(e))	**26,739**	30,336
Finance leases liabilities (Note 26(f))	**1,060**	1,173
Loan from a related party (Note 34(c))	**—**	90
	27,799	31,599
Less: current portion	**(10,393)**	(30,241)
Non-current portion	**17,406**	1,358

As at 31 December 2008 and 2009, certain of the Group's bank borrowings were secured by pledge of property, plant and equipment of the Group of approximately €409,000.

(b) The Company's financial liabilities are analyzed as follows:

	2009 €'000	2008 €'000
Bank borrowings (Note 26(e))	**—**	785
Less: current portion	**—**	(785)
Non-current portion	**—**	—

(c) Denomination in currencies

As at 31 December 2008 and 2009, the carrying amounts of the Group's and the Company's financial liabilities approximate their fair values. Financial liabilities are denominated in the following currencies:

The Group

	2009 €'000	2008 €'000
EURO	**24,296**	23,445
USD	**2,793**	6,487
RMB	**695**	1,636
THB	**15**	31
	27,799	31,599

26 Financial liabilities (Continued)

(c) Denomination in currencies (Continued)

The Company

	2009 **€'000**	2008 €'000
EURO	**—**	785

(d) Effective interest rates

As at 31 December 2009, the effective annual interest rates of the Group's and the Company's borrowings are analyzed as follows:

The Group

	2009	2008
Bank borrowings	**5.4%**	5.0%
Finance leases liabilities	**7.7%**	7.7%

The Company

	2009	2008
Bank borrowings	**3.4%**	4.8%

(e) As of 31 December 2009, the maturity of the Group and the Company's bank borrowings were as follows:

The Group

	2009 **€'000**	2008 €'000
Within 1 year	**10,286**	30,037
Between 1 and 2 years	**1,045**	50
Between 2 and 5 years	**15,385**	136
Over 5 years	**23**	113
	26,739	30,336

26 Financial liabilities (Continued)

(e) As of 31 December 2009, the maturity of the Group and the Company's bank borrowings were as follows: (Continued)

The Company

	2009 €'000	2008 €'000
Within 1 year	—	785

(f) Finance lease liabilities

The Group's finance lease liabilities are analyzed as follows:

	2009 €'000	2008 €'000
No later than 1 year	183	283
Later than 1 year and no later than 5 years	620	659
Over 5 years	675	734
	1,478	1,676
Future finance charges on finance leases	(418)	(503)
Present value of finance lease liabilities	1,060	1,173

27 Trade and other payables

The Group's trade and other payables are analyzed as follows:

	2009 €'000	2008 €'000
Trade payables — third parties	4,623	3,516
Trade payables — related parties (Note 34(c))	2,504	6,734
Total trade payables	7,127	10,250
Other payables	5,982	3,070
	13,109	13,320

27 Trade and other payables (Continued)

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

The credit terms granted by the suppliers of the Group are usually 30 days. Ageing analysis of the Group's trade payables from due date at the respective balance sheet dates are as follows:

	2009 €'000	2008 €'000
Within 3 months	**6,761**	5,331
3 to 6 months	**251**	1,112
6 to 9 months	**10**	1,244
9 to 12 months	**3**	50
Over 12 months	**102**	2,513
	7,127	10,250

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

	2009 €'000	2008 €'000
EURO	**1,520**	2,205
USD	**1,857**	2,625
HK$	**—**	1,133
RMB	**2,924**	4,067
KRW	**789**	199
THB	**37**	21
	7,127	10,250

The Company's other payables are analyzed as follows:

	2009 €'000	2008 €'000
Amount due to subsidiaries (Note 34(c))	**2,392**	2,558
Other payables — third parties	**2,764**	84
	5,156	2,642

28 Deferred income tax

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

The Group's deferred income taxes shown in the consolidated balance sheet, after appropriate offsetting, are as follows:

	2009 €'000	2008 €'000
Deferred tax assets, net	**2,393**	1,033
Deferred tax liabilities, net	**(2,028)**	(2,259)
Net deferred tax assets/(liabilities)	**365**	(1,226)

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

	2009 €'000	2008 €'000
Deferred tax assets, net	**1,372**	2
Deferred tax liabilities, net	**(2)**	(3)
Net deferred tax assets/(liabilities)	**1,370**	(1)

The Group's deferred income taxes are related to the balance sheet items and transactions below:

	2009 €'000	2008 €'000
Deferred tax assets		
Finance lease liabilities	**326**	411
Pension obligations	**135**	82
Provision for impairment of trade receivables	**68**	138
Property, plant and equipment	**8**	39
Tax losses	**1,621**	—
Others	**235**	363
Total deferred tax assets	**2,393**	1,033
To be recovered after more than 12 months	**783**	771
To be recovered within 12 months	**1,610**	262
Deferred tax liabilities		
Finance lease liabilities	**(333)**	(371)
Property, plant and equipment	**(1,195)**	(1,544)
Inventories	**(6)**	(24)
Provision for impairment of trade receivables	**(46)**	(43)
Others	**(448)**	(277)
Total deferred tax liabilities	**(2,028)**	(2,259)
To be recovered after more than 12 months	**(2,022)**	(1,920)
To be recovered within 12 months	**(6)**	(339)
Deferred tax assets/(liabilities), net	**365**	(1,226)

28 Deferred income tax (Continued)

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

	2009 €'000	2008 €'000
Deferred tax assets		
Tax losses	**1,370**	—
Pension obligations	**2**	2
Total deferred tax assets	**1,372**	2
To be recovered after more than 12 months	**2**	2
To be recovered within 12 months	**1,370**	—
Deferred tax liabilities		
Pensions obligations	**(2)**	(3)
Total deferred tax liabilities	**(2)**	(3)
To be recovered after more than 12 months	**(2)**	(3)
To be recovered within 12 months	**—**	—
Deferred tax assets/(liabilities), net	**1,370**	(1)

The Group's movements in net deferred tax assets/(liabilities) are as follows:

	2009 €'000	2008 €'000
At 1 January	**(1,226)**	(1,081)
Credited/(charged) to the consolidated income statement (Note 11)	**209**	(191)
Credited to equity	**1,370**	—
Exchange differences	**12**	46
At 31 December	**365**	(1,226)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

The Group has certain estimated unused tax losses, which mainly related to Schramm Spain and for the years from 1999 to 2007. The unrecognized tax losses have an expiration time of 15 years and the amounts as at each balance sheet date can be analyzed as follows.

	2009 €'000	2008 €'000
Expiring on:		
2 to 5 years	**54**	—
6 to 9 years	**1,249**	2,148
10 to 15 years	**313**	364
	1,616	2,512

28 Deferred income tax (Continued)

As at 31 December 2009, deferred tax liabilities to the extent of €312,000 (2008: €154,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain PRC subsidiaries because the directors consider that the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Such unremitted earnings totalled €6,232,000 as at 31 December 2009 (2008: €3,081,000).

29 Guarantees and commitments

(a) The Company is jointly and severally liable with a subsidiary for banking facilities of the Company and the subsidiary as of the balance sheet date, as follows:

	2009 **€'000**	2008 €'000
Banking facilities provided to the Company and a subsidiary	**32,000**	28,000

As at 31 December 2009, the utilized amounts of the above banking facilities amounted to €22,918,000 (2008: €21,691,000).

(b) As at 31 December 2009, the Group's future aggregate minimum lease payments under various non-cancellable operating lease agreements in respect of building, equipment and motor vehicles are analyzed as follows:

	2009 **€'000**	2008 €'000
Within one year	**618**	569
In the second to fifth year inclusive	**167**	278
	785	847

30 Consolidated cash flow statement

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

	2009 €'000	2008 €'000
Profit before income tax	**6,000**	7,766
Depreciation and amortization of intangible assets and property, plant and equipment (Note 8)	**3,337**	2,947
Loss on disposal of property, plant and equipment (Note 9)	**88**	7
Gain on disposal of a jointly controlled entity (Note 9)	**—**	(108)
Finance income (Note 10)	**(30)**	(43)
Finance costs (Note 10)	**1,587**	1,531
Cash inflows from dividends	**—**	25
Share of results from jointly controlled entity	**—**	(42)
Operating cash flow before working capital changes:	**10,982**	12,083
Inventories	**8,456**	(6,537)
Trade and bill receivables	**(7,359)**	1,279
Other receivables and prepayments	**839**	(3,056)
Trade and other payables	**(2,236)**	(6,386)
Exchange differences	**(357)**	262
Other changes	**(44)**	(569)
Net cash generated from/(used in) operations	**10,281**	(2,924)

31 Segment reporting

The management considers the Group has four reportable segments, including Automotive and General Industry, Coil Coating, Electrical Insulations and Other division, which are based on the internal organisation 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.

31 Segment reporting (Continued)

The Group's management assesses the performance of operating segments based on measure of operating results.

	Year ended 31 December 2008					
	Automotive and General Industry €'000	Coil Coating €'000	Electrical Insulations €'000	Other division €'000	Elimination €'000	Total €'000
Continuing operations:						
External sales	76,016	21,426	6,808	—	—	104,250
Inter-segment sales	3,371	—	—	—	(3,371)	—
Total sales	79,387	21,426	6,808	—	(3,371)	104,250
Operating result	6,454	1,551	436	(991)	—	7,450
Finance income	44	10	3	—	(14)	43
Finance costs	(899)	(483)	(162)	(1)	14	(1,531)
Operating result						7,450
Other unallocated income						274
Share of results from jointly controlled entity						42
Profit before income tax						7,766
Income tax expense						(2,086)
Profit for the year from continuing operations:						5,680
Discontinued operations:						
Loss for the year from discontinued operations	—	—	—	(141)	—	(141)
Profit attributable to equity holders of the Company						5,539
Segment assets	55,055	6,894	2,002	19,019	—	82,970
Additions to property, plant and equipment and intangible assets	2,845	12	16	2,659	—	5,532
Depreciation and amortization	1,258	11	33	1,645	—	2,947

	Year ended 31 December 2009					
	Automotive and General Industry €'000	**Coil Coating €'000**	**Electrical Insulations €'000**	**Other division €'000**	**Elimination €'000**	**Total €'000**
External sales	**75,355**	**18,526**	**4,389**	**256**	**—**	**98,526**
Inter-segment sales	**2,553**	**—**	**—**	**—**	**(2,553)**	**—**
Total sales	**77,908**	**18,526**	**4,389**	**256**	**(2,553)**	**98,526**
Operating result	**6,558**	**949**	**(217)**	**(1,128)**	**—**	**6,162**
Finance income	**21**	**7**	**2**	**—**	**—**	**30**
Finance costs	**(987)**	**(357)**	**(85)**	**(158)**	**—**	**(1,587)**
Operating result						**6,162**
Other unallocated costs						**(162)**
Profit before income tax						**6,000**
Income tax expense						**(1,537)**
Profit attributable to equity holders of the Company						**4,463**
Segment assets	**55,120**	**6,902**	**2,005**	**30,738**	**—**	**94,765**
Additions to property, plant and equipment and intangible assets	**2,138**	**12**	**16**	**241**	**—**	**2,407**
Depreciation and amortization	**3,291**	**11**	**33**	**2**	**—**	**3,337**

31 Segment reporting (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 are analyzed as follows:

	2009 €'000	2008 €'000
Continuing operations:		
Germany	**33,376**	41,416
European Union countries other than Germany	**19,972**	22,577
Countries other than European Union countries	**45,178**	40,257
Turnover	**98,526**	104,250

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

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

	2009 €'000	2008 €'000
Germany	**19,381**	19,024
European Union countries other than Germany	**2,541**	3,653
Countries other than European Union countries	**6,286**	6,849
	28,208	29,526
Other receivables and prepayments	**343**	296
Deferred tax assets	**2,393**	1,033
Total non-current assets	**30,944**	30,855

32 Derivatives

As at 31 December 2009, the Group entered into interest rate swap contracts of notional amount of €10,000,000 (2008: €10,000,000). These interest rate swap contracts do not qualify for hedge accounting since their maturity periods are longer than the underlying bank borrowings. As a consequence, these interest rate swap contracts are classified and accounted for as held for trading with changes in fair value recognized through the income statement. The fair value of the interest rate swap contracts is determined by valuation technique based on the present value of the estimated future cash flows. The details of the interest rate swap contracts that were outstanding as of the balance sheet date are as follows:

Financial institutions	Notional amount €'000	Maturity period	Fixed rate of interest	Variable interest rate	Fair value loss for 2008 €'000	Financial liability as at 31 December 2008 €'000
Bayerische Hypo-und Vereinsbank AG	3,000	21.11.2008–24.11.2010	3.19	3-month-Euribor	(36)	(36)
Commerzbank AG	5,000	21.11.2008–21.11.2010	2.99	1-month-Euribor	(49)	(49)
Commerzbank AG	2,000	25.11.2008–25.11.2010	2.99	3-month-Euribor	(13)	(13)
					(98)	(98)

Financial institutions	**Notional amount €'000**	**Maturity period**	**Fixed rate of interest**	**Variable interest rate**	**Fair value loss for 2009 €'000**	**Financial liability as at 31 December 2009 €'000**
Bayerische Hypo-und Vereinsbank AG	3,000	21.11.2008–24.11.2010	3.19	3-month-Euribor	**(31)**	**(67)**
Commerzbank AG	5,000	21.11.2008–21.11.2010	2.99	1-month-Euribor	**(43)**	**(92)**
Commerzbank AG	2,000	25.11.2008–25.11.2010	2.99	3-month-Euribor	**(26)**	**(39)**
					(100)	**(198)**

33 Acquisition of Techno

On 31 March 2008, SBHK, acquired 100% equity interest in Techno from a third party at a consideration of approximately EUR316,000 (USD500,000) as part of the acquisition of the entire Techno Coat business in Asia which comprises operations in countries other than Thailand. The principal activity of Techno was the application of paints for home appliances and other consumer goods in Thailand. In view of the difficult operating environment in Thailand for the paint application business and considering the lack of synergy with SSCP's other businesses in Thailand, it was the intention of the directors to scale down or dispose the business of Techno within a short period of time following its acquisition.

Prior to the Amalgamation on 25 December 2008, all the operation of Techno had ceased and its plant and machinery had been disposed. Total loss incurred from the operation of Techno for the year ended 31 December 2008 amounting to EUR141,000 has been accounted for as loss from discontinued operation.

(a) The details of carrying value of assets and liabilities acquired arising from the acquisition are as follows:

	€'000
Carrying value of assets and liabilities arising from the acquisition of Techno:	
— Plant and equipment — classified as assets held for sale	81
— Other non-current assets	4
— Cash and cash equivalent	21
— Current assets	246
— Other non-current liabilities	(27)
— Other current liabilities	(152)
Carrying value of net assets acquired	173

(b) The loss for the year ended 31 December 2008 from discontinued operation:

	€'000
Revenue	163
Expenses	(304)
Loss for the year from discontinued operation	(141)

(c) An analysis of the cash flows of the discontinued operation for the year ended 31 December 2008 is as follows:

	€'000
Net cash used in operating activities	(125)
Net cash generated from investing activities	106
Net cash generated from financing activities	83
Increase in cash and cash equivalents	64

34 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. Jung Hyun 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
SBHK	Fellow subsidiary
Tianjin M&C Electronics Company Ltd	Fellow subsidiary
Samsung Chemical (Shanghai) Co. Ltd	Fellow subsidiary

(b) *Transactions with related parties*

Save as disclosed elsewhere in these consolidated financial statements, the following significant transactions were carried out with related parties:

	Note	**2009** **€'000**	2008 €'000
Sales of coating raw materials, intermediary goods and coating products:	(i)		
Ultimate holding company		**580**	32
A jointly controlled entity		**—**	39
Sales of non-coating materials:	(ii)		
Ultimate holding company		**3,013**	—
A fellow subsidiary		**1,862**	—
Purchase of raw materials, intermediary goods and commodities:	(iii)		
Fellow subsidiaries		**341**	1,091
A jointly controlled entity		**—**	165
Ultimate holding company		**9,871**	10,554
Other expenses:	(iv)		
Ultimate holding company		**17**	—

34 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

Notes:

(i) In 2009, sales of coating raw materials, intermediary goods and coating products were carried out in accordance with the Toll Manufacturing Agreement and the Master Sales Agreement with the ultimate holding company. In 2008, these sales were carried out in accordance with the terms mutually agreed among both parties.

(ii) Sales of non-coating materials were carried out in accordance with the terms mutually agreed among both parties.

(iii) In 2009, purchases of raw materials, intermediary goods and commodities were carried out in accordance with the Master Purchase Agreement with the ultimate holding company. In 2008, these purchases were carried out in accordance with the terms mutually agreed among both parties.

(iv) The other expenses mainly represented management service fee expenses, 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 at 31 December 2008 and 2009:

	Note	**2009 €'000**	2008 €'000
Trade receivables from:	(i)		
Fellow subsidiaries		**2,118**	—
Ultimate holding company		**2,999**	145
Other receivables from:	(ii)		
A fellow subsidiary		**—**	102
Trade payables to:	(i)		
Fellow subsidiaries		**(821)**	(2,976)
A jointly controlled entity		**—**	(50)
Ultimate holding company		**(1,683)**	(3,708)
Loan from:	(ii)		
A fellow subsidiary		**—**	90

The Company has the following significant balances with its related parties as at 31 December 2008 and 2009:

	Note	**2009 €'000**	2008 €'000
Other receivables from:	(iii)		
Subsidiaries		**7,578**	3,954
Other payables to:	(iv)		
Subsidiaries		**(2,392)**	(2,558)

34 Related party transactions (Continued)

(c) Balances with related parties (Continued)

Notes:

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

(ii) These balances due from and due to related parties were unsecured, non-interest bearing and had no fixed repayment terms.

(iii) The other receivables from subsidiaries were unsecured and had no fixed repayment terms. Included in the balance was an amount of EUR5,970,000 (2008: Nil) which bears interest at 3-month London Interbank Offered Rates ("LIBOR") plus margin ranging from 1.25% to 3.5%, the remaining balance was interest-free.

(iv) The other payables to subsidiaries were unsecured and had no fixed repayment terms. Included in the balance was an amount of EUR2,386,000 (2008: Nil) which bears interest at 1-month LIBOR plus margin of 1.25%, the remaining balance was interest-free.

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

	2009	2008
	€'000	€'000
Wages and salaries	**1,943**	1,338
Pension costs	**56**	43
	1,999	1,381

35 List of subsidiaries

As at 31 December 2008 and 2009, the Company held interests in the following subsidiaries:

Name	Place of incorporation	Share capital/ registered capital	Principal activities	Ownership interest % 2009	Ownership interest % 2008
Schramm Coatings GmbH#	Germany	Registered capital of €30,000	Manufacturing and trading of various kinds of coatings and printing ink	**100%**	100%
Schramm Coatings Iberia S.A.##	Spain	Registered capital of €1,000,000	Manufacturing and trading of various kinds of coatings and printing ink	**100%**	100%
Schramm Korea##	Korea	Registered capital of KRW400,000,000	Trading of various kinds of coating and printing ink	**100%**	100%
Schramm Hong Kong##	Hong Kong	37,528,287 ordinary shares of HK$1 each	Investment holding	**100%**	100%
Schramm Shanghai##	The PRC	Registered capital of US$5,200,000	Manufacturing and trading of various kinds of coatings and printing ink	**100%**	100%
Schramm Huizhou##	The PRC	Registered capital of US$4,400,000	Manufacturing and trading of various kinds of coatings and printing ink	**100%**	100%
Schramm Tianjin##	The PRC	Registered capital of US$8,000,000	Manufacturing and trading of various kinds of coatings and printing ink	**100%**	100%
Schramm Thailand##	Thailand	740,000 ordinary shares of THB100 each	Manufacturing of coatings for home appliance	**99.96%**	99.96%
Ultra Million Limited##	Hong Kong	67,860,000 ordinary shares of HK$1 each	Investment holding	**100%**	100%
Uranus Limited##	Hong Kong	56,940,000 ordinary shares of HK$1 each	Investment holding	**100%**	100%

directly held by the Company

indirectly held by the Company

FOUR YEARS SUMMARY

	Year ended 31 December			
	2006	2007 (Note)	2008 (Note)	**2009**
	€'000	€'000	€'000	**€'000**
Consolidated income statement				
Revenue	60,211	72,061	104,250	**98,526**
Operating profit	4,836	6,031	9,212	**7,557**
Profit before tax	3,963	4,941	7,766	**6,000**
Profit attributable to shareholders	2,967	3,299	5,539	**4,463**

	As at 31 December			
	2006	2007	2008	**2009**
Consolidated balance sheet				
Non-current assets	18,591	28,181	30,855	**30,944**
Current assets	19,849	44,958	52,115	**63,821**
Total assets	38,440	73,139	82,970	**94,765**
Equity	10,647	24,449	31,953	**48,006**
Non-current liabilities	18,410	5,897	5,485	**21,295**
Current liabilities	9,383	42,793	45,532	**25,464**
Total liabilities	27,793	48,690	51,017	**46,759**
Total equity and liabilities	38,440	73,139	82,970	**94,765**

Note: These amounts have been restated due to the acquisitions of Schramm SSCP (Tianjin) Limited and Samsung Chemical Paint (Thailand) Co., Ltd. in 2009, which are considered as transactions under common control and accounted for using merger accounting.

SCHRAMM HOLDING AG
星亮控股股份公司