SCHRAMM HOLDING AG

星 亮 控 股 股 份 公 司 *

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

(Stock Code: 955)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

We are pleased to announce the unaudited results of Schramm Holding AG (the "Company" or "Schramm") and its subsidiaries (the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period of 2009 (the "Interim Results"). The Interim Results have been reviewed and approved by the Company's management board (the "Management Board" or the"Board") and supervisory board (the "Supervisory Board").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2010

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
ASSETS			
Non-current assets			
Intangible assets		**3,118**	2,829
Property, plant and equipment		**24,881**	24,831
Land use rights		**638**	548
Other assets		**1,843**	343
Deferred tax assets		**1,914**	2,393
		32,394	30,944
Current assets			
Inventories		**20,472**	15,689
Trade and bills receivables	6	**33,833**	30,075
Other receivables and prepayments		**1,660**	3,694
Income tax recoverable		**—**	137
Cash and cash equivalents		**5,345**	14,226
		61,310	63,821
Total assets		**93,704**	94,765
EQUITY			
Capital and reserves			
Issued capital	7	**19,905**	19,905
Additional paid-in capital	7	**24,921**	24,921
Other reserves	7	**(10,649)**	(15,491)
Retained earnings	7	**20,103**	18,671
		54,280	48,006

	Notes	Unaudited 30 June 2010 €'000	Audited 31 December 2009 €'000
LIABILITIES			
Non-current liabilities			
Pensions and similar obligations		**1,128**	1,140
Other provisions		**616**	721
Bank borrowings		**16,976**	16,453
Finance lease liabilities		**895**	953
Deferred tax liabilities		**1,847**	2,028
		21,462	21,295
Current liabilities			
Trade payables	8	**6,728**	7,127
Other payables		**2,711**	5,982
Other provisions		**2,933**	1,342
Bank borrowings		**4,769**	10,286
Finance lease liabilities		**103**	107
Income tax liabilities		**718**	620
		17,962	25,464
Total liabilities		**39,424**	46,759
Total equity and liabilities		**93,704**	94,765
Net current assets		**43,348**	38,357
Total assets less current liabilities		**75,742**	69,301

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	€'000	*€'000*
Total equity as at 1 January	**48,006**	31,953
Profit for the period	**2,825**	868
Exchange differences arising, on the translation of the Company's foreign operations	**4,842**	(182)
Total comprehensive income for the period	**7,667**	686
2009 Final dividend paid	**(1,393)**	—
Dividend distributed to Samsung Bestview (Hong Kong) Limited ("SBHK"), the former holding company of Schramm SSCP (Tianjin) Limited ("Schramm Tianjin"), a subsidiary of the Company	—	(298)
Total equity as at 30 June	**54,280**	32,341

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of preparation

Interim financial information has been reviewed by the Company's audit committee and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". This Interim Financial Report has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

This Interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which had been prepared in accordance with International Financial Reporting Standard ("IFRS").

1.2 Reorganization

As mentioned in the Company's prospectus dated 15 December 2009 (the "Prospectus") and the annual financial statements for the year ended 31 December 2009, the Group had undergone certain reorganizations in preparation of the listing of the shares of the Company.

As part of these reorganizations, Schramm SSCP (Hong Kong) Co. Limited ("SSHK") acquired Schramm Tianjin and Samsung Chemical Paint (Thailand) Co. Ltd ("Schramm Thailand") from SBHK in August 2009. These acquisitions were considered as transactions under common control.

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

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

1.3 Accounting policies

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

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

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

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

Amendment to IAS 17 "Leases"

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

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

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

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2013

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

2. SEGMENT INFORMATION

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

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

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

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

For the six months ended 30 June 2010 (unaudited)

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

For the six months ended 30 June 2009 (unaudited)

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

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

Turnover by geographical area is analyzed as follows:

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

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

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

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

3. OPERATING PROFIT

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

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

4. TAXATION

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

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

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

Shanghai Hansheng Chemical Paint Company Limited ("Schramm Shanghai") and Schramm Tianjin are entitled to the "2-year exemption and 3-year 50% reduction" and the 50% reduction period expired at the end of 2007 and 2009 respectively.

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

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

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

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

5. EARNINGS PER SHARE

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

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

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

6. TRADE AND BILLS RECEIVABLES

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

The majority of the Group's customers are granted with credit terms of 30 to 90 days. Occasionally, certain customers enjoy a longer credit period. The carrying amount of the Group's trade and bills receivables approximate their fair value at the reporting date. There is no concentration of credit risk with respect to trade and bills receivables, as the Group has a large number of customers dispersed internationally. The maximum exposure to credit risk at the reporting date is the fair value of receivables set out above.

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

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

7. CAPITAL AND RESERVES

	Capital and reserves attributable to equity holders						
	Issued capital *€'000*	**Additional paid-in capital** *€'000*	**Merger reserve** *€'000*	**Exchange reserve** *€'000*	**Other reserves** *€'000*	**Retained earnings** *€'000*	**Total** *€'000*
At 1 January 2010	19,905	24,921	(16,122)	631	(15,491)	18,671	48,006
2009 Final dividend paid	—	—	—	—	—	(1,393)	(1,393)
Profit for the period attributable to the owners of the Company	—	—	—	—	—	2,825	2,825
Exchange differences arising on the translation of the Company's foreign operations	—	—	—	4,842	4,842	—	4,842
At 30 June 2010	19,905	24,921	(16,122)	5,473	(10,649)	20,103	54,280

8. TRADE PAYABLES

The Group's trade payables are analyzed as follows:

	Unaudited 30 June 2010 *€'000*	Audited 31 December 2009 *€'000*
Trade payables — related parties	**776**	2,504
Trade payables — third parties	**5,952**	4,623
	6,728	7,127

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

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

9. SUBSEQUENT EVENTS

(a) Agreement on compensation payment with former director

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

(b) Acquisition of interests in Inlustra

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

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

REVIEW OF MARKET SITUATION AND OPERATIONS

Sales

Sales in the first half of 2010 reached €57.1 million, which represents an increase of 30.5% versus the first half of 2009. All the operating segments, from both of our European and Asian operations, contributed to the increase in sales. Sales by our European operation improved by 32.5% to €32.2 million (2009: €24.3 million) and sales by our Asian operation increased by 28.1% to €24.9 million (2009: €19.4 million).

Segment results:

(a) Automotive and general industry

Europe:

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

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

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

Asia:

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

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

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

(b) Coil coatings

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

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

(c) Electrical Insulations

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

Material Costs

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

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

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

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

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

Employee Benefit Expenses

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

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

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

Depreciation and Amortization

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

Other Operating Expenses

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

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

Finance Costs

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

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

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

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

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

Tax Expenses

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

Liquidity and Financial Resources

Financial Position and Liquidity

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

(a) Gearing ratio (30 June 2010: 23.2%, 31 December 2009: 20.7%)

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

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

(b) Current ratio (30 June 2010: 3.41x, 31 December 2009: 2.51x)
Quick ratio (30 June 2010: 2.27x, 31 December 2009: 1.89x)

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

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

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

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

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

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

Commitment and Contingent Liabilities

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

PLEDGE OF ASSETS

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

BUSINESS OUTLOOK

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

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

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

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

HUMAN RESOURCES

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

CORPORATE GOVERNANCE

The Supervisory Board and the Management Board are committed to creating value and maximizing returns to the shareholders of the Company while striving to maintain high standards of corporate governance. The Board will continue to review and enhance the quality of corporate governance practices with reference to local and international standards.

The Company had, throughout the period from its listing on the Stock Exchange on the 29 December 2009 to 30 June 2010 (the "Listing Period"), in principle complied with the recommendations of the "Government Commission German Corporate Code" (Regierungskommission Deutscher Governance Kodex; DCGK, dated 19 June 2009) ("DCGK") with the exceptions set out in the compliance statement pursuant to Section 161 German Stock Corporation Act. In addition, the 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and are of the opinion that the Company has complied with all applicable requirements throughout the Listing Period.

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 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 internal audit in the Listing Period.

Two committees, being the audit committee and the remuneration committee, have been established, on no less exacting terms than those set out in DCGK or HKCG Code.

Audit Committee

The audit committee was established on 4 December 2009 in compliance with the HKCG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are considering accounting, risk management and compliance issues, preparing a proposal for the auditor to be elected by the general meeting, reviewing the internal control system and providing advice and recommendations to the Board. The audit committee also conducts 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.

Before approving the interim financial information, the audit committee has reviewed the interim financial information and raised questions to Deloitte Touche Tohmatsu ("DTT") in respect of the appropriateness on the choice of accounting policies and treatments. The audit committee has also confirmed with DTT that nothing has come into their attention to cause them to believe the interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting". Together with the knowledge the audit committee gained from discussions with the Management Board members and key financial reporting personnel, it recommended the Supervisory Board to approve the interim financial information. Such approval was granted during a Supervisory Board meeting held on 10 August 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 supervisors, all the directors and supervisors confirmed that they have complied with the required standards as set out in the Model Code throughout the Listing Period.

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

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

INTERIM DIVIDEND

The Management Board and the Supervisory Board decide not to declare an interim dividend.

PUBLICATION OF INTERIM REPORT

The 2010 interim report will be despatched to the shareholders and available on the Company's website at www.schramm-holding.com and HKExnews at www.hkexnews.hk on or about 20 August 2010.

By Order of the Board
CHAE Kyung Seok
Director

Hong Kong, 10 August 2010

At the date of this announcement,

Management Board comprises of:

Mr. Peter BRENNER
Mr. CHAE Kyung Seok

Supervisory Board comprises of:

Mr. OH Jung Hyun, chairman
Mr. KOO Jeong Ghi, vice chairman
Mr. SOHN Min Koo
Mr. KO Bang Seon#
Mr. LEE Choong Min#
Mr. SHIN Kiyoung#

Independent supervisors

* *for identification purpose only*