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**SCHRAMM HOLDING AG**

**星亮控股股份公司\***

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

**(Stock Code: 955)**

**ANNOUNCEMENT  
NEW TOLL MANUFACTURING AGREEMENT  
AND  
NEW MASTER PURCHASE AGREEMENT**

**Independent Financial Adviser to the  
Independent Committee and the Independent Shareholders**

 **SOMERLEY LIMITED**

On 9 May 2011, the Company entered into the New Toll Manufacturing Agreement and the New Master Purchase Agreement with SSCP each for a term of three years commencing from the Effective Date. The summarised terms of the New Agreements are as follows:

Under the New Toll Manufacturing Agreement,

- (i) the Group supplies raw materials and intermediary goods to SSCP for the production of coating 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 coating products manufactured under the Toll Manufacturing Agreement to the Group for distribution and sales to the Group's customers in Korea.

Under the New Master Purchase Agreement, the Group sources certain raw materials, intermediate goods and commodities from the SSCP Group.

The Company and SSCP have agreed to terminate the Existing Agreements by mutual consent upon taking effect of the New Agreements.

SSCP is the controlling shareholder of the Company and is a connected person by virtue of Rule 14A.11(1) of the Listing Rules. Given the applicable percentage ratios in respect of the Annual Purchase Caps for the New Toll Manufacturing Agreement and the Annual Caps for the New Master Purchase Agreement exceed 5% and the annual consideration exceed HK\$10,000,000, the entering into of the New Agreements, the Annual Purchase Caps for the New Toll Manufacturing Agreement and the Annual Caps for the New Master Purchase Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules.

In addition, given the applicable percentage ratios in respect of the Annual Sales Caps for the New Toll Manufacturing Agreement are less than 5% but the annual consideration exceed HK\$1,000,000, the Annual Sales Caps for the New Toll Manufacturing Agreement is subject to the reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirement under the Listing Rules.

Somerley has been appointed as the independent financial advisor to advise the Independent Committee and the Independent Shareholders on the terms of the New Agreements, the Annual Purchase Caps for the New Toll Manufacturing Agreement and the Annual Caps for the New Master Purchase Agreement.

A circular containing, among other things, details of the New Agreements, a letter from the independent financial adviser containing its advice to the Independent Committee on the New Agreements and the transactions contemplated thereunder, the recommendation of the Independent Committee regarding the New Agreements and the transactions contemplated thereunder to the Independent Shareholders and the notice of AGM is expected to be dispatched to the Shareholders on or before 18 May 2011 in accordance with the Listing Rules. SSCP and its associates will have to abstain from voting on the resolutions for approving the New Agreements at the AGM.

## **(1) THE NEW TOLL MANUFACTURING AGREEMENT**

### **Date:**

9 May 2011

### **Parties:**

- (i) Schramm Holding AG
- (ii) SSCP Co., Ltd

### **Term:**

Subject to Independent Shareholders' approval, the New Toll Manufacturing Agreement is of a term of three years commencing from the Effective Date.

### **Principal terms:**

The principal terms of the New Toll Manufacturing Agreement are similar to that of the Existing Toll Manufacturing Agreement. Under the New Toll Manufacturing Agreement,

- (a) 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

- (b) SSCP sells the coating products manufactured under the New Toll Manufacturing Agreement to the Group for distribution and sales to the Group's customers in Korea.

The prices of the coating 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 coating products.

**Condition Precedent:**

The New Toll Manufacturing Agreement is conditional upon the passing of resolution by the Independent Shareholders at the upcoming AGM approving the New Toll Manufacturing Agreement and the Annual Sales Caps and the Annual Purchase Caps for the New Toll Manufacturing Agreement.

If the condition precedent is not fulfilled by 31 August 2011, the New Toll Manufacturing Agreement shall lapse and be terminated and, save any antecedent breach, the Company and SSCP shall be released from the New Toll Manufacturing Agreement and neither party to the New Toll Manufacturing Agreement shall have any claim against the other party.

**Annual Caps:**

The Board proposes the Annual Sales Caps and the Annual Purchase Caps for the New Toll Manufacturing Agreement for each of the financial years ending 31 December 2013 and for the period from 1 January 2014 to the third anniversary of the Effective Date are as follows:

	For the year ending 31 December 2011 <i>(Note)</i>	For the year ending 31 December 2012	For the year ending 31 December 2013	For the period from 1 January 2014 to the third anniversary of the Effective Date
Annual Sales Caps for the New Toll Manufacturing Agreement (Equivalent to approximately	€1,000,000 HK\$10,553,200	€1,100,000 HK\$11,608,520	€1,200,000 HK\$12,663,840	€618,000 HK\$6,521,878)
Annual Purchase Caps for the New Toll Manufacturing Agreement (Equivalent to approximately	€15,000,000 HK\$158,298,000	€15,750,000 HK\$166,212,900	€16,500,000 HK\$174,127,800	€8,500,000 HK\$89,702,200)

*Note:* Inclusive of transactions from 1 January 2011 up to the Effective Date under the Existing Toll Manufacturing Agreement and transactions from the Effective Date up to 31 December 2011 under the New Toll Manufacturing Agreement.

In determining the Annual Sales Caps and the Annual Purchase Caps for the New Toll Manufacturing Agreement, the Board took into account the historical transaction amounts under the Existing Toll Manufacturing Agreement, the expected increase in

production of automobiles by its customers in Korea, in particular the specific models which use the Group's coating products, the expected increase in the export of the Group's products to the Korean automotive manufacturers' overseas production facilities, the increase in demand for high value environmental friendly coating products. The Group's sales to its customers under the Existing Toll Manufacturing Agreement during the first quarter of 2011 has increased by approximately 52% compared with the same period in 2010.

### Historical Amounts:

The historical transaction amounts for the past three financial years are set out as follows:

	<b>For the year ended 31 December 2008</b>	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>
Actual sale amount (Equivalent to approximately	€556,000 HK\$5,867,579	€279,000 HK\$2,944,343	€630,000 HK\$6,648,516)
Actual purchase amount (Equivalent to approximately	€7,480,000 HK\$78,937,936	€6,189,000 HK\$65,313,755	€10,981,000 HK\$115,884,689)

The actual sales amount and purchase amount during the financial year ended 31 December 2009 and 31 December 2010 have not exceeded the proposed annual caps (as revised by shareholders approval in the extraordinary general meeting held on 31 August 2010) under the Existing Toll Manufacturing Agreement.

Based on the Group's unaudited management accounts, (i) the sales of coating products under the Existing Toll Manufacturing Agreement for the first quarter of 2011 was approximately €90,000, and (ii) the purchase of coating products under the Existing Toll Manufacturing Agreement for the first quarter of 2011 was approximately €4,897,000. As at the date of this announcement, based on the Group's unaudited management accounts, the actual transaction amounts under the Existing Toll Manufacturing Agreement have not exceeded the relevant annual caps for the year 2011 (as revised by shareholders approval in the extraordinary general meeting held on 31 August 2010).

### REASONS FOR ENTERING INTO THE NEW TOLL MANUFACTURING AGREEMENT

The Group is principally engaged in the sales and distribution of coating products. To minimise the Group's capital investment costs, the Group has not constructed its own production plant in Korea. Instead, the Company entered into the Existing Toll Manufacturing Agreement with SSCP to manufacture the specific coating products in Korea to be sold to the Group's Korean customers.

Following the general increase in global demand for Korean automotives and the increase in the use of high end functional coating products, such as high elastic and anti-scratch coatings, in Korean automotives, the Group is experiencing a significant increase in the demand for coating products. In addition, the Group has established its brand name within the Korean automotive sector and the number of models the Group is supplying coating to has increased significantly since the extraordinary general meeting held on 31 August 2010 when the annual caps under the Existing Toll Manufacturing Agreement were revised.

The Group's sales to its customers under the Existing Toll Manufacturing Agreement in the 2011 first quarter exceeded the Group's internal budget by approximately 14% and increased by approximately 52% compared with the 2010 first quarter. The increase was primarily due to the growth in the general demand for Korean automotives and also the general increase in the use of coating products in Korea automotives. With the continuous growth in the general demand for Korean automotives, the economic outlook of the Asian market and the Group's estimates of demand and operating conditions, the Directors expect that the existing annual caps for the year ending 31 December 2011 will not be sufficient in meeting the Group's expected sales in Korea. As the Existing Toll Manufacturing Agreement will expire in 2012, the Company has entered into the New Toll Manufacturing Agreement for continuance of the toll manufacturing arrangement with SSCP.

## **(2) THE NEW MASTER PURCHASE AGREEMENT**

### **Date:**

9 May 2011

### **Parties:**

(i) Schramm Holding AG

(ii) SSCP Co., Ltd

### **Term:**

Subject to Independent Shareholders' approval, the New Master Purchase Agreement is of a term of three years commencing from the Effective Date.

### **Principal terms:**

The principal terms of the New Master Purchase Agreement are similar to that of the Existing Master Purchase Agreement. Under the New Master Purchase Agreement, the Group sources certain raw materials, intermediate goods and commodities from SSCP Group. 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 New Master Purchase Agreement.

### **Condition Precedent:**

The New Master Purchase Agreement is conditional upon the passing of resolution by the Independent Shareholders at the upcoming AGM approving the New Master Purchase Agreement and the Annual Caps for the New Master Purchase Agreement.

If the condition precedent is not fulfilled by 31 August 2011, the New Master Purchase Agreement shall lapse and be terminated and, save any antecedent breach, the Company and SSCP shall be released from the New Master Purchase Agreement and neither party to the New Master Purchase Agreement shall have any claim against the other party.

## Annual Caps:

The Board proposes the Annual Caps for the New Master Purchase Agreement for the each of the financial years ending 31 December 2013 and for the period from 1 January 2014 to the third anniversary of the Effective Date:

	For the year ending 31 December 2011 <i>(Note)</i>	For the year ending 31 December 2012	For the year ending 31 December 2013	For the period from 1 January 2014 to the third anniversary of the Effective Date
Annual Caps for the New Master Purchase Agreement (Equivalent to approximately	€7,500,000 HK\$79,149,000	€7,800,000 HK\$82,314,960	€8,100,000 HK\$85,480,920	€4,170,000 HK\$44,006,844)

*Note:* Inclusive of transactions from 1 January 2011 up to the Effective Date under the Existing Master Purchase Agreement and transactions from the Effective Date up to 31 December 2011 under the New Master Purchase Agreement.

In determining the Annual Caps for the New Master Purchase Agreement, the Board took into account the historical transaction amounts under the Existing Master Purchase Agreement, the expected increase in production for the Group, especially in the Group's Asia operation, the expected market inflation and the possibility of localising the sourcing in the operating countries.

## Historical Amounts:

The historical transaction amounts for the past three financial years are set out as follows:

	For the year ended 31 December 2008	For the year ending 31 December 2009	For the year ending 31 December 2010
Actual purchase amount (Equivalent to approximately	€6,300,000 HK\$66,485,160	€4,023,000 HK\$42,455,524	€4,961,000 HK\$52,354,425)

The actual purchase amount during the financial year ended 31 December 2009 and 31 December 2010 have not exceeded the proposed annual caps under the Existing Master Purchase Agreement.

Based on the Group's unaudited management accounts, the purchase of raw materials and commodities under the Existing Master Purchase Agreement for the first quarter of 2011 was approximately €1,498,000. As at the date of this announcement, based on the Group's unaudited management accounts, the actual transaction amounts under the Existing Master Purchase Agreement have not exceeded the relevant annual caps for year 2011.



## **REASONS FOR ENTERING INTO OF THE NEW MASTER PURCHASE AGREEMENT**

The Group has noted that certain materials, intermediary goods and commodities are available in Korea at lower prices compared with direct purchase from Europe, taking into account the lower transportation costs of such materials from Korea to PRC and Thailand. Leveraging on the extensive network of SSCP in Korea and the bulk purchase discounts available to SSCP, purchase of raw materials and commodities through SSCP would allow the Group to source these materials at more favourable prices.

In addition, the Group's new operation in Vietnam will start its production in the second half of 2011. As certain key raw materials, intermediary goods and commodities are not currently available in Vietnam, the Board expects there will be an increase in purchase from SSCP in the next three years.

## **TERMINATION OF THE EXISTING AGREEMENTS**

The New Agreements were entered into during the ordinary and usual course of business of the Group. The Directors consider that the terms of the New Agreements and the respective annual caps are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Prior to the taking effect of the New Agreements, the Company and SSCP will continue to perform their respective obligations under the Existing Agreements. In the event that the New Agreements, or any one of them, do not become effective for whatever reasons, the Existing Agreements, or the relevant one, will remain in full force and binding on both the Company and SSCP.

When the New Agreements, or any one of them, take effect, the Company and SSCP have agreed to terminate the Existing Agreements, or the relevant one. Details of the Existing Agreements are set out in the Prospectus and the Company's 2010 annual report.

The Directors confirm that neither the Company nor SSCP has to pay the other party any compensation as a result of the termination of the Existing Agreements.

The Directors also confirm that the termination of the Existing Agreements will not cause any material adverse impact to the Group due to the entering into of the New Agreements.

## **INFORMATION OF THE GROUP AND SSCP**

The Group is principally engaged in the provision of technical coating solutions in automotive and general industry coatings, coil coatings (for pre-coated metals) and electrical insulation paints and varnishes sectors.

SSCP is a company incorporated in Korea in 1973, whose shares have been listed on the Korean Securities Dealers Automated Quotations since October 2005. It is principally engaged in manufacturing and sales of electronic materials and coating materials. SSCP is one of the controlling shareholders of the Company and is a connected person of the Company by virtue of Rule 14A.11(1) of the Listing Rules.

## LISTING RULES APPLICATIONS

### (i) Annual Purchase Caps for the New Toll Manufacturing Agreement and Annual Caps for the New Master Purchase Agreement

Given the applicable percentage ratios in respect of the Annual Purchase Caps for the New Toll Manufacturing Agreement and the Annual Caps for the New Master Purchase Agreement exceed 5% and the annual consideration exceed HK\$10,000,000, the entering into of the New Agreements, the Annual Purchase Caps for the New Toll Manufacturing Agreement and the Annual Caps for the New Master Purchase Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### (ii) Annual Sales Cap for the New Toll Manufacturing Agreement

Given the applicable percentage ratios in respect of the Annual Sales Caps for the New Toll Manufacturing Agreement are less than 5% but the annual consideration exceed HK\$1,000,000, the Annual Sales Caps for the New Toll Manufacturing Agreement is subject to the reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## AGM

Somerley has been appointed as the independent financial advisor to advise the Independent Committee and the Independent Shareholders on the terms of the New Agreements and the Annual Purchase Caps for the New Toll Manufacturing Agreement and the Annual Caps for the New Master Purchase Agreement.

A circular containing, among other things, details of the New Agreements, a letter from Somerley containing its advice to the Independent Committee on the New Agreements and the transactions contemplated thereunder, the recommendation of the Independent Committee regarding the New Agreements and the transactions contemplated thereunder to the Independent Shareholders and the notice of AGM is expected to be dispatched to the Shareholders on or before 18 May 2011 in accordance with the Listing Rules. SSCP and its associates will have to abstain from voting on the resolution for approving the New Agreements at the AGM.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having the following meanings:

“AGM”	the annual general meeting of the Company to be convened and held for the purpose of, among others, considering and, if thought fit, approving the terms of the New Agreements and the relevant annual caps
“Annual Caps for the New Master Purchase Agreement”	the annual cap amount for the purchases of raw materials, intermediary goods and commodities from the SSCP Group by the Group under the New Master Purchase Agreement



“Annual Purchase Caps for the New Toll Manufacturing Agreement”	the annual cap amounts for the purchases of coating products from the SSCP Group by the Group under the New Toll Manufacturing Agreement
“Annual Sales Caps for the New Toll Manufacturing Agreement”	the annual cap amounts for the sales of coating products to the SSCP Group by the Group under the New Toll Manufacturing Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the management board of the Company
“Company”	Schramm Holding AG
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the resolution to approve the New Agreements and their respective annual caps are passed by the Independent Shareholders
“Existing Agreements”	the Existing Toll Manufacturing Agreement and the Existing Master Purchase Agreement
“Existing Master Purchase Agreement”	the agreement dated 10 December 2009 entered into between the Company and SSCP in relation to, among the others, the purchase of products from the SSCP Group by the Group under the master purchase arrangements
“Existing Toll Manufacturing Agreement”	the agreement dated 10 December 2009 entered into between the Company and SSCP in relation to, among the others, the sales and purchase of coating products to/from the SSCP Group by the Group under the toll manufacturing arrangements
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Committee”	an independent committee of the Company comprising the Independent Supervisors
“Independent Shareholders”	Shareholders other than SSCP and its associates
“Independent Supervisors”	members of the supervisory board of the Company who meet the independence requirements as provided under Rule 3.13 of the Listing Rules, namely Mr. Bang Seon KO, Mr. Choong Min LEE and Mr. Kiyong SHIN
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“New Agreements”	the New Toll Manufacturing Agreement and the New Master Purchase Agreement
“New Master Purchase Agreement”	the agreement dated 9 May 2011 entered into between the Company and SSCP in relation to, among the others, the purchase of products from the SSCP Group by the Group under the master purchase arrangements
“New Toll Manufacturing Agreement”	the agreement dated 9 May 2011 entered into between the Company and SSCP in relation to, among the others, the sales and purchase of coating products to/from the SSCP Group by the Group under the toll manufacturing arrangements
“Prospectus”	the Company’s prospectus dated 15 December 2009 for the purpose of the initial listing of the shares of the Company on the Stock Exchange
“Shareholder(s)”	holder of the shares of the Company
“Somerley”	Somerley Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Committee and the Independent Shareholders in respect of the Annual Purchase Caps for the New Toll Manufacturing Agreement and the Annual Caps for the New Master Purchase Agreement
“SSCP”	SSCP Co., Ltd., a company incorporated in Korea and listed on the Korean Securities Dealers Automated Quotations, being one of the controlling shareholders of the Company, a connected person
“SSCP Group”	SSCP and its subsidiaries from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Euro” or “€”	the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Trusty establishing the European Community (as amended and supplemented from time to time)
“%”	per cent.

By Order of the Board  
**Kyung Seok CHAE**  
*Director*

Hong Kong, 9 May 2011

*All amounts denominated in Euro have been translated into HK\$ at an exchange rate of Euro 1.00 = HK\$10.5532 in this announcement for illustration purpose only.*

At the date of this announcement,

*Management Board comprises of:*

Mr. Peter BRENNER  
Mr. Kyung Seok CHAE  
Dr. Sung Su HAN

*Supervisory Board comprises of:*

Mr. Jung Hyun OH  
Mr. Jeong Ghi KOO  
Mr. Min Koo SOHN  
Mr. Bang Seon KO<sup>#</sup>  
Mr. Choong Min LEE<sup>#</sup>  
Mr. Kiyong SHIN<sup>#</sup>

*# Independent Supervisors*

*\* for identification purpose only*