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

Interim Report 中期報告 2011

* For identification purpose only
僅供識別

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CONTENTS

CORPORATE INFORMATION

MEMBERS OF THE MANAGEMENT BOARD

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

MEMBERS OF THE SUPERVISORY BOARD

Mr. Jung Hyun OH (Chairman of the Supervisory Board)
Mr. Jeong Ghi KOO (Vice Chairman of the Supervisory Board)
Mr. Min Koo SOHN
Mr. Choong Min LEE*
Mr. Kiyoung SHIN*
Mr. Bang Seon KO*

COMPANY SECRETARY

Mr. Kenny Yuen Fai CHAN, CPA, FCCA

AUTHORIZED REPRESENTATIVES

Mr. Kyung Seok CHAE
Mr. Kenny Yuen Fai CHAN

AUDITORS

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

For Germany statutory requirements:
Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft

PRINCIPAL BANKERS

UniCredit Bank AG
(formerly known as "Bayerische Hypo-und Vereinsbank AG")
Commerzbank AG
Industrial and Commercial Bank of China (Asia) Limited

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DLA Piper Hong Kong

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SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

955

* *Independent Supervisors*

CEO STATEMENT

To our shareholders,

Schramm began the year 2011 with many ambitious goals, and during the first six months, we have fulfilled many of these goals and are well on our way to having another successful year of operations. Revenue for the first half of 2011 grew by 6.9% and reached €61 million. In line with our strategy, topline growth was highlighted by strong growth from our automotive segment in all of our global operations, exceeding expectations and outperforming the market. This was especially true for our Asian operation as our automotive business grew by 29.7% year on year. Furthermore, our environmental friendly waterborne products continued to expand in the PRC. Revenue growth was also driven by a high double-digit growth from our consumer electronics business in Asia where we witnessed higher volume output from our key customers.

During the first half, Schramm finalized key investments that are expected to open up new opportunities for the future. A central R&D and design center was built in our Tianjin facility during the first quarter and is already operational, staffed with technical and design specialists. This R&D center is expected to be the key driver in developing new products for new customers and markets along with localization of Schramm's German based technologies and raw materials. Benefits of this new facility are already visible in the first year of operations. In addition to our Asian R&D center, we have finished our fixed investments into our new Vietnam facility which has recently become operational. As Vietnam strives to become the next China of the manufacturing industry, our Vietnam facility will be ready to capture various opportunities ahead.

Although the first half operations exceeded our expectations in many ways, there were two key negative developments that in turn weakened our profitability. First half EBITDA and net profit margins were 10.0% and 4.1% (€6.1 million and €2.5 million) respectively, slightly down from previous year interim result. The root cause of this drop was an unexpected spike in raw material prices, mainly from Europe. Inflationary pressures due to government fiscal policies, supply constraints, and other macro economic developments pushed material costs much higher than expected. As a result, Schramm's total material costs as a percentage of revenue increased by 1.9% year on year. Had total material costs as a percentage of revenue remained stable, Schramm would have enjoyed €1.2 million higher pretax profit which in turn would have led to higher EBITDA and net income margins year on year. The second negative development was our business in the mobile segment. Although we enjoyed strong double-digit growth from our automotive and consumer electronics businesses, this growth was partially offset by a double-digit decline from our mobile business as the first half performance of our two key Korean customers did not meet expectations.

As we publish this interim report, we are now at a critical junction in time as much volatility and skepticism has once again returned to our global community. No one can be sure as to how commodity prices and other macro economic factors will develop over the second half of 2011. For Schramm, 2011 will be successful in many ways but profitability will hinge on how the various global economic forces and how they funnel down to affect our industry in the second half. Management will strive to actively mitigate such risks going forward to realign and adjust to changing market conditions.

I wish to express my appreciation to all of our employees for their continuous hard work in building Schramm's future, and to all of you, our shareholders, for your support.

Thank you.

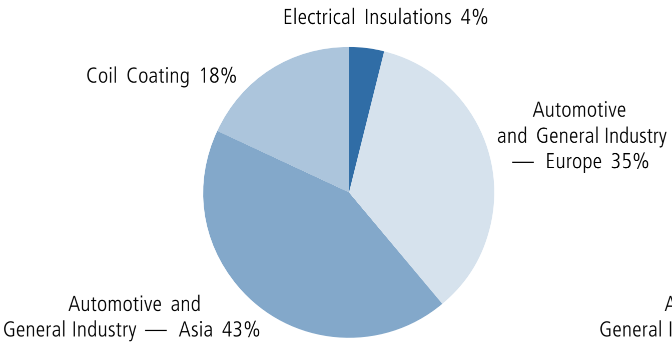
Peter Brenner
Offenbach, Germany, 11 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

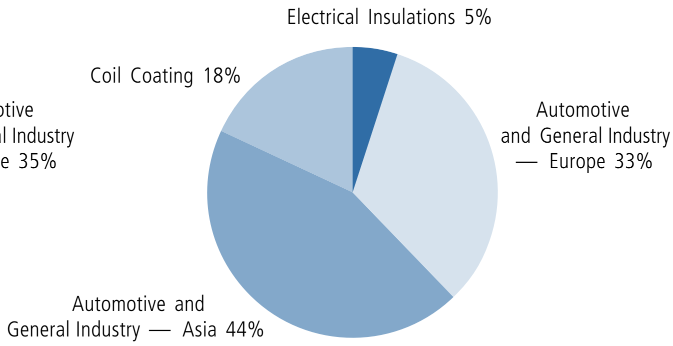
SCHRAMM is a formulator and manufacturer of customized paints and coatings for plastic and metal surfaces in the automotives, mobile phones, and consumer electronics sectors. SCHRAMM has developed deep technical know-how in eco-friendly coatings that are water based replacing older solvent based solutions. In most instances, the coatings are critical elements for the appearance of the product (automotive interior, mobile phones, surfaces of white goods and consumer electronics) and need to meet specific performance criteria for scratch resistance among others. SCHRAMM operates in Europe (Germany, Spain), Asia (PRC, Korea, Thailand and Vietnam) and the USA.

RESULTS REVIEW:

Revenue for the first half of 2011 reached €61.0 million (first half 2010: €57.1 million), which represents an increase of 6.9%. The increase was mainly from the automotive and general industry segment. Revenue by our European operation improved by 8.2% to €34.8 million (first half 2010: €32.2 million) and revenue by our Asian operation increased by 5.3% to €26.2 million (first half 2010: €24.9 million).



For the six months ended 30 June 2011



For the six months ended 30 June 2010

Review of segment results:

(a) Automotive and general industry

Our coatings are used in many products, such as, automotives, mobile phones, notebooks and consumer electronic products which provide decorative, protective and functional value to the end products.

Europe:

The automotive and general industry segment for our European operation mainly consists of coatings for the automotive industry in Europe.

Revenue of the automotive and general industry segment from our European operation grew to €21.3 million (first half 2010: €19.0 million), a 12% increase from the comparable period 2010.

Our automotive related business in Europe continued to grow strong as the momentum of the global recovery of 2010 continued to push forward in the first half of 2011. Schramm's European automotive related business also benefited from various new projects won over the previous year as orders continued to pick up. Overall, automotive and general industry segment sales in Europe exceeded management expectations and outperformed the market.

Asia:

The automotive and general industry segment for Asia operation mainly consists of coatings for mobile phones, notebook computers, consumer electronics and automotives in the PRC, Korea and Southeast Asia.

Revenue for the first half of 2011 increased to €26.2 million (first half 2010: €24.9 million), representing a 5% growth year on year.

Asia's 5% growth was the net result of continued explosive growth in its automotive related business in Korea and the PRC along with strong growth from its consumer electronics business outpacing a double digit decline in performance from its mobile business. The automotive businesses in Korea and the PRC grew by 23% and 48% year on year respectively as we benefited from strong performance and results by Korean automotive manufacturers and continued success in sales of our environmental friendly waterborne coatings to the automotive industry in the PRC. Sales from our home appliances and consumer electronics business in the PRC and Southeast Asia grew by 21% year on year exceeding management expectations. Unfortunately, some of the growth from the automotive and consumer electronics businesses was offset by a poor market environment in the mobile sector as the production volume per project dropped significantly resulting in weak results for our mobile related sales. However, with continued diversification of products, customers, and markets, we expect Asia's growth to continue its strong growth projectile.

(b) Coil Coating

Our coil coating business is predominantly in Europe where we provide coating solutions for large steel and aluminum coil manufacturers. Our customers use our coatings to produce "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 found in pre-coated metals, which are mainly used in the construction sector such as road signs, roofs, elevators/ lifts and buildings.

Revenue from coil coating segment increased by 3.6% to €10.9 million (first half 2010: €10.5 million).

(c) Electrical Insulations

Revenue from the electrical insulations segment remained stable in the first half of 2011 to record €2.65 million (first half 2010: €2.67 million). This was mainly due to our high market share in our respective niche market within the electrical insulation industry and stable market conditions resulting in stable revenues over the two periods.

Total Material Costs

	1H 2011 €'000	1H 2010 €'000	FY 2010 €'000
Changes in inventories of finished goods and work-in-progress	**(576)**	(1,702)	(3,361)
Costs of materials	**35,128**	32,904	67,964
Total material costs	**34,552**	31,202	64,603
As a percentage of revenue	**56.6%**	54.7%	56.0%

Raw material prices in the first half of 2011 were extremely volatile as unexpected inflationary pressure and supply constraints pushed many raw material prices higher. The growth in Schramm's total materials costs for the first half of 2011 increased by 10.7% which exceeded the growth in revenue of 6.9%. Material costs as a percentage of revenue increased by 1.9%. The raw material price shock was much more visible in Europe where materials costs as a percentage of revenue increased by more than 3%. Had total material costs as a % of revenue been stable during the first half of 2011, year on year, Schramm would be €1.2 million higher in pretax profit.

Material costs for Schramm's Asian operation was relatively stable as much of the increase in raw material prices (though, not as severe as in Europe) was offset by a transition to a higher margin product mix and volume discounts from suppliers.

In summary, the increase in material costs had the biggest impact on Schramm's interim results as an increase of 1.9% in total material costs as a percentage of revenue led to €1.2 million higher costs.

Employee Benefit Expenses

	1H 2011 €'000	1H 2010 €'000	FY 2010 €'000
Employee benefit expenses	**11,671**	10,836	21,940
As a percentage of revenue	**19.1%**	19.0%	19.0%

Employee benefit expenses increased by 7.7% in the first half of 2011 year on year. The increase was approximately in line with the increase in revenue. The increased employee benefit expenses were due to the hiring of personnel for Schramm's Asian R&D and design center and partly from higher volume production from higher revenue.

Other operating expenses

	1H 2011 €'000	1H 2010 €'000	FY 2010 €'000
Other operating expenses	**9,259**	9,077	17,165
As a percentage of revenue	**15.2%**	15.9%	14.9%

Other operating expenses increased by 2.0% year on year to reach €9.26 million and declined by 0.7% as a percentage of revenue. The slight increase was due to the expansion of the Group.

Depreciation and amortization

Depreciation and amortization increased slightly mainly due to the additional amortization of an increased amount of depreciable asset. These included the capitalized development costs and new property, plant and equipments.

Finance costs

Finance costs reduced from €827,000 to €684,000 mainly due to the reduction of bank borrowings compared to the first half 2010 and the centralization of treasury function. Schramm has lower interest bearing borrowings and at the same time enjoys a lower interest rate for the Group as a whole.

Tax expenses

Tax expenses decreased by €316,000 to €1.2 million for the period. This was mainly due to the reduction in taxable profit as a result of the above-mentioned factors. Effective tax rate for the group decreased by 2.5% to 33.0% (first half 2010: 35.5%), mainly due to the reduction of certain non-deductible expenses during the period.

Financial Position and Liquidity

Net asset value of the Group as at 30 June 2011 was €54.3 million (31 December 2010: €54.3 million). The net asset value did not increase since the last balance sheet date as the positive impact of profit earned for the period was offset by the negative impact from the change in foreign exchange rate on net assets.

(a) Gearing ratio

	June 2011 €'000	December 2010 €'000
Total bank borrowings	**23,743**	20,091
Less: cash and cash equivalents	**(3,697)**	(4,782)
Net borrowings	**20,046**	15,309
Total equity	**54,289**	54,329
Total capital employed	**74,335**	69,638
Gearing ratio (i.e. net borrowings/ total capital employed)	**27.0%**	22.0%

Gearing ratio was maintained at a healthy level, of 27.0%, which increased from that as of 31 December 2010, at 22.0%. The increase was mainly due to short term need for investment in inventories preparing for the peak seasons.

(b) Current ratio and quick ratio

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

	June 2011 €'000	December 2010 €'000
Current assets	**62,599**	58,456
Current liabilities	**20,947**	15,049
Current ratio (i.e. current assets/ current liabilities)	**2.99x**	3.88x

The current ratio decreased from 3.88x at 31 December 2010 to 2.99x at 30 June 2011. Schramm continue to make fixed investments mainly into Vietnam therefore the net cash level reduced.

In addition, the Group's liquidity is being managed by monitoring the quick ratio, which is calculated as follows:

	June 2011 €'000	December 2010 €'000
Current assets excluding inventories	**39,253**	38,525
Current liabilities	**20,947**	15,049
Quick ratio (i.e. current assets excluding inventories/ current liabilities)	**1.87x**	2.56x

The decrease of quick ratio was mainly due to the above-mentioned investments.

(c) Profitability

	1H 2011 €'000	1H 2010 €'000
Earnings before interests, taxes, depreciation and amortization margin	**10.0%**	11.9%
Earnings before interests and taxes margin/Core operating profit margin	**7.2%**	9.0%
Net profit margin	**4.1%**	4.9%

All profitability margins dropped compared to the first half of 2010, mainly due to the increase in total material costs. Although the Group grew in revenue, gained volume and market shares, Schramm's profitability was hurt by the inflated raw material costs in the first half of 2011.

Had the total material costs as a percentage of revenue been stable year on year, both EBITDA and core-operating profit would have been higher by approximately €1.2 million leading to margins of 12.0% and 9.2% respectively (first half of 2010: 11.9% and 9.0% respectively) which are slightly higher margins than previous half year figures.

Foreign Exchange Risk Management

Schramm reports its results based on its presentation currency — Euro. Our European operation has minimal exposure to foreign exchange risk as most transactions are settled in Euro currency. Schramm's exposure on foreign exchange risk is mainly in our Asian operation where multiple currencies are handled such as RMB, Korean Won, US Dollar and Thai Baht.

Within our Asian operations, most transactions are independent of our European operation and have minimal transactions settled in the Euro. Therefore, fluctuations in Euro do not have significant direct impact in the regional operations. With the foreign currency exposure that they do have, part of the foreign exchange risk is minimized through "nature hedge".

Other than those being naturally hedged, Schramm has a dedicated team to monitor the open exposure. When necessary, Schramm will enter into straight currency forward contracts to hedge the open position.

As at 30 June 2011, Schramm had a currency forward contract to buy Euro and sell Korean Won at fixed rate expiring on 1 July 2011. The gain of the contract was less than €5,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments and contingent liabilities

As at 30 June 2011, the Group had capital commitments amounting to €154,000 (31 December 2010: €2.2 million), of which €154,000 (31 December 2010: €307,000) was contracted but not provided for and nil (31 December 2010: €1.9 million) was authorized but not contracted for.

In addition, Schramm also has entered into certain operating lease contracts for which the future aggregate minimum lease payments equaled to €2.5 million and can be analyzed as follows:

	30 June 2011 €'000	31 December 2010 €'000
Within one year	**947**	581
In the second to fifth year inclusive	**1,036**	840
Over five year	**495**	588
	2,478	2,009

Saved as disclosed above, there is no material obligations not disclosed in the consolidated statement of financial position.

Pledge of assets

As at 30 June 2011, the Group pledged certain property, plant and equipments amounting to approximately €409,000 (31 December 2010: €409,000), inventories and receivables of approximately €23.0 million (31 December 2010: €20.7 million) have been assigned as collaterals for the bank borrowings.

Human resources

The average number of employees for the Group was 768 and 791 for the first half of 2011 and full year of 2010 respectively. Schramm continues to offer market comparable remuneration packages and provide continuous training to its employees, aiming to attract and retain top quality talent to ensure smooth operation and facilitate Schramm's constant expansion.

Business outlook

Schramm began the year 2011 with ambitious goals and targets. We are well on our way to meeting these year-long goals as revenue from all of our major market segments, except for mobile, have exceeded our expectations and outperformed the market during the first six months. We have opened our Asian R&D and design center in Tianjin which will and already is serving as a core driver in developing new products for new customers and markets, which we expect to realize benefits from the latter part of the second half. Our new facility in Vietnam is now operational and ready to capture future opportunities as Vietnam strives to be the next China. Although management is confident in continuing to grow our business topline under the current market conditions, the volatility in raw material prices witnessed during the first six months will be the key influential factor in determining Schramm's profitability over the second half. Although management is able to control many cost inputs of operations, severe unexpected shifts in raw material prices can and will have a significant impact.

CORPORATE GOVERNANCE REPORT

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") and up to 30 June 2011, the Company has complied with the applicable legal and regulatory requirements, including HKCG Code as set out in Appendix 14 to the Listing Rules, the provisions contained in the Articles and in principle complies also with the recommendations of the DCGK (Regierungskommission Deutscher Corporate Governance Kodex; dated 26 May 2010).

Adoption of the "Internal Control Integrated Framework"

The Management Board has overall responsibility for maintaining the soundness and effectiveness of the internal control and risk management system of the Company. 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 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, 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 behavior 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 Compliance 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 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.

The Management Board currently has the following members:

Mr. Peter BRENNER *(Chief Executive Officer)*
Mr. Kyung Seok CHAE *(Chief Strategic Officer)*
Dr. Sung Su HAN (*Chief Operation Officer)*

Meetings held during the period and the respective attendance record:

	Dates of meetings			
	17 Mar 11	27 Mar 11	13 May 11	11 Aug 11
Mr. Peter BRENNER	√	√	√	√
Mr. Kyung Seok CHAE	√	√	√	√
Dr. Sung Su HAN	√	√	√	√

√: Attended x: Absent N/A: Not Applicable

Supervisory Board: members, oversight and control functions

The Supervisory Board currently has the following members:

— Mr. Jung Hyun OH *(Chairman)*

— Mr. Jeong Ghi KOO *(Vice-chairman)*

— Mr. Min Koo SOHN

— Mr. Choong Min LEE

— Mr. Kiyoung SHIN

— Mr. Bang Seon KO

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.

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 13 to 14 of this report. No member of the Management Board was appointed as chairman of the Management Board.

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. Kiyoung SHIN
Mr. Bang Seon KO

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

The audit committee has reviewed the internal control and interim results of the Company for the six months ended 30 June 2011 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. Choong Min LEE
Mr. Kiyoung SHIN
Mr. Bang Seon KO

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 30 June 2011, there was no change in the policy and structure of the remuneration for Directors and senior management of the Company.

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

	Audit Committee		**Remuneration Committee**	
	17 Mar 2011	**11 Aug 2011**	**23 Feb 2011**	**17 Mar 2011**
Mr. Jung Hyun OH	N/A	N/A	√	√
Mr. Choong Min LEE	√	√	√	√
Mr. Kiyoung SHIN	√	√	√	√
Mr. Bang Seon KO	√	√	√	√

√: Attended x: Absent N/A: Not Applicable

Supervisory Board meetings held during the period and the respective attendance

According to the internal rules of the Supervisory Board, the Supervisory Board shall meet at least twice every six months. During the first six months of 2011, three Supervisory Board meetings were held and up to the date of this report, there were five Supervisory Board meetings held. The following table summarizes the meetings and the respective attendance record:

			Date of meetings		
	23 Feb 11	**17 Mar 11**	**27 May 11**	**30 May 11**	**11 Aug 11**
Supervisory Board members					
Mr. Jung Hyun OH	√	√	√	√	√
Mr. Jeong Ghi KOO	√	√	√	√	√
Mr. Min Koo SOHN	√	√	√	√	√
Independent Supervisors					
Mr. Choong Min LEE	√	√	√	√	√
Mr. Kiyoung SHIN	√	√	√	√	√
Mr. Bang Seon KO	√	√	√	√	√

√: Attended x: Absent N/A: Not Applicable

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 27 and 29 of this interim report.

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 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.

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.

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

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

The Company has engaged DTT, the Company's external auditors, to conduct a review in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IASB and the conclusion of DTT's review sets out in page 34 of this interim report.

Before approving the interim financial information, the audit committee has reviewed the interim financial information and raised questions to DTT in respect of the appropriateness on the choice of accounting policies and treatments. The Audit Committee has recommended to the Supervisory Board to approve the Interim Financial Statements after having directly questioned the management board members and the key financial reporting personnel and after having confirmed with DTT that there has been nothing to cause them to believe that the interim financial statements is not prepared in all material respects in accordance with IAS 34 "Interim Financial Reporting". Such approval was granted during a Supervisory Board meeting held on 11 August 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS:

The Company has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as its own code for dealing in securities by members of the Management Board and the Supervisory Board of the Company. All the members of the Management Board and the Supervisory Board confirmed that they have complied with the required standards as set out in the Model Code throughout the period from 1 January to 30 June 2011.

INVESTOR RELATIONS AND COMMUNICATIONS

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

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

Compliance with the HKCG Code:

During the period, the Company had in principle complied with the recommendations of the DCGK dated 26 May 2010 with the exceptions set out below. In addition, the Management Board and the Supervisory Board have also considered all the additional requirements under 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, except for the following:

- Section E1.2 of the HKCG Code states that "The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committee (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

The Management Board and the Independent Board (comprising the Independent Supervisors) of the Company have not appointed a Chairman to the Management Board and the Independent Board, respectively.

Mr. Jung Hyun OH, the Chairman of the Supervisory Board did not attend the Company's 2011 AGM held on 30 June 2011. However, Mr. Choong Min LEE, the Chairman of the audit committee, the Management Board members, senior management members, and the Company's auditors attended the AGM and prepared themselves to answer questions raised in the meeting. The Management considers the absence of the Chairman of the Supervisory Board would not affect the shareholders' rights as all the necessary information had been set out in the circulars sent to the shareholders at least 30 days prior to the meetings and the other members of the Management Board were present in the meetings to answer shareholders' enquires.

COMPLIANCE STATEMENT PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT

The Management Board and the 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 26 May 2010) published in the official section of the German electronic Federal Gazette.

The following recommendations were or are to date not complied with or only 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."

  The notification of the convening of a general meeting and the convention documents are published on the Company's website and notification is sent by post to registered addresses of the Shareholders. 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 4.1.5 DCGK: "When filling managerial positions in the enterprise the Management Board shall take diversity into consideration and, in particular, aim for an appropriate consideration of women."

  Currently, there is no woman represented in managerial positions of the Company. The company, however, chooses from the suitable candidates independently from their gender.

- Clause 4.2.1 sentence 2 DCGK: "By-Laws shall govern the work of the Management Board, in particular the allocation of duties 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 governs 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 DCGK: "At the proposal of the committee dealing with Management Board contract, the full Supervisory Board determines the total compensation of the individual Management Board members and shall resolve and regularly review the Management Board 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 specialized 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 4 and paragraph 3 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.

  These elements, including 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 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 fringe benefits, do not exceed the value of two years' compensation (severance pay 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 contracts of Mr. BRENNER and Mr. CHAE contain 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 and Mr. CHAE.

  On 30 June 2011, the Company made an announcement jointly with Salvador AG that Salvador AG intends to make a voluntary conditional cash offer to acquire 100% of the outstanding shares of the Company in case the pre-conditions and conditions to the offer are met. The Company would be required to make severance payments and other compensation to Mr. BRENNER and Mr. CHAE of €16.25 million and €9.25 million respectively if the control over the Company is changed and the proposed voluntary conditional cash offer constitutes a change of control or a sale in the Company.

  In order to reduce the severance and compensation obligations of the Company against Mr. BRENNER and Mr. CHAE as set out above, each of Mr. BRENNER and Mr. CHAE has entered into a settlement agreement with the Company, Mr. Oh and the Controlling Shareholders on 17 June 2011 pursuant to which (i) Mr. BRENNER agreed to waive and forfeit his rights to terminate his existing service agreements and to receive severance payments and other compensations arising from a change of control and/or a sale in the Company pursuant to the terms of the Irrevocable Undertaking, subject to the payment of a lump sum gross payment in the amount of EUR10.5 million to Mr. BRENNER by the Company on the Transfer Date; and (ii) Mr. CHAE agreed to waive and forfeit his rights to receive payments arising from a sale in the Company pursuant to the terms of the Irrevocable Undertaking, subject to the payment of a lump sum gross payment in the amount of EUR3.5 million being paid to Mr. CHAE by the Company on the Transfer Date. Further details are set out in the announcement jointly made by the Company and Salvador AG dated 30 June 2011.

- Clause 4.3.4 sentence 1 DCGK: "All 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 Supervisory 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 2 and 3 DCGK: "All transactions between the enterprise and the members of the Management Board as well as persons they are close to or companies they have a personal association with must comply with standards customary in the sector. Important transactions 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 Supervisory Board in particular with regard to transactions between the members of the Management Board or, persons they are close to, and the Company that require the approval of the shareholders at the general meeting pursuant to Chapter 14A of the Listing Rules. In our opinion this ensures to a reasonable extent that no inappropriate transactions are entered into between such member of the Management Board or any of his associates and the Company.

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

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

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

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

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

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

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

  An age limit for members of the Management Board has not been specified. In our opinion, such age limit is not necessary because the Supervisory Board will not appoint 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 programme and budgets of such personnel.

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

- Clause 5.4.1 paragraph 2 and paragraph 3 DCGK: "The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.

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

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

  So far, no appropriate degree of female representation in the Supervisory Board is explicitly foreseen. The Supervisory Board, however, will recommend suitable for election as members of the Supervisory Board independently from their gender. Since the members of the Supervisory Board are currently resident in only one county (Korea) — one of them is currently residing in Hong Kong — its composition does not reflect the internal business presence of the Company in several countries. On 11 June 2010, Mr. Min Koo SOHN was appointed as member of the Supervisory Board as successor of Mr. Suk Whan CHANG. Since 2000, Mr. SOHN works at SSCP Co., Ltd., which is the Company's largest shareholder holding approximately 40 percent of the shares and is active in the coatings industry. Mr. SOHN is currently a director and the head of the coating business of SSCP Co., Ltd., which is active in the coating business. In addition, the Supervisory Board member Mr. Jeong Ghi KOO was the former head of the electronic material division of SSCP Co., Ltd. Accordingly, both Mr. SOHN and Mr. KOO are directly or indirectly subject to the management of Mr. Jung Hyun OH, the chairman of the Supervisory Board of the Company, who is also the CEO and the major shareholder of SSCP Co., Ltd.

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

- Clause 5.4.1 paragraph 4 sentence 1 DCGK: "The members of the Supervisory Board shall on their own take on the necessary training and further education measures required for their tasks."

  At the time of their appointment the members of the Supervisory Board have received appropriate training from the Company's legal advisors with regard to their tasks and responsibilities as member of the Supervisory Board. This training is a requirement according to the Hong Kong Listing Rules. Currently no need for further training or education measures is regarded necessary, however, will be provided if needed.

- Clause 5.4.2 sentence 3 second half-sentence 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 and CEO of SSCP Co., Ltd. ("SSCP"), which is the Company's largest shareholder holding approximately 40% shareholding and is active in the coatings industry.

  The Supervisory Board member Mr. SOHN is currently the head of the coating business of SSCP Co., Ltd., which is active in coating business. Accordingly, Mr. SOHN is directly and indirectly subject to the management of Mr. Jung Hyun OH, the chairman of the Supervisory Board of the Company, who is also the CEO and a shareholder of SSCP Co., Ltd.

  SSCP 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. However, it cannot be entirely excluded that the company may in future invest in the electronic industry, a business area which SSCP Co., Ltd., is principally engaged in, and that therefore new conflicts of interest may arise. In addition, SSCP Co., Ltd., supplies raw materials to the company so both companies have to share the margins achieved with the sales of products in the production process the amounts of which have to be negotiated among the companies.

- Clause 5.4.6 paragraph 1 sentence 3 DCGK: "Also to be considered here 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: "Material conflicts of interest and those which are 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."

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

  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 information policy, the dates of essential regular publications (including the Annual Report, interim financial reports) and the date of the General Meeting shall be published sufficiently in advance in a "financial calendar"."

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

- Clause 7.1.2 sentence 4 first half-sentence DCGK: "The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; …"

  The Consolidated Financial Statements for the year ended 31 December 2010 prepared under German law were not publicly accessible within 90 days at the end of the financial year. However, the company has complied with the time frames established by the Listing Rules. This will also apply to future consolidated financial statements.

  Under the German Law the company is not required to prepare interim reports; but it is a requirement under the Listing Rules. The 2010 interim report was not publicly accessible until the 24 days period was passed, however, the company has complied with the time frames established by the Listing Rules. This will also apply to future interim reports.

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

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

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

  7.2.3 The Supervisory Board shall arrange for the auditor 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 CGK. 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.

For and on behalf of the Supervisory Board	For and on behalf of the Management Board
Mr. Jung Hyun OH	**Mr. Peter BRENNER**
Chairman	*Chief Executive Officer*
11 August 2011	11 August 2011

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Peter BRENNER, age 40, 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 Schramm worldwide. Mr. BRENNER has approximately 16 years of experience in the industry. Mr. BRENNER first joined Schramm in Germany in 1989 to 1992 where his first role was as an apprentice and a sales manager. He rejoined Schramm 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 Schramm, and was subsequently promoted to be the managing director in December 2007. Accordingly Mr. BRENNER has been working at the Company for a total of approximately 15 years. Mr. BRENNER has been involved with Schramm business globally from 2002 and has been actively involved in the management of Schramm business. Mr. BRENNER graduated from the University of Applied Sciences, Fulda, Germany in 1998 with a diploma ("diploma"), at the time the highest degree attainable in business administration, specializing in marketing and international management.

Mr. Kyung Seok CHAE, age 34, 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 Schramm including responsibilities for planning, human resources, information technology, risk management, and strategic corporate developments of Schramm. 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 he 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 5 years. Mr. CHAE graduated from Cornell University in 1999 with a bachelor degree in economics.

Dr. Sung Su HAN, age 49, joined the Group in July 2010 and was appointed as a member of the Management Board on 1 September 2010 and act as the chief operation officer of the Company. Dr. HAN obtained a bachelor degree in material science and engineering and nuclear engineering, a master degree in nuclear engineering and a doctoral degree in nuclear engineering from the University of California, Berkeley in 1985, 1989 and 1993, respectively. Dr. HAN has over 14 years of experience in leading and managing research and development and business development functions in diverse technology areas including healthcare, photovoltaics, microelectromechanical systems, optoelectronics, environmental engineering and biochemical.

Before joining the Company, Dr. HAN was a Vice President and Director of Electronic Material and Device System Research and Development Laboratory in LG Electronics of LG Corporation in Korea, a company listed on the Korea Stock Exchange which is principally engaged in the manufacturing, marketing and distribution of high technology electronic products including televisions, audio and video products, home appliances, air conditioners and telecommunications devices. From March 2007 to September 2007, he was a director of the Advanced Detection Systems, Radiation Monitoring Division of Thermo Fisher Scientific in the United States, a company listed on the New York Stock Exchange which is principally engaged in the provision of laboratory equipment, chemicals, supplies and services used in healthcare, scientific research, safety and education. From August 2005 to March 2007, he was a vice president and the chief technology officer in Samsung Corning Company Ltd, a Korea based manufacturer of glass panels and funnels for cathode ray tube television and display monitors. From November 1996 to August 2005, Dr. HAN was with General Electric Company, a company listed on the New York Stock Exchange which is principally engaged in provision of infrastructure, media and financial services, in the United States.

DIRECTORS AND SENIOR MANAGEMENT

SUPERVISORY BOARD

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

Mr. Jeong Ghi KOO, age 56, has been a member of the Supervisory Board since 27 August 2008. Mr. KOO joined SSCP as the vice president of its research and development division in 2005 and resigned from SSCP in 2011. He has approximately 20 years of experience in the industry. Mr. KOO was the head of the electronic material business unit of SSCP from 2007 to 2011 where he was 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. Following Mr. CHANG's resignation on 11 June 2010, Mr. KOO has become the vice chairman of the Supervisory Board with effect from 11 June 2010.

Mr. Min Koo SOHN, age 43, has been a member of the Supervisory Board since 11 June 2010. Mr. SOHN obtained a Bachelor's degree in Commerce & Trade from University of Cheon-Nam, Korea in 1993. Mr. SOHN has over 18 years' experience in sales, planning, and business and customer support. Mr. SOHN joined SSCP, the controlling shareholder of the Company, in 2000 and has acted as a deputy manager of SSCP's customer support team, sales planning team and business support team respectively since his employment. Mr. SOHN is currently a director and chief of coating business unit of SSCP. Before joining SSCP, he had been an assistant manager of distribution sales in special business unit of Dong-Won Industries Co., Ltd., a corporation engaged in manufacturing of food and beverage products from 1993 to 2000.

Independent Supervisors

Mr. Choong Min LEE, age 34, 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 39, 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.

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

SENIOR MANAGEMENT

Mr. Se-Ook LEE, age 49 is a director of the finance department where he is responsible for the finance, treasury, accounts and insurance of Schramm. Mr. LEE is one of the authorized representatives (Prokura) of the Company. Mr. LEE joined the finance department of Schramm in 2007 and has approximately 4 years of experience in the chemical industry and approximately 18 years of experience in the finance industry. Prior to joining Schramm, 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 52, is a director of the controlling department where he is responsible for the budget planning and budget control of Schramm. Mr. RÖHRICHT is one of the authorised representatives of the Company. Mr. RÖHRICHT joined Schramm in 1989 and has been in charge of the controlling department of Schramm since 1997. Mr. RÖHRICHT has more than 20 years of experience in the chemical industry.

COMPANY SECRETARY

Mr. Kenny Yuen Fai CHAN, CPA, FCCA, age 34 is the company secretary and a director of the finance department. He is also responsible for Schramm's external financial reporting. Mr. CHAN joined Schramm in October 2009 and has approximately 12 years of experience in accounting and auditing profession. Prior to joining Schramm, Mr. CHAN was a senior audit manager at PricewaterhouseCoopers in Hong Kong in which he was responsible for managing audit engagements from planning to completion for a number of major private and listed companies in Hong Kong. Mr. CHAN is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants, graduated from Hong Kong University of Science and Technology in 1999 with a bachelor degree of business administration in accounting.

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

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

As at 30 June 2011, the interests and short positions of the Directors, Supervisors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company and the HKSE pursuant to the Model Code were as below:

Name of Director/ Supervisor	Nature of interest	Number and class of securities[(2)]	Approximate percentage of interest in the Company
Mr. Jung Hyun OH	Interest in controlled corporation[(1)]	3,422,540 shares	17.19%
Mr. Kyung Seok CHAE	Beneficial interest	11,280 shares	0.06%

Notes:

(1) Mr. OH, a Supervisor, was interested in exchangeable bonds through STM Corporation Co., Ltd., a company wholly owned by Mr. OH, which upon exercise of the exchange rights in full, were exchangeable into approximately 3,422,540 Shares.

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2011, 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 be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register maintained and kept by the Company under section 336 of the SFO were as below:

Name of Shareholders	Nature of interest	Number and class of securities[(1)]	Approximate percentage of interest in the Company
Akzo Nobel N.V.	Interest in controlled corporation[(2)]	14,037,000 Shares (L)	70.52%
Salvador AG	Beneficial interest[(2)]	14,037,000 Shares (L)	70.52%
SSCP	Beneficial interest[(3)]	7,900,000 Shares (L)	39.69%
		1,091,568 Shares (S)	5.48%
	Interest in controlled corporation[(4)]	4,385,000 Shares (L)	22.03%
		4,385,000 Shares (S)	22.03%
	Interest in controlled corporation[(5)]	1,752,000 Shares (L)	8.80%
Humble Humanity	Beneficial interest[(6)]	4,385,000 Shares (L)	22.03%
		4,385,000 Shares (S)	22.03%
SHHK	Beneficial interest	1,752,000 Shares (L)	8.90%
STM Corporation Co., Ltd.	Beneficial interest[(7)]	3,422,540 Shares (L)	17.19%

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) Salvador AG, which is a wholly owned subsidiary of Akzo Nobel N.V. will, subject to the satisfaction of certain pre-conditions and conditions, make a voluntary conditional cash offer (the "Offer") in accordance with the Takeovers Code on 30 June 2011. On 24 June 2011, SSCP, Humble Humanity and SHHK have respectively undertaken in favour of Salvador AG to accept or procure the acceptance of the offer within 5 business days following the despatch of the Composite Document in respect of all the shares registered to or beneficially owned by them, being 14,037,000 shares.

(3) SSCP and its controlled corporations were deemed to be interested in a total of 14,037,000 Shares, representing approximately 70.52% of interest in the Company. Pursuant to the Exchangeable Bonds Subscription Agreements, in case Humble Humanity being the issuer of this exchangeable bonds, does not have sufficient number of Shares to be delivered to such exchangeable bondholders, Humble Humanity will, or will cause SSCP to, immediately deposit such number of additional Shares as may be required to be delivered to the exchangeable bondholders exercising the exchange right. Pursuant to the terms and conditions of the exchangeable bonds, SSCP will be required to deliver an aggregate of 1,091,568 Shares for the shortfall of the exchange Shares.

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

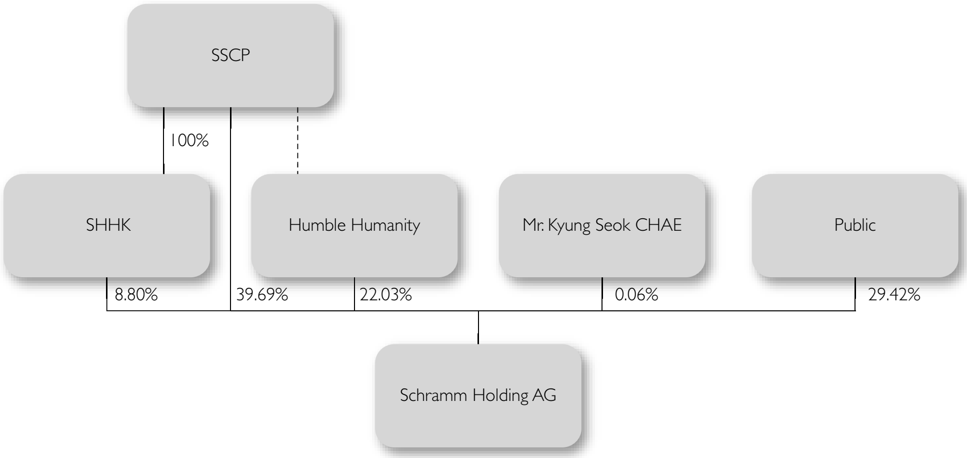
(5) These Shares were held by SHHK, a wholly-owned subsidiary of SSCP.

(6) 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).

(7) STM Corporation Co., Ltd. was interested in exchangeable bonds, which upon exercise of the exchange rights in full, are exchangeable into approximately 3,422,540 Shares.

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

The following chart sets out the shareholding structure of the Company as at 30 June 2011:



POSSIBLE VOLUNTARY CONDITIONAL CASH OFFER BY SALVADOR AG

On 30 June 2011, Salvador AG and the Company jointly made an announcement in relation to a possible voluntary conditional cash offer to be made by Salvador AG. Subject to the satisfaction of certain pre-conditions and conditions, Salvador AG, which is a wholly-owned subsidiary of Akzo Nobel N.V., will make a voluntary conditional cash offer to acquire all of the listed issued shares of the Company, at a consideration of HK$78.70 per share. The controlling shareholders, being SSCP, Humble Humanity and SHHK have undertaken respectively in favour of Salvador AG to accept or procure the acceptance within 5 business days following the despatch of the Composite Document. As the date of this report, Salvador AG and the Company have yet to despatch the Composite Document and they are due to despatch the Composite Document within 7 days should the pre-conditions be met. Further details can be found in the joint announcement made by Salvador AG and the Company on 30 June 2011.

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

Other than those disclosed above, at no time during the six months ended 30 June 2011 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed, there was no contract of significance in relation to the Group's business, to which the Company's or any of its subsidiaries was a party, and in which a Director or a Supervisor had, whether directly or indirectly, a material interest subsisted as at 30 June 2011 or at any time during the period from 1 January to 30 June 2011.

OTHER INFORMATION

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

The Company did not redeem of its securities since its shares listed on the Stock Exchange. Neither the Company nor any of its subsidiaries purchased or sold of any of the Company's listed securities during the period under review.

INTERIM DIVIDEND

The Management Board and the Supervisory Board resolved that, up to the date of this report, no interim dividend will be distributed.

INDEPENDENT REVIEW REPORT

Deloitte.
德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE MEMBERS OF SCHRAMM HOLDING AG
星亮控股股份公司
(A joint stock company incorporated under the laws of Germany)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 53, which comprises the condensed consolidated statement of financial position of Schramm Holding AG (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		Unaudited Six months ended 30 June	
	Notes	2011 €'000	2010 €'000
Revenue	14	61,027	57,073
Other operating income	3	242	301
Changes in inventories of finished goods and work-in-progress		576	1,702
Cost of materials		(35,128)	(32,904)
Employee benefit expenses		(11,671)	(10,836)
Other operating expenses		(9,259)	(9,077)
Other gains, net		345	533
Earnings before interest, taxes, depreciation and amortization		6,132	6,792
Depreciation and amortization		(1,709)	(1,680)
Earnings before interest and taxes/core-operating profit	4	4,423	5,112
Finance income		13	94
Finance costs		(684)	(827)
Profit before income tax		3,752	4,379
Income tax expense	5	(1,238)	(1,554)
Profit for the period attributable to the owners of the Company		2,514	2,825
Earnings per share			
— basic and diluted (€ per share)	6	€0.13	€0.14

The notes on pages 41 to 53 are an integral part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Unaudited Six months ended 30 June	
	2011	2010
	€'000	€'000
Profit for the period attributable to the owners of the Company	**2,514**	2,825
Exchange differences arising on the translation of the Company's foreign operations	**(2,554)**	4,842
Total comprehensive (expenses) / income attributable to the owners of the Company	**(40)**	7,667

The notes on pages 41 to 53 are an integral part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
ASSETS			
Non-current assets			
Intangible assets	7	4,266	4,039
Property, plant and equipment	7	25,856	24,598
Land use rights	7	974	1,079
Other receivables and prepayments		71	43
Deferred tax assets		1,474	1,827
		32,641	31,586
Current assets			
Inventories		23,346	19,931
Trade and bills receivables	8	32,508	30,532
Other receivables and prepayments		2,006	2,035
Cash and cash equivalents		3,697	4,782
		61,557	57,280
Asset held for sale	9	1,042	1,176
Total assets		95,240	90,042
EQUITY			
Capital and reserves			
Issued capital	10	19,905	19,905
Additional paid-in capital	10	24,921	24,921
Other reserves	11	(15,115)	(12,561)
Retained earnings	12	24,578	22,064
		54,289	54,329

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
LIABILITIES			
Non-current liabilities			
Pensions and similar obligations		**1,101**	1,110
Provisions		**164**	225
Bank borrowings		**15,931**	16,452
Financial lease liabilities		**792**	840
Deferred tax liabilities		**2,016**	2,037
		20,004	20,664
Current liabilities			
Trade and other payables	13	**9,191**	8,084
Provisions		**2,942**	2,331
Bank borrowings		**7,812**	3,639
Financial lease liabilities		**100**	107
Income tax liabilities		**902**	888
		20,947	15,049
Total liabilities		**40,951**	35,713
Total equity and liabilities		**95,240**	90,042
Net current assets		**41,652**	43,407
Total assets less current liabilities		**74,293**	74,993

The notes on pages 41 to 53 are an integral part of these condensed financial statements.

The condensed financial statements on pages 35 to 53 were approved by the Board of Directors on 11 August 2011 and are signed on its behalf by:

DIRECTOR **DIRECTOR**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Capital and reserves attributable to the owners of the Company				
	Issued capital €'000	**Additional paid-in capital** €'000	**Retained earnings** €'000	**Other reserves** €'000	**Total equity** €'000
As at 1 January 2010 (audited)	19,905	24,921	18,671	(15,491)	48,006
Profit for the period	—	—	2,825	—	2,825
Exchange differences arising on the translation of the Company's foreign operations	—	—	—	4,842	4,842
Total comprehensive income for the period	—	—	2,825	4,842	7,667
Dividend paid	—	—	(1,393)	—	(1,393)
As at 30 June 2010 (unaudited)	19,905	24,921	20,103	(10,649)	54,280
As at 1 January 2011 (audited)	19,905	24,921	22,064	(12,561)	54,329
Proft for the period	—	—	2,514	—	2,514
Exchange differences arising on the translation of the Company's foreign operations	—	—	—	(2,554)	(2,554)
Total comprehensive income for the period	—	—	2,514	(2,554)	(40)
As at 30 June 2011 (unaudited)	19,905	24,921	24,578	(15,115)	54,289

The notes on pages 41 to 53 are an integral part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2011

	Unaudited Six months ended 30 June	
	2011 €'000	2010 €'000
OPERATING ACTIVITIES		
Net cash (used in) generated from operating activities	**(972)**	2,603
INVESTING ACTIVITIES		
Purchase of intangible assets	**(3)**	(54)
Development cost paid and capitalized as intangible assets	**(681)**	(456)
Purchase of property, plant and equipment	**(3,081)**	(548)
Deposit paid for purchase of land use right	**—**	(214)
Acquisition of an investment	**—**	(1,228)
Other investing activities	**—**	(23)
Net cash used in investing activities	**(3,765)**	(2,523)
FINANCING ACTIVITIES		
Dividend paid	**—**	(1,393)
Proceeds from borrowings	**4,918**	—
Repayments of borrowings	**(1,266)**	(5,056)
Other financing activities	**—**	(2,512)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**3,652**	(8,961)
DECREASE IN CASH AND CASH EQUIVALENTS	**(1,085)**	(8,881)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**4,782**	14,226
Cash and cash equivalents at 30 June	**3,697**	5,345

The notes on pages 41 to 53 are an integral part of these condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. GENERAL INFORMATION

Schramm Holding AG (the "Company") and its subsidiaries (together the "Group") is a formulator and manufacturer of customized paints and coatings for plastic and metal surfaces in automotive, mobile phone and consumer electronics.

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"). The interim report is approved for issue by the Management Board and the Supervisory Board on 11 August 2011.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

This Interim Financial Report has been prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the IASB. This Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which had been prepared in accordance with IFRS.

Accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

In the current interim period, the Group has applied the following new or revised standards, amendments and interpretations ("new or revised IFRSs") issued by the IASB:

IFRSs (Amendments) Improvements to IFRSs issued in May 2010

IAS 24 (Revised) Related Party Disclosures

IAS 32 (Amendments) Classification of rights issues

IFRIC 14 (Amendments) — Prepayments of a Minimum Funding Requirement

IFRIC 19 — Extinguishing Financial Liabilities with Equity Instruments

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Accounting policies (Continued)

The application of the above new or revised IFRSs in the interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised standards that have been issued but are not yet effective:

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2012

[4] Effective for annual periods beginning on or after 1 July 2012

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

3. OTHER OPERATING INCOME

Other operating income is analyzed as follows:

	Unaudited Six months ended 30 June	
	2011	2010
	€'000	€'000
License fee income	**72**	32
Others	**170**	269
	242	301

4. EARNINGS BEFORE INTEREST AND TAXES/CORE-OPERATING PROFIT

Earnings before interest and taxes/core-operating profit for the period is stated after charging/crediting the following:

	Unaudited Six months ended 30 June	
	2011 €'000	2010 €'000
Charging:		
Auditor's remuneration	**135**	166
Legal and consulting expenses	**682**	1,073
Operating lease rental expenses	**474**	539
Fair value losses on derivatives	**—**	281
Crediting:		
Net foreign exchange gain	**206**	733

5. INCOME TAX EXPENSE

The Company and Schramm GmbH are subject to the German corporate income tax, the solidarity surcharge as well as trade tax. The applicable tax rate for the period ended 30 June 2011 is 31% (2010: 31%).

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

Schramm Huizhou is entitled to foreign income tax holiday of "2-year exemption and 3-year 50% reduction" commencing from its first profit making year, which was 2007. Schramm Huizhou enjoys a 50% reduction of the statutory rate of 25%, i.e. 12.5% for the period ended 30 June 2011 (2010: 12.5%).

Schramm Shanghai and Schramm Tianjin were entitled to the "2-year exemption and 3-year 50% reduction" and the 50% reduction period expired in 2007 and 2009 respectively.

Schramm Korea is subject to Korea national corporate income tax as well as city tax, which is a progressive tax system. The first KRW 200 million is taxed at 11% and any further profit is taxed at 24.2% (2010: 11% 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 for the period ended 30 June 2011 is 30% (2010: 30%).

Schramm Hanoi is subject to Vietnam corporate income tax. The applicable tax rate for the period ended 30 June 2011 is 25%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

5. INCOME TAX EXPENSE (CONTINUED)

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

	2011	2010
The Company	31%	31%
Schramm GmbH	31%	31%
Schramm Huizhou	12.5%	12.5%
Schramm Shanghai	25%	25%
Schramm Tianjin	25%	25%
Schramm Korea	24.2%	24.2%
Schramm Thailand	30%	30%
Schramm Hanoi	25%	N/A

6. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2011	2010
Profit for the period attributable to the owners of the Company (€'000)	2,514	2,825
Weighted average number of shares in issue (thousand of shares)	19,905	19,905
Basic earnings per share (€)	0.13	0.14

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

7. CAPITAL EXPENDITURE

	Land use rights €'000	Intangible assets €'000	Property, plant and equipment €'000	Total €'000
Net book amount as at 1 January 2011	1,079	4,039	24,598	29,716
Additions	—	684	3,081	3,765
Disposals	—	—	(62)	(62)
Amortization/depreciation charge	(10)	(377)	(1,322)	(1,709)
Exchange difference	(95)	(80)	(439)	(614)
Net book amount as at 30 June 2011	974	4,266	25,856	31,096

8. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Trade receivables — related parties (Note 16)	510	495
Trade receivables — third parties	31,163	28,728
Trade receivables, gross	31,673	29,223
Bills receivable	1,550	2,111
Total trade and bills receivables, gross	33,223	31,334
Less: Provision for impairment of receivables	(715)	(802)
Trade and bills receivables, net	32,508	30,532

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 and bills receivables presented based on the invoice date at the reporting date is as follows:

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Within 3 months	24,942	21,694
3 to 6 months	5,000	6,929
6 to 9 months	1,359	822
9 to 12 months	276	715
Over 12 months	1,646	1,174
	33,223	31,334

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

9. ASSET HELD FOR SALE

On 21 June 2010, Schramm Hong Kong, a subsidiary of the Company, entered into Series B Preferred Stock Purchase Agreement acquiring 3,571,428 Series B Preferred Stock in Inlustra for US$1,500,000 (equivalent to approximately €1,042,000 at 30 June 2011). Investment in Inlustra was expected to allow the Group to leverage its electrical insulation product-related client base to gain access and approvals to market Inlustra's product. Accordingly, investment in Inlustra was classified as an associate because the Group has significant influence in Inlustra. The management considered that the financial result of Inlustra was insignificant; therefore, the Group did not equity account for the result of Inlustra after the investment.

Thereafter, through discussions with the management of Inlustra post investment, the Company found that Inlustra development plans and schedule had changed and would require much more time and resources than originally expected. Thus, the Company subsequently identified an interested third party buyer who wants to acquire such investment from Schramm Hong Kong at a consideration of US$1,500,000 (equivalent to approximately €1,042,000 at 30 June 2011). The sale of Inlustra is being processed up to the end of the reporting period, and as a result, investment in Inlustra was classified as asset held for sale at 30 June 2011 and 31 December 2010. No gain or loss is expected from such disposal.

10. ISSUED CAPITAL AND ADDITIONAL PAID-IN CAPITAL

	Number of shares	Issued capital €'000	Additional paid-in capital €'000
Issued and fully paid			
At 1 January and 30 June 2011	19,905,000	19,905	24,921

11. OTHER RESERVES

	Merger reserve €'000	Exchange reserve €'000	Total €'000
At 1 January 2011	(16,122)	3,561	(12,561)
Exchange differences arising on the translation of the Company's foreign operations	—	(2,554)	(2,554)
At 30 June 2011	(16,122)	1,007	(15,115)

12. RETAINED EARNINGS

	€'000
At 1 January 2011	22,064
Profit for the period attributable to the owners of the Company	2,514
At 30 June 2011	24,578

13. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Trade payables — related parties (Note 16)	974	219
Trade payables — third parties	6,068	5,760
Total trade payables	7,042	5,979
Other payables	2,149	2,105
Trade and other payables	9,191	8,084

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

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Within 3 months	6,321	5,058
3 to 6 months	515	760
6 to 9 months	31	1
9 to 12 months	9	21
Over 12 months	166	139
	7,042	5,979

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

14. SEGMENT INFORMATION

Segment information is 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.

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 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 Insulations" 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 2011 (unaudited)

	Automotive and general industry €'000	Coil coating €'000	Electrical insulations €'000	Total €'000
SEGMENT REVENUE				
External sales	47,459	10,922	2,646	61,027
Inter-segment sales	2,895	—	—	2,895
	50,354	10,922	2,646	63,922
Elimination	(2,895)	—	—	(2,895)
Group's revenue	47,459	10,922	2,646	61,027
Segment result	5,440	203	(17)	5,626
Other unallocated expenses				(1,874)
Profit before income tax				3,752
Income tax expense				(1,238)
Profit for the period attributable to the owners of the Company				2,514
Segment assets	63,391	6,902	2,011	72,304
Unallocated assets				22,936
Total assets				95,240

14. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2010 (unaudited)

	Automotive and general industry €'000	Coil coating €'000	Electrical insulations €'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 for the period attributable to the owners of the Company				2,825
As at 31 December 2010 (audited)				
Segment assets	57,626	6,098	1,816	65,540
Unallocated assets				24,502
Total assets				90,042

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

Revenue by geographical area is analyzed as follows:

	Unaudited Six months ended 30 June	
	2011 €'000	2010 €'000
Germany	**20,183**	19,735
European countries other than Germany	**13,080**	12,472
PRC	**17,256**	17,484
Korea	**7,922**	6,190
Other countries	**2,586**	1,192
Revenue	**61,027**	57,073

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

14. SEGMENT INFORMATION (CONTINUED)

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

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Germany	17,912	18,365
European countries other than Germany	2,371	2,413
PRC	8,097	7,838
Korea	58	62
Other countries	2,658	1,038
	31,096	29,716
Other receivables and prepayments	71	43
Deferred tax assets	1,474	1,827
Total non-current assets	32,641	31,586

15. COMMITMENTS

Operating lease commitments

At 30 June 2011, 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:

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Within one year	947	581
In the second to fifth year inclusive	1,036	840
Over 5 years	495	588
	2,478	2,009

15. COMMITMENTS (CONTINUED)

Capital commitments

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Contracted for but not provided in the condensed consolidated financial statements:		
Property, plant and equipment	154	307
Authorized but not contracted for in the condensed consolidated financial statements:		
Property, plant and equipment	—	1,906

16. RELATED PARTY TRANSACTIONS

List of related parties

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties

	Notes	Unaudited Six months ended 30 June 2011 €'000	2010 €'000
Sales of raw materials, intermediary goods and finished goods:	(i)		
Ultimate holding company		**245**	268
Fellow subsidiaries		**76**	—
Purchases of raw materials, intermediary goods and finished goods:	(ii)		
Ultimate holding company		**10,672**	8,333
Other expenses:	(iii)		
Ultimate holding company		**9**	8

Notes:

(i) Sales of raw materials, intermediary goods and finished goods were carried out in accordance with the Toll Manufacturing Agreement and the Master Sales Agreement with the ultimate holding company.

(ii) Purchase of raw materials, intermediary goods and finished goods were carried out in accordance with the Master Purchase Agreement with the Ultimate holding company.

(iii) Other expenses mainly represented rental expenses and IT license fees, which were charged in accordance with the terms of agreements made between the relevant parties.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with related parties

The Group had the following significant balances with its related parties as 30 June 2011 and 31 December 2010.

	Unaudited 30 June 2011 €'000	Audited 31 December 2010 €'000
Trade receivables from:		
Ultimate holding company	429	468
Fellow subsidiaries	81	27
Trade payables to:		
Ultimate holding company	974	219

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

17. SIGNIFICANT EVENT

Possible voluntary conditional cash offer

On 30 June 2011, Salvador AG (the "Offeror") and the Company made a joint announcement in relation to a possible voluntary conditional cash offer (the "Offer") by the offeror. As part of the Offer, SSCP has signed an irrevocable undertaking in favour of the Offeror. The Offer is subject to the satisfaction of certain pre-conditions and conditions and at the date of this interim report, these conditions are yet to be fully satisfied. Further details of the Offer are set out in the Company's announcement dated 30 June 2011.

18. FINANCIAL RISK MANAGEMENT

The Group operates mainly in Europe and Asia and its activities expose it to a variety of financial risks (including market risk, such as foreign exchange risk and interest rate risk, liquidity risk and credit risk) as part of its ordinary operating activities. The Group's overall risk management program seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures if such need.

GLOSSARY

AGM	The Company's annual general meeting
Articles	The articles of association of the Company
CEO	Chief Executive Officer
Company	Schramm Holding AG
Compliance Guidelines	Compliance Guidelines of the Company and all its subsidiaries
Controlling Shareholders	has the meaning ascribed to it under the Listing Rules, and in the context of this report means the Controlling Shareholders of the Company, SSCP, SHHK and Humble Humanity
DCGK	Government Commission German Corporate Code (Regierungskommission Deutscher Corporate Governance Kodex)
Directors	The members of the Management Board of the Company
DTT	Deloitte Touche Tohmatsu, the Company's external auditors for the requirements of the Listing Rules
EU	European Union
Euro(s) or "€"	the lawful currency of the member states of the EU that adopt the single currency in accordance with the Trusty establishing the European Community (as amended and supplemented from time to time)
Exchangeable Bonds Subscription Agreements	Exchangeable bonds subscription agreements dated 1 December 2008 (as amended) entered between Humble Humanity and certain exchangeable bonds investors
Group	Schramm Holding AG and its subsidiaries
HGB	Handelsgesetzbuch German Commercial Code
HKCG Code	Code on Corporate Governance Practices
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSE	The Stock Exchange of Hong Kong Limited
Humble Humanity	The Humble Humanity Limited, a company incorporated in Labuan, Malaysia, is one of the Company's Controlling Shareholders
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards

Independent Supervisors	The members of the Supervisory Board who meet the independence requirements required under Rule 3.13 of the Listing Rules
INEDs	Independent Non-Executive Directors under the definition of the Listing Rules
Inlustra	Inlustra Technologies, Inc.
Interim Financial Information	comprises the condensed consolidated statement of financial position of the Group as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then end
Listing Rules	The Rules Governing the Listing of Securities on the HKSE
Management Board	The Management Board of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Mr. OH	Mr. Jung Hyun OH, the Chairman of the Supervisor Board, the chief executive officer and a major shareholder of SSCP and a connected person under the definition of the Listing Rules
"PRC" or "China"	The People's Republic of China
RMB	Renminbi, the lawful currency of the PRC
Schramm GmbH	Schramm Coatings GmbH, Offenbach, a company incorporated in Germany and is a wholly-owned subsidiary of the Company
Schramm Hanoi	Schramm SSCP (Hanoi) Company Limited, a company incorporated in Vietnam and is a wholly-owned subsidiary of the Company
Schramm Hong Kong	Schramm Hong Kong Co., Limited, formerly known as "Schramm SSCP (Hong Kong) Limited", a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
Schramm Huizhou	Schramm SSCP (Huizhou) Limited, a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
Schramm Korea	Schramm SSCP Co., Ltd., a company incorporated in Korea and is a wholly-owned subsidiary of the Company
Schramm Shanghai	Schramm SSCP (Shanghai) Limited, a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
Schramm Spain	Schramm Coatings Iberia S.A.U., a company incorporated in Barcelona, Spain and is wholly-owned subsidiary of the Company

GLOSSARY

Schramm Thailand	Schramm SSCP (Thailand) Co., Ltd., a company incorporated in Thailand and is a subsidiary which is legally owned as 99.96% by the Company
Schramm Tianjin	Schramm SSCP (Tianjin) Limited, a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
SFO	Securities and Future Ordinance
SHHK	SSCP Holdings (Hong Kong) Limited, formerly known as "Samsung Bestview (Hong Kong) Co., Limited, a wholly owned subsidiary of SSCP
SSC	Samsung Chemical (Shanghai) Co., Ltd, a subsidiary of SSCP
SSCP	SSCP Co. Ltd, a company incorporated in Korea and listed on the KOSDAQ Market Division of the Korea Exchange
Supervisory Board	The Supervisory Board of the Company
Tianjin M&C	Tianjin M&C Electronics Company Ltd, a subsidiary of SSCP
Qunno	Qunno Metal Technology Inc.

SCHRAMM HOLDING AG
星亮控股股份公司*