
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Schramm Holding AG, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s), or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.



AkzoNobel

Akzo Nobel N.V.

(A publicly listed company incorporated under the laws of Netherlands)

Salvador AG

(A joint stock company incorporated under the laws of Germany and a wholly-owned subsidiary of Akzo Nobel N.V.)



Schramm Holding AG

星亮控股股份公司*

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

(Stock Code: 955)

**COMPOSITE DOCUMENT RELATING TO
VOLUNTARY CONDITIONAL CASH OFFER BY
DEUTSCHE BANK AG, HONG KONG BRANCH ON BEHALF OF SALVADOR AG
TO ACQUIRE ALL THE ISSUED SHARES OF SCHRAMM HOLDING AG**

Financial adviser to the Offeror

Deutsche Bank AG, Hong Kong Branch

Independent financial adviser to the IBC and the Shareholders

TC Capital Asia Limited



TC Capital
天財資本

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Deutsche Bank containing, among other things, the details of the terms of and conditions to the Offer is set out on pages 9 to 20 of this Composite Document.

A letter from the Board is set out on pages 21 to 24 of this Composite Document.

A letter from the IBC containing its recommendations to the Shareholders is set out on page 25 of this Composite Document.

A letter from the IFA containing its opinions on the Offer and its advice to the IBC and the Shareholders is set out on pages 26 to 46 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Hong Kong Branch Registrar no later than 4:00 p.m. on Friday, 7 October 2011 or such other time as the Offeror may determine and announce in accordance with the Takeovers Code.

* *for identification purposes only*

16 September 2011

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	1
DEFINITIONS	3
LETTER FROM DEUTSCHE BANK	9
LETTER FROM THE BOARD	21
LETTER FROM THE IBC	25
LETTER FROM THE IFA	26
APPENDIX I — FURTHER TERMS OF THE OFFER	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION OF THE OFFEROR	III-1
APPENDIX IV — GENERAL INFORMATION OF THE GROUP	IV-1
APPENDIX V — DOCUMENTS FOR INSPECTION	V-1
ACCOMPANYING DOCUMENT — FORM OF ACCEPTANCE	

EXPECTED TIMETABLE

Despatch date of this Composite Document and commencement of the Offer (<i>Note 1</i>)	Friday, 16 September 2011
Latest time and date for acceptance of the Offer (<i>Note 2</i>)	4:00 p.m. on Friday, 7 October 2011
First Closing Date	Friday, 7 October 2011
Announcement of the results of the Offer, or as to whether the Offer has been revised or extended or becomes unconditional, on the Stock Exchange's website and the Company's website	by 7:00 p.m. on Friday, 7 October 2011
Latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances received under the Offer (assuming the Offer becomes or is declared unconditional on the First Closing Date) (<i>Note 3</i>)	Monday, 17 October 2011
Latest time and date by which the Offer can become or be declared unconditional (<i>Note 4</i>)	7:00 p.m. on Tuesday, 6 December 2011

Notes:

1. The Offer is made on 16 September 2011, the date of this Composite Document, and is capable of acceptance on and from that date until the close of the Offer Period. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code or in compliance with Rule 17 of the Takeovers Code.
2. The latest time and date for acceptances to be lodged under the Offer is 7 October 2011, being 21 days from the date of this Composite Document, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. If the Offeror decides to extend the Offer, an announcement will be made stating on the website of the Stock Exchange and the Company by 7:00 p.m. on the First Closing Date stating the results of the Offer and whether the Offer has been revised, extended or have expired. In any announcement of a revision or an extension of the Offer, either the next closing day will be stated or, if the Offer becomes or is declared unconditional as to acceptances, a statement will be made that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to those Shareholders who have not yet accepted the Offer before the Offer is closed.
3. Amounts due to each of the Shareholders who accepts the Offer will be paid by the Offeror as soon as possible but in any event within 10 days of the later of the date the Offer becomes, or is declared, unconditional in all respects and the date of receipt of the duly completed Form of Acceptance in accordance with the Takeovers Code.
4. In accordance with the Takeovers Code, except with consent of the Executive, the Offer (whether extended or not) may not become or be declared unconditional as to acceptances after 7:00 p.m. on Tuesday, 15 November 2011, being the 60th day after posting of this Composite Document. Assuming the Offer becomes unconditional as to acceptances on the 60th day after posting of this Composite Document, in

EXPECTED TIMETABLE

the event that the Offer has not or been declared unconditional in all respects by 7:00 p.m. on Tuesday, 6 December 2011, being the 81st day after posting of this Composite Document, the Offer will lapse unless the Executive consents to a later date.

Unless otherwise expressly stated, all time and date references contained in this Composite Document refer to Hong Kong times and dates. The timetable set out above is indicative only and further announcements will be made in the event of any changes to the timetable.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the same meanings as given to it in the Takeovers Code
“AkzoNobel”	Akzo Nobel N.V., a publicly listed company established under the laws of Netherlands whose common shares are listed on the stock exchange of Euronext Amsterdam, and a Global Fortune 500 company with operations in more than 80 countries
“AkzoNobel Korea”	Akzo Nobel Industrial Coatings Korea Ltd.
“Ancillary Transactions”	collectively, the Korean Agreement (including the terms of the transitional agreements and the definitive Korean Transfer Agreement relating thereto) and the Re-enforced CCT Arrangements, and the transactions contemplated thereunder
“Announcement”	the joint announcement of AkzoNobel, the Offeror and the Company dated 30 June 2011 in relation to the Offer
“associates”	has the same meanings as given to it in the Listing Rules and/or the Takeovers Code, as the case may be
“Board”	the Management Board and the Supervisory Board
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Coatings Business”	the coatings businesses of the Group consisting of the research, development, marketing, manufacture and sale of any products relating to coatings based on organic and inorganic materials which are applied to the surface of an object to impart specific surface properties to the substrate, such as appearance, wear and scratch resistance which can be waterborne (water dispersible or water soluble), solvent borne, solid particles (powder) or liquid which contains neither organic solvents nor water
“Company”	Schramm Holding AG, a joint stock company incorporated under the laws of Germany, the Shares of which are listed on the main board of the Stock Exchange (stock code: 955)
“Composite Document”	the composite document issued jointly by AkzoNobel, the Company and the Offeror to all Shareholders in connection with the Offer in accordance with the Takeovers Code containing, inter alia, details of the Offer and the acceptance and transfer form in respect of the Offer

DEFINITIONS

“Conditions”	the conditions of the Offer, as set out in the paragraph headed “Conditions of the Offer” in this Composite Document
“Consents”	any consent, approval, authorisation, qualification, waiver, permit, grant, franchise, concession, agreement, licence, exemption or order of, registration, certificate, declaration or permission from, or filing with, or report or notice to, any Relevant Authorities, including those required under or in relation to any concession rights or licences granted by the Relevant Authorities to the Group to carry out its operations, whether under applicable laws or regulations, any agreement or arrangement with such Relevant Authorities, or otherwise
“controlling shareholders”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	the controlling shareholders of the Company, namely SSCP, Humble Humanity and SSCP Holdings (Hong Kong)
“Deutsche Bank”	Deutsche Bank AG, Hong Kong Branch
“Director(s)”	the member(s) of the Management Board
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Existing CCT”	collectively, certain existing continuing connected transactions between SSCP and the Group under the following agreements: <ol style="list-style-type: none">1. the master purchase agreement dated 9 May 2011 between the Company (as buyer) and SSCP (as supplier);2. the toll manufacturing and service agreement dated 9 May 2011 between the Company and SSCP;3. various SAP licence agreements among SSCP and the PRC subsidiaries of the Company; and4. the technology licence agreement dated 10 March 2009 between SSCP and the Company
“EUR” or “€”	Euro dollars, the lawful currency of the European Union
“First Closing Date”	7 October 2011, being the closing date of the Offer which is 21 days after the date on which this Composite Document is posted
“Form of Acceptance”	the form of acceptance and transfer of the Shares in respect of the Offer which accompanies this Composite Document

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Humble Humanity”	The Humble Humanity Limited, a company incorporated in Labuan, Malaysia and being one of the Controlling Shareholders
“IBC”	the independent board committee of the Company comprising all the Independent Supervisors formed to advise the Shareholders on the Offer
“IFA” or “TC Capital Asia”	TC Capital Asia Limited, the independent financial adviser appointed by the Company to advise the IBC and the Shareholders on the Offer
“Independent Supervisors”	members of the Supervisory Board who meet the independence requirements as provided under Rule 3.13 of the Listing Rules, namely Mr. Bang Seon KO, Mr. Choong Min LEE and Mr. Kiyoungh SHIN
“Inlustra”	Inlustra Technologies, Inc., a company incorporated under the State of California, the United States of America
“Irrevocable Undertaking”	the irrevocable undertaking dated 24 June 2011 given by each of the Controlling Shareholders in favour of the Offeror
“KC Transaction”	the extension arrangement relating to the extension of the KC’s Service Agreement and the settlement agreement between Mr. Kenny Chae, the Company, Mr. Oh and the Controlling Shareholders on 17 June 2011
“Korean Agreement”	an agreement dated 24 June 2011 between AkzoNobel and SSCP relating to the agreement for the sale and purchase of the SSCP Coatings Business, which was terminated by a termination agreement between the same parties dated 16 August 2011

DEFINITIONS

“Korean Transfer Agreement”	the definitive agreement dated 16 August 2011 entered into between SSCP and AkzoNobel Korea relating to the sale and purchase of the SSCP Coatings Business
“KRW”	Korean won, the lawful currency of Republic of Korea
“Last Trading Day”	13 June 2011, being the last trading day of the Shares prior to its suspension in trading on the Stock Exchange pending the publication of the Announcement
“Latest Practicable Date”	14 September 2011, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information for inclusion in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Board”	the management board of the Company
“Mr. Kenny Chae”	Mr. Kyung Seok CHAE, one of the members of the Management Board
“Mr. Oh”	Mr. OH Jung Hyun, a Supervisor, the chief executive officer of SSCP and a shareholder of SSCP holding approximately 14.2% of interest in SSCP
“Non-Coatings Business”	the businesses of the Group that do not belong to the Coatings Business, comprising the research, development, marketing, manufacture and business with and sale of (i) liquid coatings for leather goods, (ii) electronic materials (if and as far as not Coatings Business) and (iii) any marketing, manufacturing and distributing of powder resin (if and so far as not resin for Coatings Business) or any other products or materials which are not within the scope of the Coatings Business
“Offer”	the voluntary conditional cash offer made by Deutsche Bank on behalf of the Offeror for all the issued Shares
“Offer Period”	the period commencing from 30 June 2011, being the date of the Announcement, to 4:00 p.m. on the First Closing Date, or such other time or date to which the Offeror may decide to extend the Offer in accordance with the Takeovers Code
“Offer Price”	HK\$78.70 per Share
“Offeror”	Salvador AG, a joint stock company incorporated under the laws of Germany and a wholly-owned subsidiary of AkzoNobel

DEFINITIONS

“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Pre-Conditions”	the pre-conditions to the making of the Offer, as set out in the paragraph headed “Pre-Conditions of the Offer” in the Announcement
“Re-enforced CCT Arrangements”	collectively, the proposed arrangements (including the entering into the amendment agreements between SSCP and the Group) in relation to the Existing CCT, pursuant to the terms of the Irrevocable Undertaking
“Relevant Authorities”	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution
“Relevant Period”	the period beginning six months prior to the date of the Announcement and ending on and including the Latest Practicable Date
“Remaining Shareholders”	in respect of the Ancillary Transactions, Shareholders other than (i) SSCP, its associates or parties acting in concert with any of them, and (ii) those who are interested in or involved in the Ancillary Transactions; and in respect of the KC Transaction, Shareholders other than (i) Mr. Kenny Chae, (ii) SSCP, its associates and parties acting in concert with any of them, and (iii) those who are interested in or involved in the KC Transaction
“Schramm Hong Kong”	Schramm Hong Kong Co., Limited (formerly know as Schramm SSCP (Hong Kong) Limited), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Schramm Thailand”	Samsung Chemical Paint (Thailand) Co. Ltd., a company incorporated in Thailand and a subsidiary which is legally owned as to 99.96% by the Company
“Schramm Tianjin”	Schramm SSCP (Tianjin) Limited* (三成化工(天津)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of EUR 1.00 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“SSCP”	SSCP Co., Ltd., a company incorporated in Korea and listed on the Korean Securities Dealers Automated Quotations, being one of the Controlling Shareholders
“SSCP Coatings Business”	the business of SSCP consisting of the research, development, marketing, manufacturing and selling of any products relating to coatings based on organic and inorganic materials which are applied to the surface of an object to impart specific surface properties to the substrate, such as appearance, wear and scratch resistance which can be waterborne (water dispersible or water soluble), solvent borne, solid particles (powder) or liquid which contains neither organic solvents nor water, and excluding the other business of SSCP, including without limitation the business of manufacturing and marketing electronic materials
“SSCP Holdings (Hong Kong)”	SSCP Holdings (Hong Kong) Limited (formerly known as Samsung Bestview (Hong Kong) Co. Limited), a company incorporated in Hong Kong, which is a wholly-owned subsidiary of SSCP and one of the Controlling Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the members of the Supervisory Board
“Supervisory Board”	the supervisory board of the Company
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“Transfer Date”	the date on which the legal title in respect of the Shares are to be transferred to the Offeror pursuant to the Offer
“US\$”	United States dollars, the lawful currency of United States of America
“%”	per cent.

In this Composite Document, exchanges rates of HK\$11.05 = EUR 1 and HK\$1 = KRW 139.37 are adopted for illustration purpose only. No representation is made that any amounts in KRW, EUR or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

** for identification purposes only*

Deutsche Bank



Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

16 September 2011

To the Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
DEUTSCHE BANK AG, HONG KONG BRANCH ON BEHALF OF SALVADOR AG
TO ACQUIRE ALL THE ISSUED SHARES OF SCHRAMM HOLDING AG**

INTRODUCTION

On 30 June 2011, AkzoNobel, the Offeror and the Company jointly announced that Deutsche Bank will, subject to the satisfaction of the Pre-Conditions, make a voluntary conditional cash offer on behalf of the Offeror for all the issued Shares in accordance with the Takeovers Code. On 9 September 2011, AkzoNobel, the Offeror and the Company jointly announced that save for Pre-Condition (ii) set out in the paragraph headed “Pre-Conditions to the Offer” in the Announcement, namely the requirement to obtain all relevant merger control clearance in the relevant jurisdictions necessary for the implementation of the Offer, all other Pre-Conditions to the making of the Offer were satisfied on 31 August 2011. Merger control clearances are required to be obtained from four jurisdictions for the implementation of the Offer, namely Germany, Slovakia, Austria and Brazil. As at the Latest Practicable Date, merger control clearances in Germany, Brazil and Austria have successfully been obtained. The Offeror believes that the merger control clearance in Slovakia should be obtained in due course and has agreed to waive this part of the Pre-Condition and proceed with making the Offer on the basis that the requirement to obtain merger control clearance in Slovakia is regarded as covered in Conditions (iii), (viii) and (ix) set out in the paragraph headed “Conditions of the Offer” in the Announcement. **The Offer will only become unconditional if the merger control clearance in Slovakia has been obtained and the remaining conditions have been satisfied or waived (as the case may be).**

As at the Latest Practicable Date, the Offeror and parties acting in concert with it did not have any interest in the issued share capital or voting rights of the Company. None of the Offeror and parties acting in concert with it had dealt with any interest in the issued share capital or voting rights or relevant securities of the Company within the past six months immediately preceding the date of the Announcement.

As at the Latest Practicable Date, there were 19,905,000 Shares in issue and the Company had no other shares, options, warrants, derivatives or other securities that were convertible or exchangeable into Shares or other types of equity interest.

LETTER FROM DEUTSCHE BANK

This letter sets out, among other things, the details of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Offer are set out in this letter, Appendix I to this Composite Document and in the Form of Acceptance.

VOLUNTARY CONDITIONAL CASH OFFER

The Offer

The consideration in respect of the Offer is as follows:

For every Share HK\$78.70 in cash

The Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the First Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the First Closing Date.

On 24 June 2011, pursuant to the terms of the Irrevocable Undertaking, the Controlling Shareholders have respectively undertaken in favour of the Offeror 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.

Under the terms of the Irrevocable Undertaking, the Controlling Shareholders shall not withdraw from any such acceptance, notwithstanding that they may become entitled to withdraw any such acceptance by virtue of laws or pursuant to the terms of the Offer itself. For the avoidance of doubt, the Controlling Shareholders shall not withdraw from any such acceptance which is otherwise permitted under the Takeovers Code. The Irrevocable Undertaking will only be terminated on the withdrawal or lapsing of the Offer.

The terms of the Irrevocable Undertaking executed by the Controlling Shareholders are described further in the paragraph headed “Irrevocable Undertaking” of this letter. As at the Latest Practicable Date, 7,900,000 Shares were held by SSCP, 4,385,000 Shares were held by Humble Humanity and 1,752,000 Shares were held by SSCP Holdings (Hong Kong), together representing approximately 70.52% of the issued share capital of the Company.

Value of the Offer

As at the Latest Practicable Date, there were 19,905,000 Shares in issue. On the basis of the Offer Price of HK\$78.70, the entire issued share capital of the Company (which is the subject of the Offer) is valued at approximately HK\$1,566.52 million. In the event that the Offer is accepted in full, the aggregate amount payable by the Offeror under the Offer will be approximately HK\$1,566.52 million.

LETTER FROM DEUTSCHE BANK

Confirmation of financial resources

As at the Latest Practicable Date, Deutsche Bank, the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

Comparison with market price

The Offer Price of HK\$78.70 per Share represents:

- a premium of approximately 163.21% over the closing price of HK\$29.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 169.43% over the average of the closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK\$29.21 per Share;
- a premium of approximately 169.57% over the average of the closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of HK\$29.20 per Share;
- a premium of approximately 174.52% over the average of the closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day of HK\$28.67 per Share; and
- a premium of approximately 9.00% over the closing price of HK\$72.20 per Share, as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the Relevant Period were HK\$73.00 per Share on 12 September 2011 and HK\$22.00 per Share on 1 April 2011.

Conditions of the Offer

The Offer will be conditional on the satisfaction of the following Conditions:

- (i) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which would result in the Offeror holding at least 90% of the voting rights in the Company and 90% of the disinterested shares as referred to under Rule 2.11 of the Takeovers Code;
- (ii) the Ancillary Transactions and the KC Transaction having been approved by the Remaining Shareholders and the Executive's consent under Rule 25 of the Takeovers Code in relation to the Ancillary Transactions and the KC Transaction having been obtained;

LETTER FROM DEUTSCHE BANK

- (iii) no Relevant Authorities in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Ancillary Transactions or the KC Transaction void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions or obligations with respect to the Ancillary Transactions or the KC Transaction;
- (iv) the Shares remaining listed and traded on the Stock Exchange up to the First Closing Date save for any suspension(s) of trading of the Shares of less than 14 days as a result of the Offer and no indication being received on or before the First Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (v) the transactions contemplated by the Korean Agreement having been approved by the shareholders of SSCP as required by applicable Korean laws and regulations;
- (vi) if required by applicable Korean laws and regulations, the acceptance of the Offer by SSCP pursuant to the Irrevocable Undertaking having been approved by the shareholders of SSCP;
- (vii) (a) all Consents as are necessary for the Offer and in connection with, including, without limitation, any change in the direct or indirect shareholder(s) or ultimate controlling shareholder(s) of any member of the Group, the concession rights or licences to carry out its operations having been obtained and remaining in full force and effect without variation from all Relevant Authorities and all conditions (if any) to such Consents having been fulfilled; (b) each member of the Group possessing or having obtained all licences and permits from the Relevant Authorities that are necessary to carry on its business; and (c) all mandatory consents from third parties in relation to the Offer required pursuant to any agreement to which any member of the Group is a party (where any failure to obtain a consent would have a material adverse effect on the business of the Group taken as a whole) having been obtained for the Offer or waived by the relevant party(ies);
- (viii) no event having occurred which would make the Offer void, unenforceable, illegal or prohibit the implementation of the Offer;
- (ix) no Relevant Authorities in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offer void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions or obligations with respect to the Offer (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offer); and

LETTER FROM DEUTSCHE BANK

- (x) since the date of the last audited consolidated financial statements of the Company but save as publicly disclosed by the Company prior to the date of the Announcement, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general operations, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, shareholders' equity or results of operations of the Group taken as a whole, whether or not arising in the ordinary course of business.

For Condition (i) set out in the paragraph headed "Conditions of the Offer" in the Announcement, as the applicable threshold for certain compulsory acquisitions in Germany has been lowered from 95% to 90% on 15 July 2011, the acceptance level set out in this Condition has been reduced from 95% (as disclosed in the Announcement) to 90% accordingly. If the acceptance level will be above 90% but below 95%, the Offeror and the Company will, prior to closing, enter into an implementation merger agreement as required under German laws to give effect to the squeeze-out procedures.

For Condition (v) set out in the paragraph headed "Conditions of the Offer" in the Announcement, the transactions contemplated by the Korean Agreement have been approved by the shareholders of SSCP as required by applicable Korean laws and regulations on 17 August 2011, and therefore this Condition has been satisfied on the same date.

For Condition (vi) set out in the paragraph headed "Conditions of the Offer" in the Announcement, SSCP has confirmed to the Offeror that the acceptance of the Offer by SSCP pursuant to the Irrevocable Undertaking does not require the approval by the shareholders of SSCP under the applicable Korean laws and regulations. As a result, this Condition is no longer applicable.

In relation to Condition (vii), other than the specific regulatory approvals set out in paragraph (ii) of the section headed "Conditions of the Offer" above and the requirement to obtain merger control clearance in Germany, Slovakia, Austria and Brazil, the Offeror is not aware of any other consent from other Relevant Authorities or any mandatory consents from third parties in relation to the Offer.

The Offeror reserves the right to waive Conditions referred to above, save that (a) Condition (i) may only be waived if the Offeror receives acceptances in respect of the Offer which would result in the Offeror holding more than 50% of the voting rights in the Company; (b) Condition (ii) may only be waived to the extent that the relevant parties to any of the Ancillary Transactions or the KC Transaction decide not to proceed with such transactions prior to obtaining the approval by the Remaining Shareholders in the general meeting of the Company; and (c) Condition (viii) cannot be waived.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Offer if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Offer.

LETTER FROM DEUTSCHE BANK

In addition, the Offer is made on the basis that acceptance of the Offer by any person will constitute a warranty by such person or persons to the Offeror that the Shares shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the First Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the First Closing Date.

The Offer is made in compliance with the Takeovers Code, which is administered by the Executive.

No dividend or other distribution

The Company does not intend to declare or pay any dividend or other distribution on the Shares before the First Closing Date.

Irrevocable Undertaking

On 24 June 2011, pursuant to the terms of the Irrevocable Undertaking, the Controlling Shareholders have respectively undertaken in favour of the Offeror to accept or procure the acceptance of the Offer (and shall not withdraw from any such acceptance) within 5 business days following the despatch of the Composite Document in respect of an aggregate of 14,037,000 Shares beneficially owned by them, representing approximately 70.52% of the issued share capital of the Company as at the Latest Practicable Date.

Protections to the Group

To protect interests of the Group upon the Transfer Date, the Controlling Shareholders have jointly and severally undertaken in the Irrevocable Undertaking that:

- (i) except with the prior written permission of the Offeror, they will not, and will procure that none of their associates will, for a period of three years from the Transfer Date, directly or indirectly either on their own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in, or acquire or hold (in each case whether as a shareholder, partner, agent, or otherwise), the Coatings Business outside Korea in any country in which the Group conducted any business or activity on the Transfer Date, including any country in which the Group planned to conduct any business and made investments to realise such plans and the Coatings Business in the automotive sector in Korea (collectively, the “**Restricted Businesses**”); provided that the Controlling Shareholders shall not be prevented, restricted or prohibited from directly or indirectly either on their own account or in conjunction with or on behalf of any person, firm or company, carrying on, participating or being interested or being engaged in, or acquiring or holding (in each case whether as a shareholder, partner, agent, or otherwise) any businesses in the world, other than the Restricted Businesses, which businesses include, without limitation, the Non-Coatings Business anywhere in the world; provided that nothing shall preclude any of the Controlling Shareholders or their associates

LETTER FROM DEUTSCHE BANK

from having any interest in not more than 2.5% of the issued shares in any company engaging in any Restricted Business which is or whose holding company is listed on any recognised exchange (as defined under the SFO);

- (ii) SSCP shall procure that Mr. Oh shall enter into an undertaking pursuant to which Mr. Oh personally undertakes not to compete with the Group in respect of the Restricted Businesses as from the Transfer Date. Such undertaking has been made by Mr. Oh in favour of the Offeror. Mr Oh (in his capacity as the chief executive officer of SSCP) shall also guarantee that the Offeror will receive the Shares from the Controlling Shareholders free and clear of encumbrances on the Transfer Date;
- (iii) all intellectual property, currently existing or coming into existence within three years from the Transfer Date, relating to the Coatings Business and not already owned by the Group, shall be promptly upon the Transfer Date disclosed by SSCP and its subsidiaries to AkzoNobel or its nominee, and as from the Transfer Date or (as the case may be) at the date upon which such intellectual property comes into existence, AkzoNobel and all of its subsidiaries shall have the exclusive (under the exclusion of SSCP and its subsidiaries) right to use free of charge such intellectual property anywhere outside Korea and shall also have the non-exclusive right to use free of charge such intellectual property in Korea in connection with its group-wide coatings business without any restrictions;
- (iv) all intellectual property not relating to the Coatings Business but exclusively relating to the Non-Coatings Business shall not be disclosed and shall be retained by SSCP or its relevant subsidiary;
- (v) SSCP shall procure that for a period of three years from the Transfer Date neither itself nor any of its subsidiaries will disclose to any competitor of AkzoNobel or its subsidiaries operating in the Coatings Business; or otherwise utilise, any of the intellectual property of the Coatings Business to sell products outside of Korea, unless with the prior written consent of the Group or under a specific licence granted by the Company or such disclosure is required pursuant to applicable laws; and
- (vi) SSCP grants with effect as from the Transfer Date the Company and AkzoNobel and its subsidiaries, solely for purposes of exploiting existing and future customer approvals relating to the Coatings Business issued in the name or using the brand of SSCP or “SSCP/Schramm” or “Schramm/SSCP”, the irrevocable and royalty-free right to use the name “SSCP” until 31 December 2012 with a one-time option to extend this term until 31 December 2013 if reasonably required by AkzoNobel to sell products within the Coatings Business using the customer approvals of SSCP and its subsidiaries. SSCP and its affiliates shall use all reasonable endeavours to (i) transfer existing customer approvals relating to the Coatings Business but currently in the name of SSCP to the Company and/or Akzo Nobel Coatings International B.V. (a subsidiary of AkzoNobel which holds the majority of intellectual property rights of AkzoNobel group of companies, and an

LETTER FROM DEUTSCHE BANK

international holding company for AkzoNobel's coatings business) or its nominees; and (ii) support the Company in obtaining future customer approvals relating to the Coatings Business in the name of the Group and/or Akzo Nobel Coatings B.V. or its nominees. AkzoNobel and its subsidiaries agree not to use the name of "SSCP" in any way which is harmful or may have an adverse effect to the reputation of SSCP and/or the Non-Coatings Business and to indemnify SSCP for any and all losses in excess of EUR100,000 reasonably incurred by SSCP as a result of such use.

With a view to further protecting interests of the Group upon closing of the Offer, under the terms of the Irrevocable Undertaking, SSCP also agrees with the Offeror and AkzoNobel on the Ancillary Transactions.

All obligations of the Controlling Shareholders under the Irrevocable Undertaking (save as the obligation as to confidentiality) shall forthwith lapse on the withdrawal or lapsing of the Offer.

Separate undertakings

Separately, Mr. Oh irrevocably undertakes to vote in favour of the shareholders' resolutions of SSCP relating to the Korean Agreement and (if required) the Irrevocable Undertaking and the transactions contemplated thereunder, and to encourage certain other shareholders of SSCP to vote in favour of such shareholders' resolutions. SSCP and its board also undertakes with AkzoNobel to take all reasonable actions to support the Korean Agreement and the Offer and to recommend its shareholders to vote in favour of the shareholders' resolutions of SSCP relating thereto. In the event that the Korean Agreement and the transactions contemplated thereunder are not approved by the SSCP's shareholders such that the Korean Agreement and the Offer are not completed, SSCP shall be liable for a payment of EUR5 million to AkzoNobel to cover the costs and expenses incurred by AkzoNobel and as compensation for injury to reputation and credit.

Compensation payment arrangements

Pursuant to the existing service agreements of Mr. Peter Brenner and Mr. Kenny Chae ("**KC's Service Agreement**") (approval for the extension of the KC's Service Agreement was obtained at the annual general meeting of the Company on 30 June 2011, whereby the Shareholders approved to extend the KC's Service Agreement for a term of two more years on the same terms till 31 December 2013), both being members of the Management Board, the Company would be required to make compensation payments to Mr. Peter Brenner of EUR 16.25 million and Mr. Kenny Chae of EUR 9.25 million if there is a change of control or a sale in the Company. Details of the compensation mechanism of the service agreements of Mr. Peter Brenner and Mr. Kenny Chae have been disclosed in the prospectus of the Company dated 15 December 2009, and circulars of the Company dated 23 July 2010 and 30 May 2011, respectively.

The Offer would constitute a change of control or a sale in the Company for the above purposes. In order to reduce the compensation obligations of the Company against Mr. Peter Brenner and Mr. Kenny Chae as set out above, each of Mr. Peter Brenner and Mr.

LETTER FROM DEUTSCHE BANK

Kenny 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. Peter Brenner agreed to waive and forfeit his rights to terminate his existing service agreements and to receive compensation payments arising from a change of control 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 EUR 10.5 million to Mr. Peter Brenner by the Company on the Transfer Date; and (ii) Mr. Kenny 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 EUR 3.5 million being paid to Mr. Kenny Chae by the Company on the Transfer Date.

The Controlling Shareholders agree to indemnify AkzoNobel from 100% of any additional cost incurred by any member of the Group or their successors from any payments to Mr. Peter Brenner and Mr. Kenny Chae if there are additional payments required other than the above lump sum gross payments in the aggregate sum of EUR 14 million, if not in the ordinary continuance of their respective contracts as members of the Management Board.

As at the Latest Practicable Date, Mr. Kenny Chae was a shareholder of the Company holding 11,280 Shares (representing approximately 0.06% of the issued share capital in the Company), and Mr. Peter Brenner did not hold any Shares.

Compulsory Acquisition and Withdrawal of Listing of the Company

Pursuant to the relevant German law, if one shareholder holds 90% or more of the registered capital in such German stock corporation, it may acquire the remaining shares held by the minority shareholders by undergoing squeeze out procedures. Pursuant to such German law, if one shareholder holds 95% or more of the registered capital in such German stock corporation, it may go through ordinary squeeze out procedures to acquire the remaining shares held by the minority shareholders such that upon completion of the squeeze out, the German stock corporation will become a wholly-owned subsidiary of such shareholder; alternatively, if one shareholder holds 90% or more but below 95% of the registered capital in such German stock corporation, it may then go through merger squeeze out procedures pursuant to which such shareholder has to enter into an implementation merger agreement with such German stock corporation to give effect to the squeeze out and pursuant to which such German stock corporation is when the squeeze out becomes effective, automatically merged into the shareholder by way of an upstream merger.

The Offeror intends to exercise the right to such compulsory acquisition of those Shares not acquired by the Offeror pursuant to the Offer if it manages to acquire not less than 90% of the voting rights of the Company and not less than 90% of the disinterested shares of the voting rights of the Company (as at the date which is four months of the posting of the Composite Document) as required by Rule 2.11 of the Takeovers Code.

Should compulsory acquisition rights arise and be exercised in full, the Company will (i) either become a wholly-owned subsidiary of the Offeror or (ii) merge into the Offeror, and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules in both circumstances.

Reasons for the Offer

AkzoNobel believes that the acquisition of the Company as a coatings manufacturer will result in various commercial and strategic benefits to AkzoNobel's global business.

The transaction will be important to AkzoNobel's international strategy by further strengthening its position in several key geographic markets and allowing AkzoNobel to actively participate in the increasing growth in consumer electronics in Asia. The transaction underlines AkzoNobel's determination to accelerate sustainable growth and build global leadership positions across all AkzoNobel's markets. In particular, AkzoNobel can fully utilise the Group's networks and reputation to further access the Korean-OEM mobile phone market and build on the Group's strong position in the German automobile supplier industry.

The Group's product portfolios are complementary with AkzoNobel's current portfolio, both in terms of focus segments and geographic split. In addition, the acquisition of the Company offers an excellent opportunity for AkzoNobel to significantly boost industrial coatings activities and increase its operations in coatings for aluminium coil, a strength of the Company which currently comprises only a minor portion of AkzoNobel's business.

Intention of the Offeror with regard to the Company

The Offeror intends to eventually effect a merger with the Company and the Offeror intends to continue the existing principal activities of the Group after closing of the Offer, subject to developing a plan to achieve optimal integration of AkzoNobel's other industrial coatings operations with the activities of the Group in order to capture the commercial and strategic benefits and growth potential of the combined businesses and to realize synergies (the "**Integration Plan**"). The Offeror will assess all the relevant aspects and through the Integration Plan determine the necessary arrangements to be made. The Offeror expects no material change in the deployment of financial resources or fixed assets of the Group in the near future and although the Offeror currently has no firm intentions to dispose of any material assets or inject any assets or businesses into the activities of the Group, the Offeror does not rule out the possibility that any of these element may form part of the Integration Plan that will be developed after closing of the Offer. Capturing and developing the talents of employees is one of AkzoNobel's key values and this will be a cornerstone of the Integration Plan for the combined businesses. The Offeror intends that the employment of the employees of the Group will be continued, but the Offeror does not rule out that the future operational plan and Integration Plan for the combined businesses will impact employees of the combined businesses of AkzoNobel and the Group in due course. As at the Latest Practicable Date, no details of the Integration Plan had been finalized.

INFORMATION ON THE OFFEROR

The Offeror is a wholly-owned subsidiary of AkzoNobel and was incorporated on 6 October 2010 under the laws of Germany.

LETTER FROM DEUTSCHE BANK

AkzoNobel is the largest global paints and coatings company and a major producer of specialty chemicals. AkzoNobel supplies industries and consumers worldwide with innovative products and are passionate about developing sustainable answers for its customers. AkzoNobel's portfolio includes well known brands such as Dulux, Sikkens, International and Eka. Headquartered in Amsterdam, the Netherlands, AkzoNobel is a Global Fortune 500 company and is consistently ranked as one of the leaders in the area of sustainability. With operations in more than 80 countries, AkzoNobel's 55,000 people around the world are committed to excellence and delivering Tomorrow's Answers Today™. AkzoNobel's common shares are listed on the stock exchange of Euronext Amsterdam.

TAXATION AND INDEPENDENT ADVICE

It is the responsibility of the overseas holders of the Shares and who wish to accept the Offer and to take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities, regulatory or legal requirements. The overseas holders of the Shares will be responsible for the payment of any transfer or cancellation or other taxes or duties due by such overseas holders of the Shares in respect of their respective jurisdictions. None of the Offeror, Deutsche Bank, the Hong Kong Branch Registrar or any of their respective directors or any other parties involved in the Offer is in a position to advise the overseas holders of the Shares on their individual tax implications. The Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer. None of the Company, the Offeror, the Directors, the professional adviser(s) to the Offeror and the Company or any other parties involved in the Offer accepts any responsibility for any tax effect on, or liabilities of, the relevant Shareholders.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

EXTENSION OF THE OFFER PERIOD

If the Offer has not been declared or has not become unconditional as to acceptances on or before the 60 days after the posting of the Composite Document, and/or the Offer has not been declared or has not become unconditional in all respects on or before the 81 days after the posting of the Composite Document, the Offer will lapse unless the Offer is extended with the consent of the Executive in accordance with the Takeovers Code.

HONG KONG STAMP DUTY

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder

LETTER FROM DEUTSCHE BANK

on acceptance of the Offer. The Offeror will arrange for payment of the stamp duty on behalf of accepting Shareholders in connection with the acceptance of the Offer and the transfer of the Shares.

PAYMENT

Provided that the Offer has become, or has been declared, unconditional in all respects, payment in respect of acceptances of the Offer will be made as soon as possible but in any event within 10 days of the later of the date on which the Offer has become, or are declared, unconditional in all respects and the date of receipt of a duly completed acceptance.

GENERAL

All documents and remittances sent to the Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of members of the Company, and in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members of the Company. None of the Company, the Offeror, Deutsche Bank, the Hong Kong Branch Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from the Board”, the “Letter from the IBC” and the “Letter from the IFA” as set out in this Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices to, and which forms part of, this Composite Document.

Yours faithfully,
For and on behalf of
Deutsche Bank AG, Hong Kong Branch

JOHNSON NGIE
Managing Director

JAMES THOMSON
Director



Schramm Holding AG
星亮控股股份公司*

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

(Stock Code: 955)

Members of the Management Board:

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

Registered Office:

Kettelerstraße 100
63075 Offenbach am Main,
Germany

Members of the Supervisory Board:

Mr. Jung Hyun OH, *Chairman*
Mr. Jeong Ghi KOO, *Vice Chairman*
Mr. Min Koo SOHN

Independent members of the Supervisory Board:

Mr. Choong Min LEE
Mr. Kiyoung SHIN
Mr. Bang Seon KO

16 September 2011

To the Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
DEUTSCHE BANK AG, HONG KONG BRANCH ON BEHALF OF SALVADOR AG
TO ACQUIRE ALL THE ISSUED SHARES OF SCHRAMM HOLDING AG**

INTRODUCTION

The Company, the Offeror and AkzoNobel jointly announced on 30 June 2011 that Deutsche Bank will, subject to the satisfaction of the Pre-Conditions, make a voluntary conditional cash offer on behalf of the Offeror for all the issued Shares in accordance with the Takeovers Code.

The terms of the Offer are set out in the letter from Deutsche Bank as well as in Appendix I to this Composite Document, of which this letter forms part, and in the accompanying Form of Acceptance.

* *for identification purposes only*

LETTER FROM THE BOARD

The purpose of this Composite Document is to provide you with, among other things: (i) information relating to the Offer and the Group; (ii) a letter of recommendation from the IBC to the Shareholders in relation to the Offer; and (iii) a letter of advice from the IFA to the IBC and the Shareholders in relation to the Offer.

VOLUNTARY CONDITIONAL CASH OFFER

Principal terms of the Offer

Deutsche Bank, is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Share HK\$78.70 in cash

As at the Latest Practicable Date, there were 19,905,000 Shares in issue. As at the Latest Practicable Date, the Company had no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into the Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

On 24 June 2011, pursuant to the terms of the Irrevocable Undertaking, the Controlling Shareholders had respectively undertaken in favour of the Offeror to accept or procure the acceptance of the Offer (and shall not withdraw from any such acceptance) within 5 business days following the despatch of this Composite Document in respect of an aggregate of 14,037,000 Shares beneficially owned by them, representing approximately 70.52% of the issued share capital of the Company as at the Latest Practicable Date.

The Offer is conditional, among others, that valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which would result in the Offeror holding at least 90% of the voting rights in the Company and 90% of the disinterested shares as referred to under Rule 2.11 of the Takeovers Code. Please refer to the section headed “Conditions of the Offer” in the letter from Deutsche Bank as set out in this Composite Document for information regarding the Conditions.

Further details of the Offer

Further details of the Offer including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the letter from Deutsche Bank as well as in Appendix I as set out in this Composite Document, and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

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

LETTER FROM THE BOARD

The Group recorded audited profits attributable to Shareholders of approximately EUR 5.5 million, EUR 4.5 million and EUR 4.8 million for the three financial years ended 31 December 2010, respectively. Pursuant to the 2010 annual report and the 2011 interim report of the Company, (i) the unaudited profit of the Group attributable to Shareholders was approximately EUR 2.5 million for the six months ended 30 June 2011; (ii) the audited and unaudited consolidated net asset value attributable to Shareholders as at 31 December 2010 and 30 June 2011 were approximately EUR 54.3 million and EUR 54.3 million, respectively.

INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY

Your attention is drawn to the section headed “Intention of the Offeror with regard to the Company” in the letter from Deutsche Bank as set out in this Composite Document for intention of the Offeror in relation to the Group.

The Board notes the intention of the Offeror in relation to the Group, and is willing to render co-operation with the Offeror.

COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

If the Offeror acquires not less than 90% of the disinterested shares as referred to under Rule 2.11 of the Takeovers Code, the Board understands that the Offeror intends to exercise any right it may have under the German law to compulsorily acquire those Shares not acquired by the Offeror pursuant to the Offer. On completion of such compulsory acquisition, the Company would either (i) become a wholly-owned subsidiary of the Offeror; or (ii) be merged into the Offeror ultimately also leading to a withdrawal of the listing and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange in accordance with the Listing Rules in both circumstances.

Pursuant to Rule 15.6 of the Takeovers Code, where the Offeror has stated in this Composite Document its intention to avail itself of its powers of compulsory acquisition, the Offer may not remain open for acceptance for more than four months from the date of despatch of this Composite Document, unless the Offeror has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise the Company by means of the Offer and the use of its compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the applicable law, acceptances of the Offer and purchases (in each case of the disinterested Shares) made by the Offeror and parties acting in concert with it during the period of four months after the date of despatch of this Composite Document total 90% of the disinterested Shares.

Furthermore, if the level of acceptances reaches 90% of the disinterested Shares and Rule 2.11 of the Takeovers Code permits the Offeror to exercise such compulsory acquisition rights and the Offeror proceeds with the privatisation of the Company and withdrawal of listing of

LETTER FROM THE BOARD

the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, the Company will apply for a suspension of dealings in the Shares from the closing of the Offer up to the withdrawal of listing of the Shares from the main board of the Stock Exchange.

RECOMMENDATION

The IBC, comprising all the Independent Supervisors, has been established on 29 June 2011 to advise the Shareholders in respect of the Offer, in particular, as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. Despite further repeated request from the Board, Mr. Shin had hesitations and refused to approve the Offer starting from early July 2011 and he officially confirmed in an email to the Board on 14 September 2011 that he decided that he would abstain from voting/forming any view in relation to the Offer and would not sign the letter from the IBC to this Composite Document without giving any reasons to the Board.

The IFA has been appointed by the Company after unanimous approval by the IBC to advise the IBC and the Shareholders in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance.

Your attention is drawn to the letter from the IBC and letter from the IFA as set out in this Composite Document, which set out their recommendations and opinions in relation to the Offer and the principal factors considered by them before arriving at their recommendations.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from Deutsche Bank as set out in this Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices to, and which forms part of, this Composite Document.

Yours faithfully,
By order of the Board
Kyung Seok CHAE
Director



Schramm Holding AG
星亮控股股份公司*

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

(Stock Code: 955)

16 September 2011

To the Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
DEUTSCHE BANK AG, HONG KONG BRANCH ON BEHALF OF SALVADOR AG
TO ACQUIRE ALL THE ISSUED SHARES OF SCHRAMM HOLDING AG**

We refer to the composite document dated 16 September 2011 jointly issued by the Company, the Offeror and AkzoNobel to the Shareholders (“**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Composite Document unless the context otherwise requires.

We, being the Independent Supervisors, have been appointed to form the IBC to consider the terms of the Offer and to advise the Shareholders as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Shareholders are concerned and as to acceptances of the Offer.

TC Capital Asia has been appointed as the IFA to advise us in respect of the Offer. Your attention is drawn to the letter from TC Capital Asia set out in this Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

Having taken into account the terms of the Offer and the advice and recommendation of TC Capital Asia Limited, we consider that the terms of the Offer are fair and reasonable so far as the Shareholders are concerned. Accordingly, we recommend the Shareholders to accept the Offer.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Schramm Holding AG

Bang Seon KO
Independent Supervisor

Choong Min LEE
Independent Supervisor

* *for identification purposes only*

LETTER FROM THE IFA

The following is the text of a letter of advice from the IFA, which has been prepared for the purpose of incorporation into this Composite Document, setting out its advice to the IBC in connection with the Offer.



TC Capital Asia Limited
天財資本亞洲有限公司

16 September 2011

**The Independent Board Committee and the Independent Shareholders
Schramm Holding AG**

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER BY
DEUTSCHE BANK AG, HONG KONG BRANCH ON BEHALF OF
SALVADOR AG
TO ACQUIRE ALL THE ISSUED SHARES OF SCHRAMM HOLDING AG**

INTRODUCTION

We refer to our appointment as the IFA to the IBC and the Shareholders of Schramm Holding AG (the “**Company**”) relating to the Offer, details of which are set out in the letter from the Company’s board and the letter from Deutsche Bank contained in the Composite Document dated 16 September 2011, of which this letter forms a part. Terms used herein have the same meanings as those defined in the Composite Document unless the context requires otherwise.

AkzoNobel, the Offeror and the Company jointly announced on 30 June 2011 that Deutsche Bank will, subject to the satisfaction of the Pre-Conditions, make a voluntary conditional cash offer on behalf of the Offeror for all the issued share capital of the Company. The Offer will also be conditional on the satisfaction the Conditions. On 9 September 2011, AkzoNobel, the Offeror and the Company jointly announced that save for the Pre-Condition in relation to the requirement to obtain all relevant merger control clearance in the relevant jurisdictions necessary for the implementation of the Offer, all other Pre-Conditions to the making of the Offer were satisfied on 31 August 2011. Merger control clearances are required to be obtained from four jurisdictions for the implementation of the Offer, namely Germany, Slovakia, Austria and Brazil. As at the Latest Practicable Date, merger control clearances in Germany, Brazil and Austria have successfully been obtained. The Offeror believes that the merger control clearance in Slovakia should be obtained in due course and has agreed to waive this part of the Pre-Condition. Accordingly, the making of the Offer will proceed on the basis that the requirement to obtain merger control clearance in Slovakia is regarded as covered in Conditions (iii), (viii) and (ix) set out in the paragraph headed “Conditions of the

LETTER FROM THE IFA

Offer” in the Announcement. The Offer will only become unconditional if the merger control clearance in Slovakia has been obtained and the remaining conditions have been satisfied or waived (as the case may be).

The IBC comprising all the independent Supervisors, namely Mr Bang Seon KO, Mr Choong Min LEE and Mr Kiyoungh SHIN, was formed to advise the Shareholders on the Offer.

We have been appointed as the IFA to advise the IBC by providing an independent opinion and recommendation as to whether the terms of the Offer are fair and reasonable and whether the Shareholders should accept or reject the Offer.

We are not in the same group as the financial or other professional adviser (including a stockbroker) to the Offeror or AkzoNobel and is not connected with the directors, chief executive and substantial shareholders of the Offeror or the AkzoNobel or the Group or any of their respective subsidiaries or their respective associates or their respective party acting, or presumed to be acting, in concert and we had not had, any connection, financial or otherwise, with either the Offeror or the AkzoNobel or the Group, or the controlling shareholder(s) of either of them, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Therefore, we are consider eligible to give independent advice on the Offer. Apart from normal professional fees payable tous in connection with this appointment, no arrangement exists whereby TC Capital Asia Limited will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Group or any of its subsidiaries or their respective associates.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Composite Document and the information and representations provided with us by the Company and its senior management. We have assumed that all such statements, information, opinions and representations contained or referred to in the Composite Document or otherwise provided, made or given by the Company and its senior management and for which it is or they are solely responsible were true and accurate and complete at the time they were made and given and continue to be true and valid as at the date of this letter. We have also sought and obtained confirmation from the Company, its senior management and Supervisors that no material facts have been omitted from the information provided, opinions expressed by them to us and referred to in the Composite Document.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided in order to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided with us by the Company, its senior management and Supervisors/Directors or to believe that material information has been withheld or omitted from the information provided with us or referred to in the aforesaid

LETTER FROM THE IFA

documents. We have not, however, conducted any independent verification of the information provided, nor have we conducted any form of in-depth investigation into the business and affairs of the Group.

We have not considered the tax consequences for the Shareholders of their acceptance or non-acceptance of the Offer since these are particular to their own individual circumstances. In particular, Shareholders who are residents outside of Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealing should consider their own tax position with regard to the Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Offer, we have considered the following principal factors and reasons:

1. Background and terms of the Offer

Background

The Offeror and the Company jointly announced on 30 June 2011 that Deutsche Bank will, subject to the satisfaction of the Pre-Conditions, make a voluntary conditional cash offer on behalf of the Offeror for all the issued share capital of the Company. On 9 September 2011, AkzoNobel, the Offeror and the Company jointly announced that save for the Pre-Condition in relation to the requirement to obtain all relevant merger control clearance in the relevant jurisdictions necessary for the implementation of the Offer, all other Pre-Conditions to the making of the Offer were satisfied on 31 August 2011. Merger control clearances are required to be obtained from four jurisdictions for the implementation of the Offer, namely Germany, Slovakia, Austria and Brazil. As at the Latest Practicable Date, merger control clearances in Germany, Brazil and Austria have successfully been obtained. The Offeror believes that the merger control clearance in Slovakia should be obtained in due course and has agreed to waive this part of the Pre-Condition. Accordingly, as set out in the “Letter from Deutsche Bank” contained in the Composite Document (the “**Deutsche Bank Letter**”), the making of the Offer will proceed on the basis that the requirement to obtain merger control clearance in Slovakia is regarded as covered in Conditions (iii), (viii) and (ix) set out in the paragraph headed “Conditions of the Offer” in the Announcement. The Offer will only become unconditional if the merger control clearance in Slovakia has been obtained and the remaining conditions have been satisfied or waived (as the case may be).

As at the Latest Practicable Date, the Offeror and parties acting in concert with it did not have any interest in the issued share capital or voting rights or other relevant securities of the Company.

LETTER FROM THE IFA

Terms of the Offer

The terms of the Offer set out below are summarised from the Deutsche Bank Letter. The consideration in respect of the Offer is as follows:

For every Share HK\$78.70 in cash

As at the Latest Practicable Date, there were 19,905,000 Shares in issue. As at the Latest Practicable Date, the Company had no other shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interests.

Conditions of the Offer

The Offer will be conditional on the satisfaction of the Conditions, including but not limited to the following:

- (i) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which would result in the Offeror holding at least 90% of the voting rights in the Company and 90% of the disinterested shares as referred to under Rule 2.11 of the Takeovers Code;
- (ii) the Ancillary Transactions and the KC Transaction having been approved by the Remaining Shareholders and the Executive's consent under Rule 25 of the Takeovers Code in relation to the Ancillary Transactions and the KC Transaction having been obtained;
- (iii) no event having occurred which would make the Offer void, unenforceable, illegal or prohibit the implementation of the Offer; and
- (iv) since the date of the last audited consolidated financial statements of the Company but save as publicly disclosed by the Company prior to the date of the Announcement, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general operations, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, shareholders' equity or results of operations of the Group taken as a whole, whether or not arising in the ordinary course of business.

The Deutsche Bank Letter contains a full list of the Conditions.

LETTER FROM THE IFA

The Offeror reserves the right to waive the Conditions, save that (a) Condition (i) above may only be waived if the Offeror receives acceptances in respect of the Offer which would result in the Offeror holding more than 50% of the voting rights in the Company; (b) Condition (ii) above may only be waived to the extent that the relevant parties to any of the Ancillary Transactions or the KC Transaction decide not to proceed with such transactions prior to obtaining the approval by the Remaining Shareholders in the general meeting of the Company; and (c) Condition (iii) above cannot be waived.

Irrevocable Undertaking

As disclosed in the Deutsche Bank Letter, on 24 June 2011, pursuant to the terms of the Irrevocable Undertaking, the Controlling Shareholders have respectively undertaken in favour of the Offeror to accept or procure the acceptance of the Offer (and shall not withdraw from any such acceptance) within 5 business days following the despatch of the Composite Document in respect of an aggregate of 14,037,000 Shares beneficially owned by them, representing approximately 70.52% of the issued share capital of the Company as at the Latest Practicable Date.

Background of the Offeror and reasons for the Offer

As stated in the Deutsche Bank Letter, the Offeror was incorporated on 6 October 2010 under the laws of Germany. The Offeror is a wholly-owned subsidiary of AkzoNobel, which is the largest global paints and coatings company and a major producer of specialty chemicals. AkzoNobel supplies industries and consumers worldwide with innovative products and are passionate about developing sustainable answers for its customers. AkzoNobel's portfolio includes well-known brands such as *Dulux*, *Sikkens*, *International* and *Eka*. Headquartered in Amsterdam, the Netherlands, AkzoNobel is a *Global Fortune 500* company and is consistently ranked as one of the leaders in the area of sustainability. With operations in more than 80 countries, AkzoNobel's 55,000 people around the world are committed to excellence and delivering *Tomorrow's Answers Today*TM. AkzoNobel's common shares are listed on the stock exchange of Euronext Amsterdam.

AkzoNobel believes that the acquisition of the Company as a coatings manufacturer will result in various commercial and strategic benefits to AkzoNobel's global business. The transaction will be important to AkzoNobel's international strategy by further strengthening its position in several key geographic markets and allowing AkzoNobel to actively participate in the increasing growth in consumer electronics in Asia. The transaction underlines AkzoNobel's determination to accelerate sustainable growth and build global leadership positions across all AkzoNobel's markets. In particular, AkzoNobel can fully utilize the Group's networks and reputation to further access the Korean-OEM mobile phone market and build on the Group's strong position in the German automobile supplier industry. The Group's product portfolios are

LETTER FROM THE IFA

complementary with AkzoNobel's current portfolio, both in terms of focus segments and geographic split. In addition, the acquisition of the Company offers an excellent opportunity for AkzoNobel to significantly boost industrial coatings activities and increase its operations in coatings for aluminium coil, a strength of the Company's which currently comprises only a minor portion of AkzoNobel's business.

Accordingly, the Offeror intends that the Group will continue its existing principal activities after closing of the Offer, subject to developing of the Integration Plan. The Offeror also intends that the employment of the employees of the Group will be continued, but the Offeror does not rule out that the future operational plan and Integration Plan for the combined businesses will impact employees of the combined businesses of AkzoNobel and the Group in due course. As at the Latest Practicable Date, no details of the Integration Plan had been finalized.

Compulsory acquisition and withdrawal of listing

As described in the Deutsche Bank Letter, the Offeror intends to exercise the right under the relevant German law to compulsorily acquire those Shares not acquired by the Offeror pursuant to the Offer if the Offeror manages to acquire not less than 90% of the voting rights of the Company and not less than 90% of the disinterested shares of the voting rights of the Company (as at the date which is four months of the posting of the Composite Document) as required by Rule 2.11 of the Takeovers Code. As required under German laws, if one shareholder holds 90% or more of the registered capital in such German stock corporation, it may acquire the remaining shares held by the minority shareholders by undergoing squeeze out procedures. Pursuant to such German law, if one shareholder holds 95% or more of the registered capital in such German stock corporation, it may go through the ordinary squeeze out as detailed in the Deutsche Bank Letter; alternatively, if one shareholder holds 90% or more but below 95% of the registered capital in such German stock corporation, it may then go through the merger squeeze out pursuant to which such shareholder has to enter into an implementation merger agreement with such German stock corporation to give effect to the squeeze out and pursuant to which such German stock corporation is when the squeeze out becomes effective, automatically merged into the shareholder by way of an upstream merger.

If such right is exercised and the compulsory acquisition is duly completed, the Company will become a wholly-owned subsidiary of the Offeror and an application will be made to withdraw the listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

LETTER FROM THE IFA

2. Historical financial performance of the Group

The Company was incorporated in Germany on 24 October 1985 under the name Grebe GmbH & Co. KG and was converted on 26 June 2000 from a limited partnership into a company with limited liability (GmbH) under the name Schramm Coatings GmbH. The Company was further converted from a GmbH into a joint stock company (AG) on 21 November 2008 and changed its name to its current name of Schramm Holding AG. The Shares have been listed on the Stock Exchange since 29 December 2009 with an initial offer price of HK\$37.00 per Share.

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

The following set out a summary of the audited financial information of the Group for each of the three years ended 31 December 2008, 2009 and 2010 and unaudited financial information of the Group for the six months ended 30 June 2011 as extracted from, whichever relevant, the Company's annual reports 2009 and 2010 and interim report 2011:

	For the six months ended 30 June 2011	For the year ended 31 December		
	€'000	2010	2009	2008
		€'000	€'000	€'000
Revenue	61,027	115,304	98,526	104,250
Core operating profit	4,423	9,916	7,557	9,212
Operating profit margin (%)	7.25%	8.60%	7.67%	8.84%
Profit before income tax	3,752	7,498	6,000	7,766
Profit after income tax	2,514	4,786	4,463	5,539
	As at 30 June 2011	As at 31 December		
	€'000	2010	2009	2008
		€'000	€'000	€'000
Total assets	95,240	90,042	94,765	82,970
Total liabilities	40,957	35,713	46,759	51,017
Net assets value	54,283	54,329	48,006	31,953

Revenue

According to the Company's annual report 2009, for the year ended 31 December 2009, the Group recorded a turnover of approximately €98.5 million (equivalent to approximately HK\$1,088.4 million) and profit for the year of approximately €4.5 million (equivalent to approximately HK\$49.7 million).

LETTER FROM THE IFA

Turnover and profit for the year ended 31 December 2009 represented year-on-year decreases of 5.5% and 21.4%, respectively. The drop was mainly due to the lower profitability in the first half of 2009 as a result of the global financial crisis.

Revenue for the Group for the year ended 31 December 2010 increased to approximately €115.3 million (equivalent to approximately HK\$1,274.1 million), representing a year-on-year growth rate of 17.0%, due to increase in revenue in all operating segments from European and Asian operations.

According to the Company's interim report 2011, revenue of the first half of 2011 increased 6.9% compared to the corresponding period in 2010, mainly from the automotive and general industry segment.

The Group's revenue by operating segments as extracted from the Company's annual reports 2009 and 2010 is shown below:

	For the six months ended 30 June 2011	For the year ended 31 December		
	2011	2010	2009	2008
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Automotive and general industry	47,459	88,938	75,355	76,016
Coil coating	10,922	21,244	18,526	21,426
Electrical insulations	2,646	5,122	4,389	6,808
Other division	—	—	256	—
Total	<u>61,027</u>	<u>115,304</u>	<u>98,526</u>	<u>104,250</u>

The Group is predominately focused on the sale in the automotive and general industry, with corresponding revenue representing 77.1%, 76.5% and 72.9% of the total revenue of the Group for the years ended 31 December 2008, 2009 and 2010, respectively. For the six months ended 30 June 2011, automotive and general industry sector continued to be the main driver of the Group's revenue with segment sales in Europe exceeding management's expectations and the Group's anticipation of strong growth projectile in Asia.

Core operating profit

Core operating profit is calculated by revenue less changes in inventories of finished goods and work-in-progress, cost of materials, employee benefit expenses, depreciation and amortisation, other operating expenses and net of other gains.

Core operating profit of the Group increased by approximately 31.2% from approximately €7.6 million (equivalent to approximately HK\$83.5 million) for the year ended 31 December 2009 to €9.9 million (equivalent to approximately HK\$109.6 million) for the year ended 31 December 2010. Core operating profit

LETTER FROM THE IFA

margin demonstrated recovery between the years ended 31 December 2008 and 2010, changing from 8.8% in 2008, to 7.7% in 2009 and 8.6% in 2010. Comparing half-yearly, however, the Group's core-operating profit for the six months ended 30 June 2011 dropped to approximately €4.4 million (equivalent to approximately HK\$48.9 million) from €5.1 million (equivalent to approximately HK\$56.5 million) in the same period in 2010. The growth in revenue in the first half of 2011 was nearly offset by the increase in cost of materials and employee benefit and other operating expenses. Accordingly, core operating profit margin dropped from 8.96% to 7.25% for the six months ended 30 June 2011.

Profit for the year/six month period

Profit attributable to the Shareholders increased by 7.24% from approximately €4.5 million (equivalent to approximately HK\$49.3 million) for the year ended 31 December 2009 to approximately €4.8 million (equivalent to approximately HK\$52.9 million) for the year ended 31 December 2010. According to the Company's annual report 2010, the increase in net profit is due to a strong position to capture new project during the 2010 recovery.

For the six months ended 30 June 2011, profit attributable to Shareholders amounted to approximately €2.5 million (equivalent to approximately HK\$27.8 million), compared to approximately €2.8 million (equivalent to approximately HK\$31.2 million) in 2010. Net profit margin dropped mainly due to the increase in total material costs.

Indebtedness

Net borrowings, calculated by subtracting cash and cash equivalent by total bank borrowings of the Group, were approximately €15.3 million (equivalent to approximately HK\$169.2 million), €12.5 million (equivalent to approximately HK\$138.3 million) and €28.3 million (equivalent to approximately HK\$312.6 million) as at 31 December 2010, 2009 and 2008, respectively. As a result, the gearing ratio (calculated by dividing net borrowings by the sum of net borrowings and total equity of the Group) was approximately 22.0%, 20.7% and 47.0%, respectively as at 31 December 2010, 2009 and 2008. According to the Company's annual report 2010, the slight increase in gearing ratio was due to the additional investments relating to operation and investment in Vietnam made in 2010, which reduced cash and cash equivalents. The gearing ratio for 2009 decreased because the Group repaid or replaced short term bank borrowings with long term facilities as described in the Company's annual report 2009.

As at 30 June 2011, net assets value of the Group was approximately €54.3 million (equivalent to approximately HK\$599.9 million). Gearing ratio increased to 27.0% from 31 December 2010 due to the short term need for investment in inventories preparing for peak seasons.

Industry overview

i. Overview of the western European and PRC markets of paint and coating industry

As disclosed in the prospectus of the Company dated 15 December 2009, the paint and coatings industry is largely divided into decorative coatings, general industry coatings and UV-curable coatings. The business of the Group would largely fall under the general industry coating category. The western European region is a leading market where the paint and coatings know-how and technology is well established with a steady market growth in paint and coatings demand whereas the PRC market is driven by the growth of the Chinese economy where growth of industrial applications grow exponentially.

ii. Paint and coatings industry in the Western Europe

The paint and coatings industry in the Western Europe is mature and generally in line with economics condition. The Western Europe region has its leading position in the market where paint and coatings know-how and technology is well established with a steady market growth in paint and coatings demand.

This year, the European economic condition showed hope of recovery, but posed some downside risks. The International Monetary Fund projected that advanced Europe would expand its real activity by 1.7% and 1.9% in 2011 and 2012, while emerging Europe expand by 4.3% in both 2011 and 2012. The sovereign debt troubles in the euro zone area that have yet to be contained remain to be the main risk. As a result, we consider that the Western European paint and coatings industry is facing challenges in the short term, until credible policy and measures and strong sign of recovery emerges. We also expect that industrial coatings in Western Europe will face difficult times on a number of fronts, including the general poor condition of the automotive sector and a decline in demand for exported and consumer goods.

iii. Paint and coatings industry in the PRC

The target areas for economic stimulation in the PRC are the rural communities and markets on the one hand and environmentally-friendly and energy-efficient technologies on the orders.

Despite the financial crisis since 2008, the PRC has demonstrated a steady growth pace through rising incomes, new infrastructure projects being put in place and increasing number of rural car ownerships.

The PRC coatings market is highly focused on infrastructural and manufacturing applications. The robust construction of infrastructure projects and properties in the PRC as driven by the PRC government's policy and domestic needs brought strong demands in industrial coatings and architectural

LETTER FROM THE IFA

coatings. As the Group's main products are the automotive and general industry coatings, together with its environmentally friendly water-borne technology which receives widening acceptance, we consider that the Group will continue to capture market demand.

Future prospect

As disclosed in the Company's annual report 2010, the Company has set ambitious goals and targets for 2011. The Company expected to start manufacturing and servicing clients in Vietnam and to start operating the central research and development centre in Tianjin by the end of the first half of 2011. It is further disclosed in the Company's interim report 2011 that the new facility in Vietnam is now operational. The Company's growth of financial results in 2010 is due to the global and automotive recovery, especially in the developed countries. As disclosed in the Company's annual report 2010, the Company expected that growth rates from the operations of the Company will come down to reasonable levels. On the other hand, the Company expected that its operation in developing markets, mainly in the PRC, to enjoy continued double digit growth rates and will be the key growth driver in 2011. We concur with the Director's view that the Group's profitability will be influenced by raw material prices, which showed to be volatile. Severe unexpected shifts in raw material prices will have a significant impact.

Although the Company has set its target to exploit growth from developing markets, the majority of its revenue is still generated from Germany of Europe. During the period when the European countries are struggling with the sovereign debt crisis which also affected the world-wide economy, we are of the view that the business prospects of the Group in respect of the operations in Europe may be uncertain in the short run depend on the speed of recovery of the economic growth in Europe.

We note from the Deutsche Bank Letter that the Offeror intends that the Group will continue its existing principal activities after closing of the Offer, subject to developing of the Integration Plan.

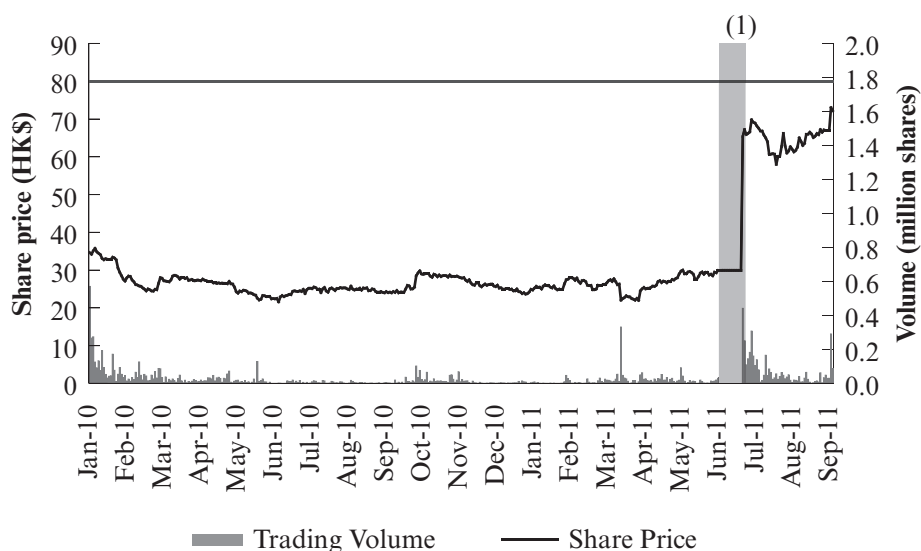
The completion of the Offer will provide the opportunity for AkzoNobel and the Group to integrate their businesses, both are operating in the same industry. The business integration between AkzoNobel and the Group may lead to the results of resource sharing, including technology, know-how and plants and production facilities and result in greater operating efficiency. Accordingly, if these synergies were realized after the Offer, there may be a positive impact on the enlarged company on their business going forward.

3. Offer Price

(i) Historical market price and liquidity of the Shares

The following chart shows the closing price and trading volume of the Shares as quoted on the Stock Exchange from 4 January 2010, being the first trading day of calendar year of 2010, to the Latest Practicable Date (both dates inclusive) (the “Review Period”):

Daily closing price and trading volume of the Shares



(Source: Bloomberg)

⁽¹⁾ Trading of the Shares was suspended with effect from 9:00 a.m. 14 June 2011, pending the release of the Announcement, before its resumption on 4 July 2011.

As illustrated in the chart above, the Shares have never been traded above the Offer Price. Prior to the making of the Announcement, the highest closing price of the Shares was HK\$35.75, closed on 7 January 2010, whereas the lowest closing price of the Shares was HK\$21.60, closed on 10 June 2010. The closing price of the Shares on the Last Trading Day was HK\$29.90. The closing price of the Shares on 4 July 2011, the first trading day of the Shares after the Last Trading Day and the release of the Announcement surged to HK\$65.35, representing an increase of 118.6% over the closing price of the Shares on the Last Trading Day.

LETTER FROM THE IFA

(ii) Premium of the Offer Price to the historical market price of the Shares

The table below states the closing price of the Shares as at the Latest Practicable Date, the Last Trading Day on which the Shares were traded prior to the publication of the Announcement, and the average closing price for the 5, 10 and 30 trading days up to and including the Last Trading Day and the premium which the Offer Price represents over such closing prices:

	Closing price/ Average closing price (HK\$)	Approximate premium of the Offer Price to the closing price/average closing price (%)
Latest Practicable Date	72.20	9.00%
Last Trading Day	29.90	163.2%
5 trading days up to and including the Last Trading Day	29.21	169.4%
10 trading days up to and including the Last Trading Day	29.20	169.5%
30 trading days up to and including the Last Trading Day	28.67	174.5%

As shown in the table above, the premiums represented by the Offer Price to the closing price as at the Last Trading Day and the average closing price for the respective periods prior to and including the Last Trading Day range from approximately 163.2% to 174.5%.

Following the release of the Announcement on 30 June 2011, the trading price increased and has remained at a higher level up to the Latest Practicable Date. The closing price of the Shares increased by 118.6% to HK\$65.35 on 4 July 2011, being the first trading day after the release of the Announcement. From 4 July 2011 to the Latest Practicable Date, the closing prices of the Shares were within the range of HK\$58.0 to HK\$73.0. From 29 December 2009 (date of listing of the shares of the Company) up to and including the Latest Practicable Date, the trading price of the Shares was traded below the Offer Price.

However, the Shareholders should note that the past trading performance of the Shares should not in any way be relied upon as an indication of its trading performance. Further, there is no assurance that the trading price of the Shares will remain at current level if the Offer does not proceed to completion and the trading price of the Shares may revert to its historical trading range before the Announcement, which is below the Offer Price.

LETTER FROM THE IFA

(iii) Liquidity

The table below sets out the trading volume of the Shares per month, and the monthly trading volume as a percentage of the issued share capital of the Company for the period from 1 July 2010 to 30 June 2011, being the 12 full calendar months prior to the making of the Announcement:

	Monthly trading volume of the Shares	Monthly trading volume of the Shares as a percentage of total issued share capital of the Company
2010		
July	6,850	0.03%
August	4,428	0.02%
September	7,562	0.04%
October	27,420	0.14%
November	13,593	0.07%
December	4,429	0.02%
2011		
January	2,728	0.01%
February	9,422	0.05%
March	32,963	0.17%
April	26,229	0.13%
May	17,790	0.09%
June ⁽¹⁾	12,520	0.06%
Simple average (1 July 2010 to Last Trading Day)	13,828	0.07%
Simple average during the post-Announcement Period	71,020	0.36%

(Source: Bloomberg)

⁽¹⁾ Excludes the period between 14 June 2011 and 30 June 2011 (both dates inclusive), when trading of the Shares was suspended pending the release of the Announcement.

LETTER FROM THE IFA

As illustrated in the table above, we note that the Shares are apparently illiquid. The monthly trading volume of the Shares ranged from 2,728 Shares to 32,963 Shares in the 12 month period to 30 June 2011. The average monthly trading volume of the Shares in the same period was 13,828 Shares, representing only 0.07% of the total issued shares capital of the Company. Trading volume of the Shares increased significantly during the post-Announcement Period, i.e. the period after the publication of the Announcement until and includes the Latest Practicable Date, with simple average trading volume of 71,020 Shares, or 0.36% of the issued total share capital of the Company.

In view of the above, we consider that the overall liquidity of the Shares was low during the period under review based on the analysis above. As such, Shareholders who intend to dispose of a large number of Shares in the open market may not be able to do so without exerting a downwards pressure on the price of the Shares. Accordingly, we consider that the Offer provides an alternative exit to such Shareholders to realize their investment in the Company at the Offer Price, which has a premium over the highest closing price during the Review Period.

LETTER FROM THE IFA

(iv) Comparison of the Offer Price with the comparable companies

In assessing the fairness of the Offer Price, we have conducted a search of all companies listed on the Stock Exchange whose principal business is engaging in selling and distribution of coatings, paint or similar and related products as described in their respective latest annual reports or on the Stock Exchange's website. We have identified four companies (the "**Comparable Companies**"), being an exhaustive list of comparable companies to our best knowledge. We have compared the respective valuation multiples, including price-to-earnings ratio (the "**P/E Ratio**") and the price-to-book value ratio (the "**P/B Ratio**") of the Comparable Companies, with the implied P/E Ratio and P/B Ratio of the Company at the Offer Price, details of which are set out in the table below.

Company name (Stock Code)	Principal activities	Market Capitalization (HK\$'m) ⁽¹⁾	P/E Ratio ⁽²⁾	P/B Ratio ⁽³⁾
CNT Group Limited (701)	Manufacture and sale of paint products; trading of steel products; property investment and development, strategic investments.	679.8	19.5x	0.8x
Greenfield Chemical Holdings Limited (582)	Manufacture and distribution of liquid coatings, powder coatings and solvents.	491.1	19.7x	1.1x
Yip's Chemical Holdings Limited (408)	Manufacture and trading in solvents, coatings and lubricants.	5,014.6	14.2x	2.2x
Ngai Hing Hong Company Limited (1047)	Manufacture and trading of plastic materials, pigments, colorants, compounded plastic resins and engineering plastic products.	199.4	7.0x	0.5x
Average			15.1x	1.2x
Median			16.9x	1.0x
Implied value at Offer Price		1,566.5	29.62x	2.61x

(Source: website of the Stock Exchange: <http://www.hkex.com.hk/>)

⁽¹⁾ *Based on the closing price per share and number of issued shares of the Comparable Companies on the Last Trading Day as extracted from website of the Stock Exchange.*

⁽²⁾ *Based on the market capitalization of the Comparable Companies on the Last Trading Day as in (1) above and their respective net profit attributable to shareholders for the latest financial year as extracted from the respective companies' annual reports.*

LETTER FROM THE IFA

- (3) *Based on the market capitalization of the Comparable Companies on the Last Trading Day as in (1) above and their respective net assets value attributable to shareholders as at the latest financial year end date as extracted from the respective companies' annual reports.*

P/E Ratios and P/B Ratios analysis

As the Company is principally engaged in the manufacture and provision of coatings solution, we consider that the analysis of P/E Ratios is more meaningful than the analysis of P/B Ratios as P/B Ratios do not always take into account a company's certain intangible assets such as its brand name and other in-house created intellectual property. However, we include herewith the analysis of P/B Ratios for additional reference. As shown in the table above, as at the Last Trading Day, the P/E Ratios of the Comparable Companies ranged from approximately 7.0 x to approximately 19.7 x, with an average and median of 15.1 x and 16.9 x, respectively. As also shown in the table above, as at the Last Trading Day, the P/B Ratios of the Comparable Companies ranged from approximately 0.5 x to approximately 2.2 x, with an average and median of 1.2 x and 1.0 x, respectively.

The Offer Price of HK\$78.70 per Share implies a P/E Ratio of 29.62 x for the Company and well exceeds the highest P/E Ratio of the Comparable Companies, being 19.7 x, as at the Last Trading Day. On the other hand, the P/B Ratio of 2.6 x as implied by the Offer Price is also greater than the highest P/B Ratio of the Comparable Companies, being 2.2 x, as at the Last Trading Day.

(v) Comparison of the Offer with other cash offer transactions in Hong Kong

In order to provide an indication of general shareholders' expectation out of voluntary offers or privatisation proposals, we have also conducted a search on the Stock Exchange's website, and reviewed and compared the Offer Price with offer prices of all voluntary offers announced (including takeovers and privatisation) and completed, during the period commencing from 4 January 2010, being the first trading day of calendar year of 2010, to the date of the Announcement, by companies listed on the Stock Exchange. Although the offeree companies may be from different industries, we consider that this analysis provides additional reference as to the premium/discount of offer/cancellation price over/to the average share prices prior to announcement. Accordingly, we have identified thirteen comparable transactions which are an exhaustive list and fit our criteria of selection.

LETTER FROM THE IFA

Our analysis is summarized in the following table:

Name of offeree company (stock code)	Initial offer/ privatization announcement date	Offer price/ Cancellation consideration per share (HK\$)	Premium/ (discount) of offer price to the average closing price for the last 5 trading days up to and including the respective last trading day	Premium/ (discount) of offer price to the average closing price for the last 10 trading days up to and including the respective last trading day	Premium/ (discount) of offer price to the average closing price for the last 5 trading days up to and including the respective last trading day	Premium/ (discount) of offer price to the average closing price for the last 10 trading days up to and including the respective last trading day
Emperor Entertainment Hotel Limited (296)	24 January 2011	1.585	7.82%	10.38%	10.61%	
Shanghai Forte Land Co., Ltd. (2337)	20 January 2011	3.50	25.40%	23.10%	24.60%	
Fubon Bank (Hong Kong) Limited (636)	19 January 2011	5.20	37.20%	41.92%	43.13%	
SEEC Media Group Limited (205)	25 November 2010	0.14	0.72%	2.34%	1.16%	
Integrated Distribution Services Group Limited (2387)	12 August 2010	21.00	36.36%	42.86%	41.51%	
Industrial and Commercial Bank of China (Asia) Limited (349)	10 August 2010	29.45	27.77%	34.60%	37.58%	
Morning Star Resources Limited (542)	4 August 2010	0.20	-29.82%	-28.83%	-26.74%	
Easyknit International Holdings Limited (1218)	28 May 2010	3.3	33.06%	25.89%	22.91%	
Denway Motors Limited (203)	19 May 2010	5.42 ⁽¹⁾	32.52%	32.52%	30.29%	
Joyce Boutique Holdings Limited (647)	5 February 2010	0.20	-11.11%	-12.43%	-2.15%	
Termbray Industries International (Holdings) Limited (93)	3 February 2010	1.20	5.26%	6.76%	8.50%	
Zhongyu Gas Holdings Limited (8070)	26 January 2010	0.1743	1.64%	0.59%	1.64%	
Hutchison Telecommunications International Limited (2332)	8 January 2010	2.20	33.33%	36.82%	38.10%	
Average:			15.40%	16.66%	17.78%	
Offer Price			163.2%	169.4%	169.5%	

(Source: website of the Stock Exchange: <http://www.hkex.com.hk/>)

⁽¹⁾ Mid-point of the valuation range of the consideration of HK\$5.42 for each share of Denway Motors Limited was adopted as the cancellation consideration per share.

LETTER FROM THE IFA

As set out in the table above, the premiums of the Offer Price over the closing price on the Last Trading Day, average closing price for the last 5 trading days up to and including the Last Trading Day, and the average closing price for the 10 trading days up to and including the Last Trading Day are significantly higher than the corresponding average and the highest premiums for those of the comparable transactions.

Our view

Having considered the above, we are of the view that the Offer Price is fair and reasonable so far as the Shareholders are concerned.

4. Other considerations

(i) Compulsory acquisition and withdrawal of listing of the Shares

The Shareholders should note that the Offeror has already stated its intention to exercise the right to compulsorily acquire those Shares not acquired by the Offeror pursuant to the Offer if the Offeror manages to acquire not less than 90% of the voting rights of the Company and not less than 90% of the disinterested shares of the voting rights of the Company (as at the date which is four months of the posting of the Composite Document) as required by Rule 2.11 of the Takeovers Code. An application will be made for the withdrawal of the listing of the Shares from the Stock Exchange should compulsory acquisition rights be exercised in full. As the Offer Price is higher than the trading price and historical price of the Shares, we consider that it is likely the Offeror will exercise its right of compulsory acquisition.

On the other hand, should the Offeror not exercise its compulsory acquisition rights within four months from the date of despatch of the Composite Document for whatever reasons, the Company will continue to maintain the listing of the Shares on the Stock Exchange. However, if, following completion of the Offer, the number of the Shares which remain in public hands is insufficient to satisfy the minimum public float requirement under the Listing Rules, trading in the Shares may or may not be suspended until the required percentage of Shares held by the public is restored. The Company will then be required to place down some of the Shares to maintain the minimum public float and there remains a possibility that the Offeror may or may not be able to do so without selling the Shares at a discount to the Offer Price, which may indirectly exert a downwards pressure on the Share price. Shareholders should note that it is a Condition to the Offer that valid acceptances of the Offer being received reach such level the Offeror can exercise its right of compulsory acquisition.

LETTER FROM THE IFA

(ii) *Stamp duty*

Shareholders should note that by accepting the Offer, they will be subject to *ad valorem* stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer.

RECOMMENDATION

Based upon the principal factors and reasons and the foregoing, in particular that:

- (i) the Offer Price implies a P/E Ratio of 29.6 x and a P/B Ratio of 2.6 x which are higher than the P/E Ratios and P/B Ratios of those Comparable Companies as at the Last Trading Day;
- (ii) the Offer Price represents a considerable premium of approximately 163.2% over the Last Trading Day as well as over the average closing prices of 5, 10, and 30 consecutive trading days before and up to and including the Last Trading Day, and that the Offer Price is consistently and considerably higher than the trading price of the Shares during the Review Period; and
- (iii) there exists apparent low liquidity for trading in the Shares during the period under review by the liquidity analysis, the disposal of a large number of Shares by the Shareholders in the open market may exert a downward pressure on the price of the Shares, and the Offer provides an alternative exit to the Shareholders to realize all their investments in the Company at the Offer Price, which is also above the highest closing price of the Shares during the Review Period,

we consider the terms of the Offer being fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the IBC to recommend that the Shareholders accept the Offer.

LETTER FROM THE IFA

However, Shareholders are reminded that they should carefully and closely monitor the market price of the Shares before the end of the Offer Period and consider selling their Shares in the open market rather than accepting the Offer if the net proceeds from the market sale of their Shares after deducting all transactions costs are more than the net amount to be received under the Offer.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director

1. PROCEDURES FOR ACCEPTANCE

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares are in your name, and you wish to accept the Offer, you must send the duly completed relevant Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares which is/are in your name which you intend to accept the Offer by post or by hand, marked “Schramm Holding AG — Offer” on the envelope, to the Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible, but in any event so as to reach the Hong Kong Branch Registrar not later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some name other than your own and you wish to accept the Offer whether in full or in respect of part of your holding of Shares, you must either:

- (a) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the relevant Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Hong Kong Branch Registrar; or
- (b) arrange for the Shares to be registered in your name by the Company through the Hong Kong Branch Registrar and send the relevant Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Hong Kong Branch Registrar; or
- (c) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
- (d) if your Shares have been lodged with your Investor Participant’s Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Hong Kong Branch Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become available, it/they should be forwarded to the Hong Kong Branch Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Hong Kong Branch Registrar a letter of indemnity which, when completed in accordance with the instruction given, should be returned to the Hong Kong Branch Registrar.

If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer, you should nevertheless complete the Form of Acceptance and deliver it to the Hong Kong Branch Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to any of Deutsche Bank and/or, the Offeror or their respective agent(s) to collect from the Company or the Hong Kong Branch Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificates to the Hong Kong Branch Registrar and to authorise and instruct the Hong Kong Branch Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it/they were delivered to the Hong Kong Branch Registrar with the relevant Form of Acceptance.

Acceptance of the Offer may not be counted as valid unless:

- (a) it is received by the Hong Kong Branch Registrar on or before the latest time for acceptance on the First Closing Date at 4:00 p.m. (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Hong Kong Branch Registrar has recorded that the acceptance and any relevant documents required under paragraph (b) below have been so received; and
- (b) the Form of Acceptance is duly completed and is: (i) accompanied by Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares and, if that/those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (b)); or (iii) certified by the Hong Kong Branch Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Hong Kong Branch Registrar must be produced.

No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT

Provided that the Form of Acceptance and relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Hong Kong Branch Registrar by not later than 4:00 p.m. on the First Closing Date being the latest time for acceptance of the Offer (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Offer has become or been declared unconditional in all respects, a cheque for the amount due to the accepting Shareholders in respect of the Shares tendered by them under the Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the accepting Shareholders to the addresses specified on the Form of Acceptance by ordinary post at their own risk as soon as possible but in any event within 10 days of the later of the date on which the Offer becomes or is declared unconditional in all respects and the date on which all the relevant documents are received by the Hong Kong Branch Registrar to render such acceptance under the Offer complete and valid.

Settlement of the consideration to which any accepting Shareholder(s) is/are entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer have previously been revised, the latest time and date for acceptance will be 4:00 p.m. on the First Closing Date. The Offeror reserves the right to revise the Offer after the despatch of this document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises its terms, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

If the Offer are revised, the announcement of such revision will state the next closing date. If the Offer are revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the revised offer document.

In order to be valid, Form of Acceptance for the Offer must be received by the Hong Kong Branch Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the First Closing Date.

If the First Closing Date is extended, any reference in the Composite Document and in the Form of Acceptance to the First Closing Date shall, except where the context otherwise requires, be deemed to refer to the First Closing Date of the Offer as so extended.

4. ANNOUNCEMENTS

By 6:00 p.m. on the First Closing Date of the Offer, or such later time and/or date as the Executive may in exceptional circumstances permit, the Offeror must inform the Executive and the Stock Exchange of its decisions in relation to revision, extension, expiry or unconditionality of the Offer. The Offeror shall publish an announcement to be posted on the Stock Exchange's website by 7:00 p.m. on the First Closing Date of the Offer stating whether the Offer have been revised or extended, or have expired. The announcement shall specify the number of Shares and rights over Shares, (a) for which valid acceptances have been received; (b) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and (c) acquired or agreed to be acquired by the Offeror or any person acting in concert with it during the Offer Period.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must specify the percentages of the relevant classes of share capital, and the percentages of voting rights of the Company represented by these numbers of Shares.

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below or in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the Offer have not by then become unconditional as to acceptances.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" in this Appendix I, the Executive may require that the Shareholders who have tendered acceptances to the Offer, as the case may be, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.
- (c) If an accepting Shareholder withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return, by ordinary post and at the risk of the Shareholder, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Shareholder.

6. STAMP DUTY

Seller's ad valorem stamp duty (as prescribed under the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong) at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the stamp duty on behalf of accepting Shareholders in connection with the acceptance of the Offer and the transfer of the Shares.

7. TAXATION

The Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the tax implications of their accepting the Offer. It is emphasised that none of the Offeror, Deutsche Bank or any of their respective directors or any persons involved in the Offer accepts any responsibility for any tax effects on, or liabilities of, any person or persons as a result of their acceptances of the Offer.

8. OVERSEAS HOLDERS OF THE SHARES

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdiction. Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain appropriate legal advice on, or be informed themselves about and observe any applicable regulatory or legal requirement. It is the responsibility of each person who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities, regulatory or legal requirements and the payment of any transfer or cancellation or other taxes or duties due in respect of such jurisdiction.

9. GENERAL

- (i) Acceptance of the Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer are sold by any such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the First Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the First Closing Date.
- (ii) All communications, notices, Form of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of the Offeror,

the Company, Deutsche Bank or the Hong Kong Branch Registrar or any of their respective agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (iii) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (iv) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.
- (v) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (vi) Due execution of a Form of Acceptance will constitute an authority to the Offeror, any director of the Offeror, Deutsche Bank or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (vii) References to the Offer in this Composite Document and in the Form of Acceptance shall include any revision thereof.
- (viii) The English text of this Composite Document and of the Form of Acceptance shall prevail over their respective Chinese text.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2010 as extracted from the annual reports of the Company for the year ended 31 December 2010 and 2009, respectively, and for the six months ended 30 June 2011 as extracted from the 2011 interim report of the Company dated 17 August 2011.

The former auditors of the Company for two financial years ended 31 December 2009, PricewaterhouseCoopers, did not issue any qualified opinion on the financial statements of the Group for each of the two years ended 31 December 2009.

The auditors of the Company for the year ended 31 December 2010, Deloitte Touche Tohmatsu, did not issue any qualified opinion on the financial statements of the Group for the year ended 31 December 2010.

The Company had no exceptional or extraordinary items for each of the six months ended 30 June 2011 and the three years ended 31 December 2010.

(i) Consolidated Income Statement

	Year ended 31 December			Six months ended
	2008	2009	2010	30 June
	€'000	€'000	€'000	2011
				€'000
Continuing operations:				
Revenue	104,250	98,526	115,304	61,027
Other operating income	498	591	643	242
Changes in inventories of finished goods and work-in-progress	70	(823)	3,361	576
Cost of materials	(57,821)	(53,061)	(67,964)	(35,128)
Employee benefit expenses	(18,981)	(19,965)	(21,940)	(11,671)
Depreciation and amortization	(2,947)	(3,337)	(3,363)	(1,709)
Other operating expenses	(17,359)	(14,627)	(17,165)	(9,259)
Other gains, net	1,502	253	1,040	345
Core operating profit	9,212	7,557	9,916	4,423
Non-core operating expenses	—	—	(950)	—
Earnings before interests and taxes	9,212	7,557	8,966	4,423
Finance income	43	30	53	13
Finance costs	(1,531)	(1,587)	(1,521)	(684)
Share of results from a jointly controlled entity	42	—	—	—
Profit before income tax	7,766	6,000	7,498	3,752
Income tax expense	(2,086)	(1,537)	(2,712)	(1,238)
Profit for the year from continuing operations	<u>5,680</u>	<u>4,463</u>	<u>4,786</u>	<u>2,514</u>
Discontinued operations:				
Loss for the year from discontinued operations	<u>(141)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the year attributable to owners of the Company	<u>5,539</u>	<u>4,463</u>	<u>4,786</u>	<u>2,514</u>
Earnings per share				
— basic and diluted (<i>€ per share</i>)	<u>N/A</u>	<u>€0.33</u>	<u>€0.24</u>	<u>€0.13</u>
Dividend				
— proposed final	<u>—</u>	<u>1,393</u>	<u>—</u>	<u>—</u>
Dividend per share (<i>€</i>)	<u>—</u>	<u>€0.07</u>	<u>—</u>	<u>—</u>

(ii) Assets and Liabilities

	As at 31 December			As at
	2008	2009	2010	30 June
	€'000	€'000	€'000	2011
Total assets	82,970	94,765	90,042	95,240
Total liabilities	51,017	46,759	35,713	40,951
Net assets	<u>31,953</u>	<u>48,006</u>	<u>54,329</u>	<u>54,289</u>

2. AUDITED FINANCIAL INFORMATION

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2010 extracted from the annual report of the Company for the year ended 31 December 2010:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	<i>Notes</i>	2010 €'000	2009 €'000
Revenue	32	115,304	98,526
Other operating income	5	643	591
Changes in inventories of finished goods and work-in-progress		3,361	(823)
Cost of materials	6	(67,964)	(53,061)
Employee benefit expenses	7	(21,940)	(19,965)
Depreciation and amortization	8	(3,363)	(3,337)
Other operating expenses	8	(17,165)	(14,627)
Other gains, net	9	1,040	253
Core operating profit		9,916	7,557
Non-core operating expenses	10	(950)	—
Earnings before interests and taxes		8,966	7,557
Finance income	11	53	30
Finance costs	11	(1,521)	(1,587)
Profit before income tax		7,498	6,000
Income tax expense	12	(2,712)	(1,537)
Profit for the year attributable to owners of the Company		<u>4,786</u>	<u>4,463</u>
Earnings per share			
— basic and diluted (<i>€ per share</i>)	13	<u>€0.24</u>	<u>€0.33</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2010*

	<i>Note</i>	2010 €'000	2009 €'000
Profit for the year attributable to owners of the Company		<u>4,786</u>	<u>4,463</u>
Exchange differences arising on the translation of the Company's foreign operations	24	<u>2,930</u>	<u>(492)</u>
Other comprehensive income for the year		----- 2,930	----- (492)
Total comprehensive income attributable to owners of the Company		<u><u>7,716</u></u>	<u><u>3,971</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	<i>Notes</i>	2010 €'000	2009 €'000
ASSETS			
Non-current assets			
Intangible assets	15	4,039	2,829
Property, plant and equipment	16	24,598	24,831
Land use rights	17	1,079	548
Other receivables and prepayments	19	43	343
Deferred tax assets	29	1,827	2,393
		<u>31,586</u>	<u>30,944</u>
Current assets			
Inventories	20	19,931	15,689
Trade and bills receivables	21	30,532	30,075
Other receivables and prepayments		2,035	3,694
Income tax recoverable		—	137
Cash and cash equivalents	22	4,782	14,226
		<u>57,280</u>	<u>63,821</u>
Asset held for sale	18	1,176	—
		<u>58,456</u>	<u>63,821</u>
Total assets		<u><u>90,042</u></u>	<u><u>94,765</u></u>
EQUITY			
Capital and reserves			
Issued capital	23	19,905	19,905
Additional paid-in capital	23	24,921	24,921
Other reserves	24	(12,561)	(15,491)
Retained earnings		22,064	18,671
		<u>54,329</u>	<u>48,006</u>
LIABILITIES			
Non-current liabilities			
Pensions and similar obligations	25	1,110	1,140
Provisions	26	225	721
Financial liabilities	27	17,292	17,406
Deferred tax liabilities	29	2,037	2,028
		<u>20,664</u>	<u>21,295</u>

	<i>Notes</i>	2010 €'000	2009 €'000
Current liabilities			
Trade and other payables	28	8,084	13,109
Provisions	26	2,331	1,342
Financial liabilities	27	3,746	10,393
Income tax liabilities		888	620
		<u>15,049</u>	<u>25,464</u>
Total liabilities		<u>35,713</u>	<u>46,759</u>
Total equity and liabilities		<u>90,042</u>	<u>94,765</u>
Net current assets		<u>43,407</u>	<u>38,357</u>
Total assets less current liabilities		<u>74,993</u>	<u>69,301</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Capital and reserves attributable to owners of the Company				Total equity €'000
	Issued capital €'000	Additional paid-in capital €'000	Retained earnings €'000	Other reserves (Note 24) €'000	
As at 1 January 2009	13,155	12,284	14,208	(7,694)	31,953
Profit for the year	—	—	4,463	—	4,463
Other comprehensive income for the year	—	—	—	(492)	(492)
Total comprehensive income for the year	—	—	4,463	(492)	3,971
Distribution to previous shareholders of subsidiaries (Note 24(c))	—	—	—	(7,305)	(7,305)
Issuance of shares for acquisition of a subsidiary (Note 23(b))	1,750	5,940	—	—	7,690
Issuance of shares for cash (Note 23(c))	5,000	11,450	—	—	16,450
Share issuance costs charged to equity	—	(4,753)	—	—	(4,753)
As at 31 December 2009	19,905	24,921	18,671	(15,491)	48,006
Profit for the year	—	—	4,786	—	4,786
Other comprehensive income for the year	—	—	—	2,930	2,930
Total comprehensive income for the year	—	—	4,786	2,930	7,716
Dividend paid	—	—	(1,393)	—	(1,393)
As at 31 December 2010	<u>19,905</u>	<u>24,921</u>	<u>22,064</u>	<u>(12,561)</u>	<u>54,329</u>

CONSOLIDATED STATEMENT OF CASH FLOWS*for the year ended 31 December 2010*

	<i>Note</i>	2010 €'000	2009 €'000
Operating activities			
Cash generated from operations	31	6,716	10,638
Interest paid		(1,413)	(1,587)
Interest received		53	30
Income tax paid		(1,692)	(768)
Net cash generated from operating activities		3,664	8,313
Investing activities			
Proceeds from disposals of property, plant and equipment		70	153
Payments for intangible assets, property, plant and equipments and land use right		(4,165)	(2,407)
Purchase of interest In Inlustra		(1,176)	—
Net cash used in investing activities		(5,271)	(2,254)
Financing activities			
Proceeds from issuance of additional capital, net of share issuance costs		—	10,566
Distribution to previous shareholder of a subsidiary		—	(298)
Payments for finance lease		(190)	(192)
Proceeds from borrowings		9,110	24,900
Repayments of borrowings		(15,758)	(28,497)
Dividend paid		(1,393)	—
Net cash (used in)/generated from financing activities		(8,231)	6,479
(Decrease)/increase in cash and cash equivalents		(9,838)	12,538
Cash and cash equivalents at 1 January		14,226	2,045
Effect of exchange rate changes on the balance of cash held in foreign currencies		394	(357)
Cash and cash equivalents at 31 December		4,782	14,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**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 customer 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”). These consolidated financial statements have been approved for issue by the Management Board and the Supervisory Board on 17 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). They have also been prepared in accordance with IFRS as adopted by the EU as all Standards and Interpretations that have been effective in 2010 have been endorsed by the EU and the Group has not early adopted any standards or interpretations that are not yet effective and have not yet been endorsed by the EU. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative instruments at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Reorganization

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

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

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

2.3 Accounting policies

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

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRSs (Amendments)	Amendments to IFRS 5, IAS 1 and IAS 7 as part of the Improvements to IFRSs issued in 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

Amendments to IAS 17 “Leases”

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

In accordance with the transitional provisions set out in the amendments to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The Group does not have any leasehold land that qualifies for finance lease classification.

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

IFRSs (Amendments)	Improvements to IFRSs issued in May 2010 ¹
IAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets ⁶
IAS 24 (Revised)	Related Party Disclosures ²
IAS 32 (Amendments)	Classification of Rights Issues ³
IFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets ⁷
IFRS 9	Financial Instruments ⁵
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement ²
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate, not yet endorsed by EU

2 Effective for annual periods beginning on or after 1 January 2011

3 Effective for annual periods beginning on or after 1 February 2010

4 Effective for annual periods beginning on or after 1 July 2010, not yet endorsed by EU

- 5 Effective for annual periods beginning on or after 1 January 2013, not yet endorsed by EU
- 6 Effective for annual periods beginning on or after 1 January 2012
- 7 Effective for annual periods beginning on or after 1 July 2011

The impact on the adoptions of the above new standards, revisions and interpretations is being reviewed. The impact is anticipated to be immaterial on both the results and the financial position of the Group except for IFRS 9, for which the Company needs time to evaluate the potential impact.

2.4 Basis consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

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

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

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

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

2.5 Segment information

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

2.6 Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

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

(iii) *Group companies*

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations is taken to other comprehensive income.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in the translation reserve.

2.7 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.8 Intangible assets

(i) Goodwill

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

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

(ii) Research and development costs

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

- (a) it is technically feasible to complete the product so that it will be available for use;
- (b) management intends to complete the product and use or sell it;

- (c) there is an ability to use or sell the product;
- (d) it can be demonstrated how the product will generate probable future economic benefits;
- (e) adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- (f) the expenditure attributable to the product during its development can be reliably measured.

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

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

(iii) Computer software

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

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

(iv) Club membership

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

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

2.9 Impairment of assets

Impairment losses on tangible and intangible assets other than goodwill

At the reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Impairment losses on goodwill

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

2.10 Financial assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. Loans and receivables (including trade and other receivables, cash and cash equivalents) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable or is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2.11 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade and other payables, are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Derivative financial instruments and hedging activities

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

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

2.13 Inventories

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

2.14 Investment in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*). Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.15 Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of significant influence of an associate, all of the assets and liabilities of that associate are classified as held for sale when the criteria described above are met.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade and other payables

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

2.18 Borrowings

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

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

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

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

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

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

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

2.20 Employee benefits

(a) Pension and similar obligations

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

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

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

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

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

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

(b) Employee leave entitlements

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

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

Provisions for profit sharing and bonus plans are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.21 Provisions

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

2.22 Revenue recognition

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

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

(i) *Sales of goods*

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

(ii) *Interest income*

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

(iii) *License fees income*

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

2.23 Leases — as a lessee

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

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

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

2.24 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

2.25 Earnings per share

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

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

2.26 Contingent liabilities

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

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

2.27 Dividend distribution

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

2.28 Core operating profit

Core operating profit is the recurring profit generating from the Group's core operating activities which excludes interests income, finance costs, taxes, material gain or loss which are of capital nature (such as revaluation gain or impairment losses on property plant and equipments, investment and goodwill) or non-recurring nature (such as restructuring costs).

3 FINANCIAL RISK MANAGEMENT**Categories of financial instruments**

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>37,349</u>	<u>47,995</u>
Financial liabilities		
Amortized cost	<u>28,175</u>	<u>39,848</u>

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

(i) Market risk

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

(a) Foreign exchange risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
USD	2,647	4,672	315	4,650
HK\$	25	2,211	—	—
Japanese Yen ("JPY")	13	—	131	100

At 31 December 2010, if USD had weakened/strengthened by 5% against Euros and with all other variables held constant, post tax profit for the year ended 31 December 2010 would have been lower/higher by €117,000 (2009: €1,000), mainly as a result of foreign exchange gains/losses on translation of USD-denominated bank balances and trade receivables.

From time to time, management manages the foreign currency exposures and uses foreign currency contracts to hedge the foreign currency risk when consider appropriate. As at 31 December 2010, there was no outstanding foreign currency contracts.

(b) Interest rate risk

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

The Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The details of the Group's borrowings are set out in Note 27.

Majority of the Group's short-term borrowings were taken out at variable interest rate. As at 31 December 2010, the Group's borrowings at variable interest rate amounted to €2,590,000 (2009: €8,546,000). Part of the risks are managed through the use of interest rate swap contracts to hedge against its exposures to cash flow interest rate risk for the year ended 31 December 2009. As at 31 December 2010, there was no outstanding interest rate swap contracts.

The management adjusted the sensitivity rate from 200 basis points to 100 basis points for assessing interest rate risk after considering the financial market conditions in 2010 is less volatile.

If interest rates had been 100 basis points (2009: 200 basis points) higher/lower with other variables held constant, post tax profit for the year ended 31 December 2010 would have been lower/higher by €26,000 (2009: €171,000), mainly as a result of higher/lower interest expenses on variable rate borrowings.

For the year ended 31 December 2009, the above sensitivity analysis did not take into consideration the effect of a higher/lower interest rate on the fair value of the derivatives designed to manage the cash flow interest risk by using floating-to-fixed interest rate swaps. The fair value of these derivatives at period end was not material.

(ii) Liquidity risk

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

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

	2010					2009				
	Up to 1 year €'000	1 to 5 years €'000	More than 5 years €'000	Total undiscounted cash flows €'000	Carrying amount at the reporting date €'000	Up to 1 year €'000	1 to 5 years €'000	More than 5 years €'000	Total undiscounted cash flows €'000	Carrying amount at the reporting date €'000
Non-derivative instruments										
Bank borrowings	4,489	17,318	23	21,830	20,091	10,745	17,400	24	28,169	26,739
Finance leases liabilities	175	581	531	1,287	947	183	620	675	1,478	1,060
Trade and other payables	8,084	—	—	8,084	8,084	13,109	—	—	13,109	13,109
	<u>12,748</u>	<u>17,899</u>	<u>554</u>	<u>31,201</u>	<u>29,122</u>	<u>24,037</u>	<u>18,020</u>	<u>699</u>	<u>42,756</u>	<u>40,908</u>
Derivatives net settlement										
Interest rate swap	—	—	—	—	—	198	—	—	198	198

(iii) Credit risk

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

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

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

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

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

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

(iv) Fair value

The fair value of derivative instruments are based on quoted prices from independent financial instruments or calculated using discounted cash flow analysis based on applicable yield curve derived from quoted interest rates.

The directors consider that the carrying amounts financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

(v) Capital risk management

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

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

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

The gearing ratios as at 31 December 2010 and 2009 were as follows:

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Total borrowings	20,091	26,739
Less: cash and cash equivalents	(4,782)	(14,226)
Net borrowings	15,309	12,513
Total equity	54,329	48,006
Total capital employed	<u>69,638</u>	<u>60,519</u>
Gearing ratio (i.e net borrowings/total capital employed)	<u>22.0%</u>	<u>20.7%</u>

A different calculation method of gearing ratio was used in the 2009 annual report, which was calculated as "net borrowings over the total capital employed". Management is of a view that the current calculation method is a method better accepted by the market enabling readers to make benchmark comparison with other comparable companies.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

(b) Impairment of non-financial assets

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

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

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

(c) Estimated provision for inventories

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

(d) Estimated impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use

of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivable is recognized in the year in which such estimates have been changed.

(e) Income taxes and deferred income tax

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

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

(f) Research and development costs

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

5 OTHER OPERATING INCOME

Other operating income are analyzed as follows:

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Licence fee income	74	30
Others	569	561
	<u>643</u>	<u>591</u>

6 COST OF MATERIALS

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Purchase of raw materials, supplies and goods	67,354	52,475
Other services	610	586
	<u>67,964</u>	<u>53,061</u>

For the year ended 31 December 2010, the cost of materials included write-down of inventories to their net realisable values of €245,000 (2009: €976,000).

7 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analyzed as follows:

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Wages and salaries	19,880	17,480
Social security contributions	2,122	2,229
Pension costs	468	316
Other employee benefit expenses	685	570
	<u>23,155</u>	<u>20,595</u>
Less: Employee benefit expenses capitalized as development costs	<u>(1,215)</u>	<u>(630)</u>
	<u>21,940</u>	<u>19,965</u>

During the year ended 31 December 2010, compensation payment to a former director as a result of his early release of €343,000 (2009: nil) is included in non-core operating expenses in Note 10.

(b) Directors' and supervisors' emoluments

The remuneration of every director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2010 and 2009 in respect of their services provided to the Group is set out below:

	Fees €'000	Basic salaries, allowances and benefits in kind €'000	Retirement benefits schemes contributions €'000	Total €'000
For the year ended 31 December 2010				
Mr. Peter BRENNER	—	808	44	852
Mr. Kyung Seok CHAE	—	378	—	378
Mr. Sung Yoon KIM (released on 17 March 2010)	—	114	—	114
Mr. Kyung Hwan YEO (appointed on 17 March 2010 and released on 11 June 2010)	—	53	—	53
Dr. Sung Su HAN (appointed on 31 August 2010)	—	82	15	97
Supervisors:				
Mr. Jung Hyun OH	20	—	—	20
Mr. Suk Whan CHANG (resigned on 11 June 2010)	7	—	—	7
Mr. Jeong Ghi KOO	13	—	—	13
Mr. Kun Hwa PARK (resigned on 11 June 2010)	4	—	—	4
Mr. Choong Min LEE	10	—	—	10
Mr. Kiyoun SHIN	10	—	—	10
Mr. Min Koo SOHN (appointed on 11 June 2010)	6	—	—	6
Mr. Bang Seon KO (appointed on 11 June 2010)	6	—	—	6
For the year ended 31 December 2009				
Mr. Peter BRENNER	—	555	44	599
Mr. Kyung Seok CHAE	—	243	—	243
Mr. Sung Yoon KIM	—	134	—	134
Supervisors:				
Mr. Jung Hyun OH	4	—	—	4
Mr. Suk Whan CHANG	3	—	—	3
Mr. Jeong Ghi KOO	2	—	—	2
Mr. Kun Hwa PARK	2	—	—	2
Mr. Choong Min LEE	2	—	—	2
Mr. Kiyoun SHIN	2	—	—	2

There were no arrangement under which a director or a supervisor has waived or agreed to waive any emoluments for the years ended 31 December 2010 and 2009. On 17 March 2010, Mr. Sung Yoon KIM was released from his position as a director and the chief financial officer. On 7 July 2010, the Supervisory Board agreed with Mr. KIM on the compensation payment, amounting to €343,200, for his early release. Saved as disclosed above, there were no payments made for the years ended 31 December 2010 and 2009 to Directors and Supervisors as an inducement to join the Group or as compensation for loss of office.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2010 and 2009 include 2 directors, whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining 3 individuals during the years ended 31 December 2010 and 2009 are as follows:

	2010 €'000	2009 €'000
Wages and salaries, allowances and benefits in kind	611	657
Pension costs	12	2
	<u>623</u>	<u>659</u>

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

	2010	2009
HK\$1,500,001 to HK\$2,000,000 (2010: equivalent to €144,001 to €192,000; 2009: equivalent to €139,001 to €186,000)	2	1
HK\$2,000,001 to HK\$2,500,000 (2010: equivalent to €192,001 to €240,000; 2009: equivalent to €186,001 to €232,000)	—	1
HK\$3,000,001 to HK\$3,500,000 (2010: equivalent to €288,001 to €336,000; 2009: equivalent to €279,001 to €325,000)	1	1
	<u>1</u>	<u>1</u>

(d) Average number of employees

The average number of employees for the Group is as follows:

	2010	2009
White collar	566	538
Blue collar	225	267
	<u>791</u>	<u>805</u>

8 DEPRECIATION, AMORTIZATION AND OTHER OPERATING EXPENSES

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Auditors' remuneration	256	241
Depreciation and amortization	3,363	3,337
Freight charges	3,389	2,952
Legal and consulting expenses	1,445	972
Energy and water costs	1,529	1,561
Repair and maintenance costs	1,780	1,258
Travelling expenses	1,628	1,337
Operating lease rental in respect of buildings, equipment and motor vehicles	1,125	1,220
Others	6,013	5,086
	<u>20,528</u>	<u>17,964</u>
Total depreciation, amortization and other operating expenses	<u><u>20,528</u></u>	<u><u>17,964</u></u>

9 OTHER GAINS, NET

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Net foreign exchange gain	967	350
Loss on disposal of property, plant and equipment	(12)	(88)
Fair value losses on derivatives (<i>Note 33</i>)	—	(100)
Others	85	91
	<u>1,040</u>	<u>253</u>
	<u><u>1,040</u></u>	<u><u>253</u></u>

10. NON-CORE OPERATING EXPENSES

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Compensation payment to a former director as a result of his early release	343	—
Legal and professional fee in relation to the restructuring of management board	474	—
Costs associated with the arrangement of the Extra-ordinary general meeting	133	—
	<u>950</u>	<u>—</u>
Non-core operating expenses	<u><u>950</u></u>	<u><u>—</u></u>

11 FINANCE INCOME AND COSTS

	2010 €'000	2009 €'000
Finance income:		
Interest income on short-term bank deposits	53	30
Finance costs:		
Interest expense on bank borrowings wholly repayable within five years	(1,384)	(1,454)
Interest expense on finance lease liabilities	(77)	(79)
Net interest expense on pensions and similar obligations	(60)	(54)
	(1,521)	(1,587)
Finance costs, net	(1,468)	(1,557)

12 INCOME TAX EXPENSE

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

	2010 €'000	2009 €'000
Current income tax	2,079	1,746
Deferred tax (<i>Note 29</i>)	633	(209)
	2,712	1,537

The Company and Schramm Coatings GmbH are subject to the German corporate income tax, the solidarity surcharge as well as trade tax. The applicable tax rate for the year ended 31 December 2010 is 31% (2009: 31%).

Subsidiaries established in the PRC are subject to enterprise income tax of 25% except for Schramm Huizhou, which entitles to a tax rate of 12.5% (2009: 12.5%).

Schramm Huizhou is entitled to foreign enterprise income tax holiday of “2-year exemption and 3-year 50% reduction” commencing from its first profit making year which was 2007. Schramm Huizhou was entitled to tax exemption for 2008. In 2009 and 2010, it enjoys a 50% reduction of the statutory tax rate of 25%, i.e. 12.5%.

Schramm Tianjin was also entitled to foreign enterprise income tax holiday of “2-year exemption and 3-year 50% reduction” commencing from its first profit making year which was 2005, and accordingly it enjoys 50% reduction tax rate of 25% (i.e. 12.5%) in 2008 and 2009. The applicable tax rate for Schramm Tianjin is 25% in 2010.

Schramm Thailand is subject to the Thailand corporate income tax. The applicable tax rate for the years ended 31 December 2009 and 2010 is 30%.

The tax on the Group's profit before income tax for the years ended 31 December 2010 and 2009 differ from the theoretical amount that would arise using the German tax rates as follows:

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Profit before income tax	7,498	6,000
Tax calculated at the German tax rates	2,324	1,860
Effect of different assessment base for German trade tax	6	9
Effect of different taxation rates in other countries	(304)	(428)
Recognition of previously unrecognized tax losses	(29)	(249)
Expenses not deductible for taxation purpose	659	309
Income not subject to taxation	(87)	(70)
Others	143	106
Income tax expense	<u>2,712</u>	<u>1,537</u>
The weighted average applicable tax rate in %	<u>36.2%</u>	<u>25.6%</u>

13 EARNINGS PER SHARE

Basic

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

	2010	2009
Profit for the year attributable to owners of the Company (<i>€'000</i>)	4,786	4,463
Weighted average number of shares in issue (<i>thousand of shares</i>)	<u>19,905</u>	<u>13,682</u>
Basic earnings per share (<i>€</i>)	<u>0.24</u>	<u>0.33</u>

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

14 DIVIDEND

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Proposed final cash dividend of nil (2009: €0.07) per share	<u>—</u>	<u>1,393</u>

The Management Board originally considered proposing a dividend of €0.7 per share for the year ended 31 December 2010. After due consideration and consultation with the Chairman of the Supervisory Board and having in mind the cash requirements for financing the further development of the Group, the members of the Supervisory Board and Management Board unanimously resolved to recommend at the upcoming Annual General Meeting to pay out no dividend for the year ended 31 December 2010.

15 INTANGIBLE ASSETS

Year ended 31 December 2009

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

Year ended 31 December 2010

	Goodwill €'000	Computer software €'000	Development costs €'000	Club membership €'000	Total €'000
Cost					
At 1 January 2010	936	1,987	1,751	265	4,939
Additions	—	45	1,655	49	1,749
Exchange differences	—	—	23	31	54
At 31 December 2010	<u>936</u>	<u>2,032</u>	<u>3,429</u>	<u>345</u>	<u>6,742</u>
Accumulated amortization					
At 1 January 2010	—	1,697	409	4	2,110
Charge for the year	—	70	521	1	592
Exchange differences	—	—	—	1	1
At 31 December 2010	<u>—</u>	<u>1,767</u>	<u>930</u>	<u>6</u>	<u>2,703</u>
Net book value					
At 31 December 2010	<u>936</u>	<u>265</u>	<u>2,499</u>	<u>339</u>	<u>4,039</u>

Development costs

For the year ended 31 December 2010, development costs for formulations of €1,655,000 (2009: €774,000) were recognized as intangible assets and are amortized over their estimated useful lines, normally not excess four years. Research and development expenses charged to the consolidated income statement during the year ended 31 December 2010 amounted to €3,795,000 (2009: €3,961,000).

Goodwill

Goodwill arose from the acquisition of Schramm Coatings Iberia S.A.U. (“Schramm Spain”) in 2007. It is mainly attributable to the anticipated profitability of operations and the anticipated future operating synergies. Goodwill is allocated to the Group’s CGUs identified according to its business segments. As at 31 December 2010, the Group’s goodwill amounting to €936,000 (2009: €936,000) is wholly attributable to the Automotive and General Industry segment.

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

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

Growth rate	1% (2009: 1%)
Discount rate	7.5% (2009: 7.5%)

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

16 PROPERTY, PLANT AND EQUIPMENT

(a) Movements of property, plant and equipment:

Year ended 31 December 2009

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

Year ended 31 December 2010

	Freehold land, buildings and leasehold improvements €'000	Technical equipment and machinery €'000	Motor vehicles, furniture and other office equipment €'000	Assets under construction €'000	Total €'000
Cost					
At 1 January 2010	22,285	22,384	13,501	211	58,381
Additions	173	295	525	954	1,947
Disposals	—	(6)	(335)	—	(341)
Transfers	—	756	—	(756)	—
Exchange differences	311	313	389	11	1,024
At 31 December 2010	<u>22,769</u>	<u>23,742</u>	<u>14,080</u>	<u>420</u>	<u>61,011</u>
Accumulated depreciation					
At 1 January 2010	8,259	15,336	9,955	—	33,550
Charge for the year	606	1,180	969	—	2,755
Disposals	—	(4)	(255)	—	(259)
Exchange differences	80	110	177	—	367
At 31 December 2010	<u>8,945</u>	<u>16,622</u>	<u>10,846</u>	<u>—</u>	<u>36,413</u>
Net book value					
At 31 December 2010	<u>13,824</u>	<u>7,120</u>	<u>3,234</u>	<u>420</u>	<u>24,598</u>

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

	2010 €'000	2009 €'000
Cost	1,643	1,643
Accumulated depreciation	(707)	(577)
Net book value	<u>936</u>	<u>1,066</u>

As at 31 December 2010 and 2009, property, plant and equipment of €409,000 of the Group were pledged as securities for certain bank borrowings. (Note 27).

17 LAND USE RIGHTS

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

	2010	2009
	<i>€'000</i>	<i>€'000</i>
At 1 January	548	573
Additions	471	—
Amortization	(16)	(11)
Exchange differences	76	(14)
	<u>1,079</u>	<u>548</u>
At 31 December	<u>1,079</u>	<u>548</u>

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

The Group has not obtained the land use rights certificate for a parcel of land in Tianjin with carrying value of approximately €172,000 as at 31 December 2010 (2009: €172,000) because the Group has not commenced the planned construction on this parcel of land within the respective construction periods as stated under the Construction Works Commencement Permit granted by the relevant authority, which would result in a land idle fee to be levied and the withdrawal of the land use rights by the relevant authority without return of the paid land premium or compensation.

As at the report date of these Financial Statements, the relevant authority has not informed the Group whether the land use rights will be withdrawn. Based on the agreement signed between SSCP Co. Ltd, the ultimate holding company of the Company and the Company, SSCP will indemnify the Group's loss should the relevant authority decides to withdraw the land use rights.

And the Group is in the process of obtaining the land use rights certificate for a parcel of land in Vietnam.

18 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. 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. The sales of Inlustra is being processed up to the reporting date, and as a result, investment in Inlustra was reclassified as asset held for sale at 31 December 2010. No gain or loss is expected from such disposal.

19 OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2010, the Group's non-current other receivables and prepayments mainly include rental deposits paid to landlord.

20 INVENTORIES

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Raw materials and consumables	10,841	8,567
Work-in-progress	3,377	2,450
Finished goods	5,713	4,672
	<u>19,931</u>	<u>15,689</u>

21 TRADE AND BILLS RECEIVABLES

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Trade receivables — related parties (<i>Note 34(c)</i>)	495	5,117
Trade receivables — third parties	28,728	24,278
	<u>29,223</u>	<u>29,395</u>
Trade receivables, gross	29,223	29,395
Bills receivables	2,111	1,213
	<u>31,334</u>	<u>30,608</u>
Total trade and bills receivables, gross	31,334	30,608
Less: provision for impairment of receivables	(802)	(533)
	<u>30,532</u>	<u>30,075</u>

The carrying amounts 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.

The majority of the Group's customers are granted with credit terms of 30 to 90 days. Occasionally, certain customers enjoy a longer credit period. Ageing analysis of trade and bills receivables presented based on the invoice date at the reporting date is as follows:

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Within 3 months	21,694	19,278
3 to 6 months	6,929	10,313
6 to 9 months	822	445
9 to 12 months	715	16
Over 12 months	1,174	556
	<u>31,334</u>	<u>30,608</u>

The ageing analysis of trade receivables past due but not impaired by due date is as follows. These relate to a number of independent customers for whom there is no recent history of default. The Group does not hold any collateral over these balances.

	2010 €'000	2009 €'000
Within 3 months	8,563	9,865
3 to 6 months	838	3,359
6 to 9 months	258	79
9 to 12 months	498	90
Over 12 months	449	348
	<u>10,606</u>	<u>13,741</u>

The ageing analysis of trade receivables impaired and provided for is as follows. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The Group does not hold any collateral over these balances.

	2010 €'000	2009 €'000
Within 3 months	—	108
3 to 6 months	—	187
6 to 9 months	—	72
9 to 12 months	—	33
Over 12 months	816	362
	<u>816</u>	<u>762</u>
Less: provision for impairment	<u>(802)</u>	<u>(533)</u>
Net amount	<u>14</u>	<u>229</u>

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

	2010 €'000	2009 €'000
At 1 January	533	704
Provision for impairment/(reversal of provision)	229	(122)
Utilized	(7)	—
Exchange differences	47	(49)
	<u>802</u>	<u>533</u>
At 31 December	<u>802</u>	<u>533</u>

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

	2010	2009
	<i>€'000</i>	<i>€'000</i>
EURO	9,095	7,201
USD	1,489	4,464
RMB	16,656	15,911
KRW	1,169	1,219
THB	801	600
JPY	13	—
	<u>29,223</u>	<u>29,395</u>

22 CASH AND CASH EQUIVALENTS

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

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Cash on hand	40	19
Cash at bank	4,742	14,207
	<u>4,782</u>	<u>14,226</u>

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

	2010	2009
	<i>€'000</i>	<i>€'000</i>
EURO	445	5,711
HK\$	98	6,413
RMB	2,224	1,469
USD	1,296	208
KRW	498	310
THB	214	79
Other currencies	7	36
	<u>4,782</u>	<u>14,226</u>

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

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

23 ISSUED CAPITAL AND ADDITIONAL PAID-IN CAPITAL

	Number of quota/shares '000	Issued capital €'000	Additional paid-in capital €'000
Issue and fully paid:			
At 1 January 2009	13,155	13,155	12,284
Issuance of shares for acquisition of a subsidiary (<i>Note b</i>)	1,750	1,750	5,940
Issuance of shares for cash (<i>Note c</i>)	5,000	5,000	11,450
Share issuance costs charged to equity	—	—	(4,753)
	<u>19,905</u>	<u>19,905</u>	<u>24,921</u>
At 31 December 2009 and 2010	<u>19,905</u>	<u>19,905</u>	<u>24,921</u>

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

Notes:

- (a) The par value of each share in €1.
- (b) On a shareholder's meeting held on 11 June 2010, a general mandate was granted to the Management Board authorizing it to increase the share capital of the Company by an amount up to €3,981,000 by the issuance of new shares in cash or in kind, once or several times, before 30 June 2011 (the "Authorized Capital 2010/II").

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

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

- (c) The general mandate under Authorized Capital 2009 was exercised and the share capital of the Company was increased by €5,000,000 to €19,905,000 through the issue of 5,000,000 shares, to prepare for the public offering of the Company's shares. The capital increase was registered with the commercial register on 11 December 2009. On 29 December 2009, the Company's shares were listed on the Main Board of the HKSE and 5,000,000 shares were issued, at €3.287 per share, to public investors.
- (d) In accordance with Section 20 (1) AktG, the fourth part of the shares is deemed to be the reportable threshold.

We received the following information as to whether the reportable thresholds have been reached, exceeded or fallen below in the financial year 2010 and currently up to the preparation of the annual financial statements.

- Information of SSCP Co. Ltd., 629 – 3, Sunggok, Ansan, Kyonggi, Republic of Korea, pursuant to Section 20 (1) and (3) AktG, that it has been directly holding more than one-fourth of the shares in the Company since 21 November 2008.

- Information of SSCP Co. Ltd., 629 – 3, Sunggok, Ansan, Kyonggi, Republic of Korea, pursuant to Section 20 (4) AktG, that it has a direct shareholding in the Company since 21 November 2008.
- Information of the Humble Humanity Ltd., Level 8 (B), Main Office Tower, Financial Park Labuan, Jalan Merdeka, Labuan, F.T., Malaysia, pursuant to Section 20 (1) and (3) AktG, that it has been directly holding more than one-fourth of the shares in the Company since 24 April 2009.
- Information of SSCP Co. Ltd., 629 – 3, Sunggok, Ansan, Kyonggi, Republic of Korea, pursuant to Section 20 (5) AktG, that it has no longer a majority shareholding in the Company since 11 December 2009.
- Information of SSCP Co. Ltd., 629 – 3, Sunggok, Ansan, Kyonggi, Republic of Korea, that it continues to directly hold more than one-fourth of the shares in the Company since 11 December 2009 (participation according to Section 20 (1) and (3) AktG).
- Information of the Humble Humanity Ltd., Level 8 (B), Main Office Tower, Financial Park Labuan, Jalan Merdeka, Labuan, F.T., Malaysia, pursuant to Section 20 (5) AktG, that it holds no longer more than one-fourth of the shares in the Company since 11 December 2009.
- Information of Samsung Securities (Asia) Limited, 26/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, pursuant to Section 20 (1) and (3) AktG, that it has been directly holding more than one-fourth of the shares in the Company since 11 December 2009.
- Information of Samsung Securities (Asia) Limited, 26/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, pursuant to Section 20 (5) AktG, that it has no longer a major sharing in the Company since 29 December 2009.

24 OTHER RESERVES

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

	Merger reserve (Note b) €'000	Exchange reserves €'000	Total €'000
At 1 January 2009	(8,817)	1,123	(7,694)
Exchange differences	—	(492)	(492)
Distribution to previous shareholders of subsidiaries (Note c)	(7,305)	—	(7,305)
At 31 December 2009	(16,122)	631	(15,491)
Exchange differences	—	2,930	2,930
At 31 December 2010	(16,122)	3,561	(12,561)

- (a) Under German law, only the retained earnings of the individual financial statements of Schramm Holdings AG prepared in accordance with HGB, equals to €3,979,000 (2009: €2,759,000), are available for distribution.
- (b) In preparation of the Company's Listing on 29 December 2009, the Group had undergone several restructurings involving the acquisitions of its subsidiaries. The acquisitions were considered as transactions under common control and hence, have been accounted for using merger accounting. The merger reserve of the Group represents the difference between the total of nominal value of

shares on the capital of the subsidiaries that had been acquired and the pre-acquisition reserves of these subsidiaries and the investment consideration paid by the Company to effect the common control acquisition. For more details, please refer to the annual financial statements for the year ended 31 December 2009 and the Prospectus dated 15 December 2009.

- (c) Amount represented the net investment consideration paid by the Company of €7,007,000 to the previous shareholders of Schramm Tianjin and Schramm Thailand and the dividend declared by a subsidiary to its previous shareholders out of its pre-acquisition retained earnings amounting to €298,000.

25 PENSIONS AND SIMILAR OBLIGATIONS

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

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

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

Actuarial methods and assumptions (pension fund agreement):

- Calculation basis: 2005 G actuarial tables of Dr. Klaus Heubeck
- Notional interest rate: 4.8% p.a. (2009: 5.1% p.a.)
- Pension and salary growth trend: 2.0% p.a. (2009: 2.0% p.a.)

Actuarial methods and assumptions (two individual commitments):

- Calculation basis: 2005 G actuarial tables of Dr. Klaus Heubeck
- Notional interest rate: 5.4% p.a. (2009: 5.8% p.a.)
- Pension and salary growth trend: 0% p.a. (2009: 0% p.a.)
- Return on plan assets: 4.0% (2009: 4.0%)
- Pledged congruent reinsurance policies from Alte Leipziger Leben (with the exception of one disability pension commitment)

The amounts recognized in the Group's consolidated statement of financial position are determined as follows.

	2010 €'000	2009 €'000
Present value of all defined benefit obligations	1,227	1,151
Present value of pension plan assets under reinsurance policy	(231)	(204)
	996	947
Unrecognized actuarial gains	114	193
Liability recognized in the consolidated statement of financial position	<u>1,110</u>	<u>1,140</u>

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

	2010 €'000	2009 €'000
At 1 January	1,151	1,042
Current service costs	18	6
Interest costs	60	54
Actuarial losses	59	96
Pension payments	(61)	(47)
At 31 December	<u>1,227</u>	<u>1,151</u>

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation are recognized in the consolidated income statement over the employees' expected average remaining working lives of 5.1 years. The movements of unrecognized actuarial gains are as follows:

	2010 €'000	2009 €'000
Unrecognized actuarial gains brought forward	(193)	(310)
Recognized in the consolidated income statement	20	21
Current year changes	59	96
Unrecognized actuarial gains carried forward	<u>(114)</u>	<u>(193)</u>

For the year ended 31 December 2010, the actuarial gains/(losses) arose included an amount of €30,027 (2009: €67,000) for the result of changes in the notional interest rate.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 16 December 2010 and 12 January 2011 by Wolfgang Rittner Betriebliche Altersversorgung Wirtschaftsmathematisches Büro and ALTE LEIPZIGER Pensions management GmbH respectively. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The amounts recognized in the consolidated income statement are as follows:

	2010 €'000	2009 €'000
Current service costs	18	6
Interest costs	60	54
Recognition of net gains	(20)	(21)
	<u> </u>	<u> </u>
Total pension cost under defined benefit plans	<u> 58</u>	<u> 39</u>

Excepted contributions to post-employment benefit plans for the year ending 31 December 2011 are €65,300.

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

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

26 PROVISIONS

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

	Personnel provisions <i>(Note i)</i> €'000	Other provisions <i>(Note ii)</i> €'000	Total €'000
At 1 January 2009	1,095	1,109	2,204
Additional provisions charged to the consolidated income statement:	719	735	1,454
Used during the year	(739)	(858)	(1,597)
Exchange differences	2	—	2
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2009	1,077	986	2,063
Additional provisions charged to the consolidated income statement:	815	1,848	2,663
Used during the year	(732)	(1,126)	(1,858)
Plan assets	(316)	—	(316)
Exchange differences	4	—	4
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2010	<u> 848</u>	<u> 1,708</u>	<u> 2,556</u>

Analysis of the Group's total provisions:

	2010 €'000	2009 €'000
Non-current	225	721
Current	2,331	1,342
	<u> </u>	<u> </u>
	<u> 2,556</u>	<u> 2,063</u>

Notes:

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

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

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

27 FINANCIAL LIABILITIES

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

	2010 €'000	2009 €'000
Bank borrowings (Note 27(d))	20,091	26,739
Finance leases liabilities (Note 27(e))	947	1,060
	<u>21,038</u>	<u>27,799</u>
Less: current portion of bank borrowings	(3,639)	(10,286)
current portion of financial leases liabilities	(107)	(107)
current portion	<u>(3,746)</u>	<u>(10,393)</u>
Non-current portion	<u><u>17,292</u></u>	<u><u>17,406</u></u>

As at 31 December 2010 and 2009, certain of the Group's bank borrowings were secured by pledge of property, plant and equipment of the Group of approximately €409,000. As at 31 December 2010, inventories and receivables of approximately €20,689,000 have been assigned as collateral for the bank borrowings.

(b) Denomination in currencies

As at 31 December 2009 and 2010, the carrying amounts of the Group's financial liabilities approximate their fair values. Financial liabilities are denominated in the following currencies:

	2010 €'000	2009 €'000
EURO	20,965	24,296
USD	73	2,793
RMB	—	695
THB	—	15
	<u>21,038</u>	<u>27,799</u>

(c) Effective interest rates

As at 31 December 2010, the effective annual interest rates of the Group's borrowings are analyzed as follows:

	2010	2009
Bank borrowings	5.23%	5.4%
Finance leases liabilities	<u>7.7%</u>	<u>7.7%</u>

(d) As of 31 December 2010, the maturity of the Group's bank borrowings were as follows:

	2010 €'000	2009 €'000
Within 1 year	3,639	10,286
Between 1 and 2 years	16,045	1,045
Between 2 and 5 years	385	15,385
Over 5 years	<u>22</u>	<u>23</u>
	<u>20,091</u>	<u>26,739</u>

(e) Finance lease liabilities

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

	2010 €'000	2009 €'000
No later than 1 year	175	183
Later than 1 year and no later than 5 years	581	620
Over 5 years	<u>531</u>	<u>675</u>
	1,287	1,478
Future finance charges on finance leases	<u>(340)</u>	<u>(418)</u>
Present value of finance lease liabilities	<u>947</u>	<u>1,060</u>

28 TRADE AND OTHER PAYABLES

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

	2010 €'000	2009 €'000
Trade payables — third parties	5,760	4,623
Trade payables — related parties (<i>Note 34(c)</i>)	219	2,504
	<hr/>	<hr/>
Total trade payables	5,979	7,127
Other payables	2,105	5,982
	<hr/>	<hr/>
	<u>8,084</u>	<u>13,109</u>

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

The credit terms granted by the suppliers of the Group are usually 30 days. Ageing analysis of the Group's trade payables presented based on the invoice date at the reporting date is as follows:

	2010 €'000	2009 €'000
Within 3 months	5,058	6,761
3 to 6 months	760	251
6 to 9 months	1	10
9 to 12 months	21	3
Over 12 months	139	102
	<hr/>	<hr/>
	<u>5,979</u>	<u>7,127</u>

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

	2010 €'000	2009 €'000
EURO	1,988	1,520
USD	242	1,857
RMB	3,434	2,924
KRW	3	789
THB	182	37
JPY	130	—
	<hr/>	<hr/>
	<u>5,979</u>	<u>7,127</u>

29 DEFERRED INCOME TAX

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

The Group's deferred income taxes shown in the consolidated statement of financial position, after appropriate offsetting, are as follows:

	2010 €'000	2009 €'000
Deferred tax assets	1,827	2,393
Deferred tax liabilities	(2,037)	(2,028)
	<u>(210)</u>	<u>365</u>

The Group's deferred income taxes are related to the items in the consolidated statement of financial position and transactions below:

	2010 €'000	2009 €'000
Deferred tax assets		
Finance lease liabilities	296	326
Pension obligations	135	135
Provision for impairment of trade receivables	76	68
Property, plant and equipment	8	8
Tax losses	1,240	1,621
Others	72	235
Total deferred tax assets	<u>1,827</u>	<u>2,393</u>
To be recovered after more than 12 months	903	783
To be recovered within 12 months	<u>924</u>	<u>1,610</u>
Deferred tax liabilities		
Finance lease liabilities	(333)	(333)
Property, plant and equipment	(1,201)	(1,195)
Inventories	(6)	(6)
Provision for impairment of trade receivables	(56)	(46)
Others	(441)	(448)
Total deferred tax liabilities	<u>(2,037)</u>	<u>(2,028)</u>
To be recovered after more than 12 months	(2,036)	(2,022)
To be recovered within 12 months	<u>(1)</u>	<u>(6)</u>

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

The Group has certain estimated unused tax losses, which mainly related to Schramm Spain and for the years from 2000 to 2007. The unrecognized tax losses have an expiration time of 15 years and the amounts as at the reporting date can be analyzed as follows.

	2010 €'000	2009 €'000
Expiring on:		
2 to 5 years	650	54
6 to 9 years	579	1,249
10 to 15 years	241	313
	<u>1,470</u>	<u>1,616</u>

As at 31 December 2010, deferred tax liabilities to the extent of €233,000 (2009: €312,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain PRC subsidiaries because the directors consider that the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Such unremitted earnings totaled €4,656,000 as at 31 December 2010 (2009: €6,232,000).

30 GUARANTEES AND COMMITMENTS

(a) Operating lease commitments

As at 31 December 2010, 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:

	2010 €'000	2009 €'000
Within one year	581	618
In the second to fifth year inclusive	840	167
Over 5 years	588	—
	<u>2,009</u>	<u>785</u>

(b) Capital commitments

Contracted for but not provided in the consolidated financial statements — capital expenditure	<u>307</u>	<u>—</u>
Authorised but not contracted for in the consolidated financial statements — capital expenditure	<u>1,906</u>	<u>—</u>

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

31 CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to net cash generated from operations:

	2010	2009
	<i>€'000</i>	<i>€'000</i>
Profit before income tax	7,498	6,000
Depreciation and amortization of intangible assets, property, plant and equipment and land use rights (<i>Note 8</i>)	3,363	3,337
Loss on disposal of property, plant and equipment (<i>Note 9</i>)	12	88
Finance income (<i>Note 11</i>)	(53)	(30)
Finance costs (<i>Note 11</i>)	1,521	1,587
	<hr/>	<hr/>
Operating cash flow before working capital changes:	12,341	10,982
Inventories	(3,553)	8,456
Trade and bills receivables	932	(7,359)
Other receivables and prepayments	2,156	839
Trade and other payables	(5,099)	(2,236)
Other changes	(61)	(44)
	<hr/>	<hr/>
Net cash generated from operations	<u>6,716</u>	<u>10,638</u>

32 SEGMENT REPORTING

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

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

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

	Year ended 31 December 2009			
	Automotive and General Industry	Coil Coating	Electrical Insulations	Total
	€'000	€'000	€'000	€'000
SEGMENT REVENUE				
External sales	75,611	18,526	4,389	98,526
Inter-segment sales	2,553	—	—	2,553
	<u>78,164</u>	<u>18,526</u>	<u>4,389</u>	<u>101,079</u>
Elimination	(2,553)	—	—	(2,553)
Group's revenue	<u>75,611</u>	<u>18,526</u>	<u>4,389</u>	<u>98,526</u>
Segment result	6,558	949	(217)	7,290
Other unallocated expenses				<u>(1,290)</u>
Profit before income tax				6,000
Income tax expense				<u>(1,537)</u>
Profit for the year attributable to owners of the Company				<u>4,463</u>
Segment assets	<u>55,120</u>	<u>6,902</u>	<u>2,005</u>	64,027
Unallocated assets				<u>30,738</u>
Total assets				<u>94,765</u>
OTHER SEGMENT INFORMATION				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment, land use rights and intangible assets	2,138	12	16	2,166
Depreciation and amortization	3,291	11	33	3,335
Finance income	21	7	2	30
Finance costs	<u>(987)</u>	<u>(357)</u>	<u>(85)</u>	<u>(1,429)</u>

	Year ended 31 December 2010			
	Automotive and General Industry €'000	Coil Coating €'000	Electrical Insulations €'000	Total €'000
SEGMENT REVENUE				
External sales	88,938	21,244	5,122	115,304
Inter-segment sales	4,821	—	—	4,821
	93,759	21,244	5,122	120,125
Elimination	(4,821)	—	—	(4,821)
Group's revenue	88,938	21,244	5,122	115,304
Segment result	11,219	456	(13)	11,662
Other unallocated expenses				(4,164)
Profit before income tax				7,498
Income tax expense				(2,712)
Profit for the year attributable to owners of the Company				4,786
Segment assets	57,626	6,098	1,816	65,540
Unallocated assets				24,502
Total assets				90,042
OTHER SEGMENT INFORMATION				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment, land use rights and intangible assets	3,602	436	104	4,142
Depreciation and amortization	2,356	761	184	3,301
Finance income	50	—	—	50
Finance costs	(758)	(421)	(101)	(1,280)

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 are analyzed as follows:

	2010 €'000	2009 €'000
Germany	41,505	33,376
European Union countries other than Germany	21,267	19,972
PRC	36,606	36,015
Korea	13,376	7,090
Other Asian countries	2,550	2,073
	<u>115,304</u>	<u>98,526</u>
Revenue	<u><u>115,304</u></u>	<u><u>98,526</u></u>

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

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

	2010 €'000	2009 €'000
Germany	18,365	19,381
European Union countries other than Germany	2,413	2,541
PRC	7,838	5,772
Korea	62	3
Other Asian countries	1,038	511
	<u>29,716</u>	<u>28,208</u>
Other receivables and prepayments	43	343
Deferred tax assets	1,827	2,393
	<u>31,586</u>	<u>30,944</u>
Total non-current assets	<u><u>31,586</u></u>	<u><u>30,944</u></u>

33 DERIVATIVES

The Group did not have any outstanding derivatives as at 31 December 2010. As at 31 December 2009, the Group entered into interest rate swap contracts of notional amount of €10,000,000. These interest rate swap contracts did not qualify for hedge accounting since their maturity periods are longer than the underlying bank borrowings. As a consequence, these interest rate swap contracts were classified and accounted for as held for trading with changes in fair value recognized through the consolidated income statement. The fair value of the interest rate swap contracts was determined by valuation technique based on the present value of the estimated future cash flows. The details of the interest rate swap contracts that were outstanding as at 31 December 2009 are as follows:

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

34 RELATED PARTY TRANSACTIONS

(a) List of related parties

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

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

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

Related party	Relationship with the Group
SSCP	Ultimate holding company
SHHK	Fellow subsidiary
Tianjin M&C Electronics Company Ltd	Fellow subsidiary
Samsung Chemical (Shanghai) Co. Ltd	Fellow subsidiary

(b) Transactions with related parties

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

	<i>Note</i>	2010 €'000	2009 €'000
Sales of coating raw materials, intermediary goods and finished goods:			
	(i)		
Fellow subsidiaries		194	—
Ultimate holding company		<u>630</u>	<u>580</u>
Sales of non-coating materials:			
A fellow subsidiary		—	1,862
Ultimate holding company		<u>—</u>	<u>3,013</u>
Purchase of raw materials, intermediary goods and commodities:			
	(ii)		
Fellow subsidiaries		870	341
Ultimate holding company		<u>15,072</u>	<u>9,871</u>
Other expenses:			
	(iii)		
Ultimate holding company		<u>10</u>	<u>17</u>
Purchase of interest in Inlustra			
Ultimate holding company		<u>1,176</u>	<u>—</u>

Notes:

- (i) In 2010 and 2009, sales of coating raw materials, intermediary goods and coating products were carried out in accordance with the Toll Manufacturing Agreement and the Master Sales Agreement with the ultimate holding company.
- (ii) In 2010 and 2009, purchases of raw materials, intermediary goods and commodities were carried out in accordance with the Master Purchase Agreement with the ultimate holding company.
- (iii) The other expenses mainly represented management service fee expenses, which were charged in accordance with the terms of agreements made between the relevant parties.

(c) Balances with related parties

The Group had the following significant balances with its related parties as at 31 December 2010 and 2009:

	<i>Note</i>	2010 €'000	2009 €'000
Trade receivables from:	(i)		
Fellow subsidiaries		27	2,118
Ultimate holding company		468	2,999
		<u>468</u>	<u>2,999</u>
Trade payables to:	(i)		
Fellow subsidiaries		—	(821)
Ultimate holding company		(219)	(1,683)
		<u>(219)</u>	<u>(1,683)</u>

Note:

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

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

	2010 €'000	2009 €'000
Short-term benefits (wages and salaries)	1,962	1,943
Post-employment benefits	62	56
	<u>1,962</u>	<u>1,943</u>
	<u>2,024</u>	<u>1,999</u>

35 EVENT AFTER THE REPORTING PERIOD

Subsequent to the year end, a subsidiary of the Company entered into agreement with a third party on 28 February 2011 to sell its interests in Inlustra for US\$1.5 million (equivalent to approximately €1.2 million). No gain or loss is expected from the disposal of Inlustra.

36 LIST OF SUBSIDIARIES

As at 31 December 2010 and 2009, the Company held interests in the following subsidiaries:

Name	Place of incorporation	Share capital/ registered capital	Principal activities	Ownership interest %	
				2010	2009
Schramm Coatings GmbH ^{#o}	Germany	Registered capital of €30,000	Manufacturing and trading of various kinds of coatings and printing ink	100%	100%
Schramm Coatings Iberia S.A.U. ^{##}	Spain	Registered capital of €1,000,000	Manufacturing and trading of various kinds of coatings	100%	100%
Schramm Korea ^{##}	Korea	Registered capital of KRW 400,000,000	Trading of various kinds of coating and printing ink	100%	100%
Schramm Hong Kong ^{##}	Hong Kong	42,913,177 ordinary shares of HK\$1 each	Investment holding	100%	100%
Schramm Shanghai ^{##}	The PRC	Registered capital of US\$5,200,000	Manufacturing and trading of various kinds of coatings	100%	100%
Schramm Huizhou ^{##}	The PRC	Registered capital of US\$4,400,000	Manufacturing and trading of various kinds of coatings and printing ink	100%	100%
Schramm Tianjin ^{##}	The PRC	Registered capital of US\$8,000,000	Manufacturing and trading of various kinds of coatings and printing ink	100%	100%
Schramm Thailand ^{##}	Thailand	740,000 ordinary share of THB100 each	Manufacturing of coatings for home appliance	99.96%	99.96%
Ultra Million Limited ^{##}	Hong Kong	67,860,000 ordinary shares of HK\$1 each	Investment holding	100%	100%
Uranus Limited ^{##}	Hong Kong	56,940,000 ordinary shares of HK\$1 each	Investment holding	100%	100%
Schramm Vietnam ^{##}	Vietnam	Registered capital of US\$3,000,000*	Manufacturing and trading of various kinds of coatings and printing ink	100%	—
Bravo Capital Group Limited ^{##}	BVI	Registered capital of US\$210,000	Investment holding	100%	—
Lumii Tech ^{##}	US	Registered capital of US\$1	Inactive	100%	—

directly held by the Company

indirectly held by the Company

^o Schramm Coatings GmbH make use of the exemption in accordance with Article 264, Section 3 of the German Commercial Code (HGB). Therefore, no management report (“Lagebericht”) has been prepared for Schramm Coatings GmbH.

* The registered capital is required to be contributed fully by 19 July 2011.

3. UNAUDITED FINANCIAL INFORMATION

The following is the extract of the 2011 interim report of the Company dated 17 August 2011 for the six months ended 30 June 2011:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2011	2010
		<i>€'000</i>	<i>€'000</i>
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 (<i>€ per share</i>)	6	€0.13	€0.14

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2011*

	Unaudited	
	Six months ended 30 June	
	2011	2010
	<i>€'000</i>	<i>€'000</i>
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	<u>(2,554)</u>	<u>4,842</u>
Total comprehensive (expenses)/income attributable to the owners of the Company	<u>(40)</u>	<u>7,667</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		Unaudited	Audited
		30 June	31 December
		2011	2010
	<i>Notes</i>	<i>€'000</i>	<i>€'000</i>
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
		<u>32,641</u>	<u>31,586</u>
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
		<u>61,557</u>	<u>57,280</u>
Asset held for sale	9	1,042	1,176
		<u>95,240</u>	<u>90,042</u>
Total assets		<u><u>95,240</u></u>	<u><u>90,042</u></u>
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
		<u>54,289</u>	<u>54,329</u>

		Unaudited	Audited
		30 June	31 December
		2011	2010
	<i>Notes</i>	<i>€'000</i>	<i>€'000</i>
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
		<u>20,004</u>	<u>20,664</u>
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
		<u>20,947</u>	<u>15,049</u>
Total liabilities		<u>40,951</u>	<u>35,713</u>
Total equity and liabilities		<u>95,240</u>	<u>90,042</u>
Net current assets		<u>41,652</u>	<u>43,407</u>
Total assets less current liabilities		<u>74,293</u>	<u>74,993</u>

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				Total equity €'000
	Issued capital €'000	Additional paid-in capital €'000	Retained earnings €'000	Other reserves €'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
Profit 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*For the six months ended 30 June 2011*

	Unaudited	
	Six months ended 30 June	
	2011	2010
	<i>€'000</i>	<i>€'000</i>
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

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

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
	<i>€'000</i>	<i>€'000</i>
License fee income	72	32
Others	170	269
	<u>242</u>	<u>301</u>

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	2010
	€'000	€'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
	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%.

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 (<i>Note 16</i>)	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	<u>32,508</u>	<u>30,532</u>

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
	<u>33,223</u>	<u>31,334</u>

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 (<i>Note 16</i>)	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	Audited
	30 June	31 December
	2011	2010
	<i>€'000</i>	<i>€'000</i>
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
	<u>7,042</u>	<u>5,979</u>

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	<u>47,459</u>	<u>10,922</u>	<u>2,646</u>	<u>61,027</u>
Segment result	5,440	203	(17)	5,626
Other unallocated expenses				<u>(1,874)</u>
Profit before income tax				3,752
Income tax expense				<u>(1,238)</u>
Profit for the period attributable to the owners of the Company				<u>2,514</u>
Segment assets	63,391	6,902	2,011	72,304
Unallocated assets				<u>22,936</u>
Total assets				<u>95,240</u>

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	<u>43,864</u>	<u>10,542</u>	<u>2,667</u>	<u>57,073</u>
Segment result	6,729	832	82	7,643
Other unallocated expenses				<u>(3,264)</u>
Profit before income tax				4,379
Income tax expense				<u>(1,554)</u>
Profit for the period attributable to the owners of the Company				<u>2,825</u>
As at 31 December 2010 (audited)				
Segment assets	57,626	6,098	1,816	65,540
Unallocated assets				<u>24,502</u>
Total assets				<u>90,042</u>

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	<u>61,027</u>	<u>57,073</u>

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

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

	Unaudited 30 June 2011 <i>€'000</i>	Audited 31 December 2010 <i>€'000</i>
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
	<hr/>	<hr/>
	31,096	29,716
Other receivables and prepayments	71	43
Deferred tax assets	1,474	1,827
	<hr/>	<hr/>
Total non-current assets	<u>32,641</u>	<u>31,586</u>

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 <i>€'000</i>	Audited 31 December 2010 <i>€'000</i>
Within one year	947	581
In the second to fifth year inclusive	1,036	840
Over 5 years	495	588
	<hr/>	<hr/>
	<u>2,478</u>	<u>2,009</u>

Capital commitments

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

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

Transactions with related parties

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

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.

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
	<u> </u>	<u> </u>
Trade payables to:		
Ultimate holding company	974	219
	<u> </u>	<u> </u>

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.

4. INDEBTEDNESS

At the close of business on 31 July 2011, being the latest practicable date for the purpose of indebtedness statement prior to the printing of this Composite Document, the Group had an aggregate of outstanding bank loans of approximately €22,156,000, of which approximately €20,543,000 were secured by pledged of the Group's property, plant and equipment of approximately €409,000. In addition, inventories and receivables of approximately €22,300,000 were assigned as collateral for these bank loans as at 31 July 2011.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group had no other outstanding mortgages, charges, debentures or loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities at the close of business on 31 July 2011.

As at the Latest Practical Date, the Directors did not aware of any other material changes in the indebtedness position and contingent liabilities of the Group since 31 July 2011.

5. MATERIAL CHANGE

The Directors have confirmed that there has been no material change in the Group's financial or trading position or outlook since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up.

RESPONSIBILITY STATEMENT

The members of the management board of AkzoNobel and the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to AkzoNobel and the Offeror and parties acting in concert with any of them, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document as expressed by AkzoNobel and the Offeror and parties acting in concert with any of them have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of AkzoNobel, the Offeror, its directors and parties acting in concert with the Offeror, owned or controlled any Shares or any options, warrants, derivatives or securities carrying conversion or subscription rights into shares of the Company.

As at the Latest Practicable Date and prior to the posting of this Composite Document, each of the Controlling Shareholders had irrevocably committed in favour of the Offeror to accept or procure the acceptance of the Offer in respect of an aggregate of 14,037,000 Shares beneficially owned by them. Apart from the above, no other person had irrevocably committed in favour of the Offeror to accept or procure the acceptance of the Offer.

As at the Latest Practicable Date, AkzoNobel, the Offeror and any party acting in concert with it had not borrowed or lent any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company.

DEALINGS

During the Relevant Period, none of (i) AkzoNobel, the Offeror, its directors, the parties acting in concert with them, (ii) persons who had irrevocably committed themselves to accept or reject the Offer nor (iii) persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with AkzoNobel, the Offeror or any parties acting in concert with it, had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company.

OTHER ARRANGEMENT IN RELATION TO THE OFFER

- (i) As at the Latest Practicable Date, save for the compensation as agreed in the settlement agreements with Mr. Peter Brenner and Mr. Kenny Chae (for more details see below in Appendix IV), no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Offer.

- (ii) As at the Latest Practicable Date, save for the Ancillary Transactions and the Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) between AkzoNobel, the Offeror or any parties acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Offer.
- (iii) As at the Latest Practicable Date, there was no agreement or arrangement to which AkzoNobel, the Offeror or its parties acting in concert is a party which relate to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Offer.
- (iv) As at the Latest Practicable Date, AkzoNobel, the Offeror and parties acting in concert with it had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons.
- (v) As at the Latest Practicable Date, no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with AkzoNobel, the Offeror or any parties acting in concert with it owned or controlled any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company. The directors of the Offeror and its financial adviser were not aware of any such arrangements between any other associate of AkzoNobel, the Offeror and any other person.

MARKET PRICES

The table below shows the closing prices per Share on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) on the Latest Practicable Date:

Date	Closing price <i>HK\$</i>
31 December 2010	23.80
31 January 2011	26.40
28 February 2011	25.00
31 March 2011	22.50
29 April 2011	27.00
31 May 2011	28.90
Last Trading Day	29.90
30 June 2011	Suspended
29 July 2011	58.00
31 August 2011	66.15
Latest Practicable Date	72.20

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the Relevant Period were HK\$73.00 per Share on 12 September 2011 and HK\$22.00 per Share on 1 April 2011.

CONSENT AND QUALIFICATION

The following are the qualification of the expert whose letter/opinion is contained in this Composite Document:

Name	Qualification
Deutsche Bank	Registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong

Deutsche Bank has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and the references to its name, in the form and context in which they respectively appear.

MISCELLANEOUS

- (i) The registered office of the Offeror is situated at Kasinostraße 19-21, 42103 Wuppertal, Germany.
- (ii) The members of the management board of the Offeror are Mr Dietmar Stolle and Mr Cyriacus Adelbert Altena.
- (iii) The Offeror is an indirect wholly-owned subsidiary of AkzoNobel. The registered office of AkzoNobel is situated at Strawinskylaan 2555, 1077ZZ Amsterdam, the Netherlands.
- (iv) The members of the management board of AkzoNobel are Mr Hans Wijers, Mr Keith Nichols, Mr Leif Darner, Mr Rob Frohn and Mr Tex Gunning.
- (v) Deutsche Bank is making the Offer on behalf of the Offeror and is also the financial adviser to the Offeror in respect of the Offer. The registered office of Deutsche Bank is situated at 52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

RESPONSIBILITY STATEMENT

The Directors and the Supervisors jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

SHARE CAPITAL**Issued share capital**

The issued capital of the Company as at the Latest Practicable Date was as follows:

<i>Issued and fully paid:</i>	<i>EUR</i>
<u>19,905,000 Shares</u>	<u>19,905,000</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital.

No new Shares were issued since 31 December 2010 (being the date on which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

DISCLOSURE OF INTERESTS**Interests in the Company***Directors' and Supervisors' interests and short positions in the securities of the Company*

As at the Latest Practicable Date, details of the interests in the Shares held by the Directors and Supervisors were as follows:

Name of Director/Supervisor	Nature of interest	Number of Shares (Note)	Approximate percentage of interest in the Company
Mr. OH (Note)	Interest in controlled corporation	3,422,540 Shares	17.19%
Mr. Kenny CHAE	Beneficial Interest	11,280 Shares	0.06%

Note: 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.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the Supervisors did not have any interests in the Shares, warrants, options, derivatives, and securities carrying conversion or subscription rights into the Shares.

As at the Latest Practicable Date, save for (i) Mr. Kenny Chae who had indicated to the Company that he intended to accept the Offer; and (ii) Mr. Oh who had signed the Irrevocable Undertaking to procure its controlled corporations to accept the Offer, none of the remaining Directors and Supervisors had any beneficial shareholdings in the Company and thus they were not entitled to participate in the Offer.

Other interests in the Company

As at the Latest Practicable Date, none of (a) the subsidiaries of the Company; (b) the pension fund of the Company or of a subsidiary of the Company; or (c) any advisers to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code) had any interest in the Shares, warrants, options or derivatives and securities carrying conversion or subscription rights into the Shares.

As at the Latest Practicable Date, neither the Company, any Directors nor Supervisors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

Interests in the Offeror

As at the Latest Practicable Date, the Group did not have any interest in the shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

As at the Latest Practicable Date, none of the Directors, or the Supervisors had any interest in the shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

Dealings in securities of the Company

During the Relevant Period, none of the Directors or the Supervisors had dealt for value in the Shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Company.

During the period commencing from 30 June 2011 and up to the Latest Practicable Date,

- (i) no subsidiaries of the Company, pension funds of any member of the Group or advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares;
- (ii) no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares; and
- (iii) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company as at the Latest Practicable Date, and none of them had dealt for value in the Shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Company.

Dealings in securities of the Offeror

During the Relevant Period, none of the Directors, the Supervisors nor the Company had dealt for value in the shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

SERVICE CONTRACTS**Service contract with Mr. Peter Brenner**

Mr. Peter Brenner has entered into a service contract with the Company effective from 1 July 2009 to 31 August 2013, unless terminated earlier. In case of a reappointment to the position, the contract of employment shall remain in force for the period of the re-appointment, unless otherwise agreed upon by the Company and Mr. Peter Brenner.

Mr. Peter Brenner has an annual salary, which initially amounts to EUR 702,000 with a fixed annual increase of the higher of 4% or the rate of inflation for the previous year. In addition Mr. Peter Brenner is entitled to a performance-related bonus in the sum of 1.0% of the profits (net income) from the IFRS consolidated accounts for the Company. In circumstances where a part of the business or the Company, or the entire business or the Company, are sold or transferred to another company, Mr. Peter Brenner shall receive a one-off payment of 5% of the selling price as compensation for actual and potential lost variable bonuses.

The service contract with Mr. Peter Brenner provides that the Company may become obligated to pay to Mr. Peter Brenner a severance payment of EUR 5 million (the “**Severance Payment**”), gross (which means including taxes), in the event that his employment is terminated by the Company before the ordinary termination of the contract (unless such early termination is for a serious cause), or where his employment is terminated as a result of a consensual agreement initiated by new majority shareholders of the Company.

In the event of a change of control, in that SSCP ceases to have control in the Company, or where Mr. Oh ceases to be the single largest shareholder and/or controlling shareholder in SSCP, Mr. Peter Brenner is entitled to terminate the service contract within two months from the time when he is notified in writing of the relevant change in the Company with a notice of four weeks as to the 15th day or the end of the calendar month. In the event that Mr. Peter Brenner chooses to exercise his special termination right and if the service contract terminates as a result, or where his service contract is terminated by the Company or it ends as a result of a consensual agreement initiated by new majority shareholders in the Company, then he is entitled to the Severance Payment. In the event of early termination of Mr. Peter Brenner’s service contract by the Company for any other reasons, Mr. Peter Brenner is entitled to the Severance Payment and an additional settlement in the sum of the total fixed earnings, performance-related variable bonuses as well as other agreed benefits and share options for the remaining period of the contract, unless the contract was terminated by the Company for a serious cause for which Mr. Peter Brenner is to be held accountable. The Severance Payment becomes due at the time of legal termination of the service contract.

Settlement agreement:

Under the existing service contract with Mr. Peter Brenner, the Company would be required to make severance payments and other compensations to Mr. Peter Brenner of EUR 16.25 million if there is a change of control in the Company.

The Offer would constitute a change of control in the Company for the above purposes. In order to reduce the severance and compensation obligations of the Company against Mr. Peter Brenner as set out above, Mr. Peter Brenner has entered into a settlement agreement with the Company, Mr. Oh and the Controlling Shareholders on 17 June 2011 pursuant to which Mr. Peter Brenner agreed to waive and forfeit his rights to terminate his existing service contract and to receive severance payments and other compensations arising

from a change of control 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 EUR 10.5 million to Mr. Peter Brenner by the Company on the Transfer Date.

Service contract with Mr. Kenny Chae

Mr. Kenny Chae has entered into a service contract with the Company effective from 1 August 2010 to 31 December 2011, unless terminated earlier. Both the Supervisory Board and the Shareholders at the annual general meeting of the Company have passed a resolution to extend his service contract until 31 December 2013. In case of a reappointment to the position, the contract of employment shall remain in force for the period of the reappointment, unless otherwise agreed upon by the Company and Mr. Kenny Chae.

Mr. Kenny Chae has an annual salary, which amounts to EUR 350,000 with a fixed annual increase of the higher of 4% or the rate of inflation for the previous year and a housing allowance amounting to EUR 50,000. In circumstances where a part of the business or the Company, or the entire business or the Company, are sold or transferred to another company, Mr. Kenny Chae shall receive a one-off payment of 5% of the selling price as compensation for actual and potential lost variable bonuses.

In the event of early termination or Mr. Kenny Chae's service contract by the Company for any other reasons, Mr. Kenny Chae is entitled to a settlement in the sum of the total fixed earnings, performance-related variable bonuses as well as other agreed benefits and share options for the remaining period of the contract, unless the contract was terminated by the Company for a serious cause for which Mr. Kenny Chae is to be held accountable.

Settlement agreement:

Under the existing service contract with Mr. Kenny Chae, the Company would be required to make compensation payments to Mr. Kenny Chae of EUR 9.25 million if there is a sale in the Company.

The Offer would constitute a sale in the Company for the above purpose. In order to reduce the compensation obligations of the Company against Mr. Kenny Chae as set out above, Mr. Kenny Chae has entered into a settlement agreement with the Company, Mr. Oh and the Controlling Shareholders on 17 June 2011 pursuant to which Mr. Kenny Chae agreed to waive and forfeit his rights to receive payments arising from a sale in the Company pursuant to the Offer, subject to the payment of a lump sum gross payment in the amount of EUR 3.5 million being paid to Mr. Kenny Chae by the Company on the Transfer Date. Under the settlement agreement, the Controlling Shareholders had agreed to vote and had voted in favour of the proposed extension of Mr. Kenny Chae's existing service contract for a term of two more years until 31 December 2013 in the annual general meeting of the Company held on 30 June 2011.

Service contract with Dr. Sung Su Han

Dr. Sung Su Han has entered into a service contract with the Company effective from 1 September 2010 to 31 August 2012.

Dr. Han's remuneration packages under the service contract include an annual emolument of US\$320,000, retirement benefit in an amount of US\$40,000, housing allowance to the satisfaction of all parties for his relocation to Hong Kong and other market comparable allowances. In addition Dr. Han is also entitled to a performance-related bonus at the sole discretion of the Company.

In case of an early termination of Dr. Han's service contract by the Company, except a termination with cause, Dr. Han shall receive a severance payment in the amount of the fixed salary due for the remaining duration of Dr. Han's service contract. In this event, Dr. Han shall also receive the retirement benefit accrued until the effective date of the termination.

As at the Latest Practicable Date, save as disclosed above, there was no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors nor Supervisors (a) which (including both continuous and fixed term contract) had been entered into or amended within six months before the commencement of the Offer Period; (b) which is continuous contract with a notice period of 12 months or more; or (c) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

Miscellaneous

As at the Latest Practicable Date, save as disclosed in the above section headed "Services Contracts":

- (i) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (iii) no material contracts had been entered into by the Offeror in which any Director had a material personal interest.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by members of the Group within the two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date and are or may be material:

- (i) the settlement agreement entered between Mr. Peter Brenner with the Company, Mr. Oh and the Controlling Shareholders on 17 June 2011, as described in the above section headed “Service Contracts” of this Appendix;
- (ii) the settlement agreement entered between Mr. Kenny Chae with the Company, Mr. Oh and the Controlling Shareholders on 17 June 2011, as described in the above section headed “Service Contracts” of this Appendix;
- (iii) the Series B preferred stock purchase agreement entered into between SSCP as vendor and Schramm Hong Kong as purchaser on 21 June 2010 in relation to the sale and purchase of 3,571,428 shares of Series B preferred stock issued by Inlustra at a price of US\$1,500,000;
- (iv) the underwriting agreement dated 18 December 2009 entered into between, inter alia, the Company, Samsung Securities (Asia) Limited and SBI E2-Capital (HK) Limited relating to the international underwriting for the initial public offering of the Company;
- (v) the underwriting agreement dated 14 December 2009 entered into between, inter alia, the Company and SBI E2-Capital (HK) Limited relating to the Hong Kong underwriting for the initial public offering of the Company;
- (vi) a deed of non-competition dated 4 December 2009 executed by the Controlling Shareholders and Mr. Oh in favour of the Company, pursuant to which each of the Controlling Shareholders and Mr. Oh has undertaken to the Company that it or he does not and shall not, and shall procure that its or his associates (except any members of the Group) do not and shall not, directly or indirectly, carry on, participate or be interested or engaged in any business or acquire or hold interests in any business, which is or may be in competitions with the business of the Group;
- (vii) a deed of indemnity dated 4 December 2009 executed by Mr. Oh and SSCP in favour of the Company, pursuant to which Mr. Oh and SSCP have agreed to give certain indemnities in relation to tax and other matters in favour of the Company;
- (viii) an equity purchase agreement dated 1 August 2009 entered into between Schramm Hong Kong as the purchaser and SSCP Holdings (Hong Kong) as the seller, pursuant to which Schramm Hong Kong acquired from SSCP Holdings (Hong Kong) the entire equity interest in Schramm Tianjin at a consideration of €7,612,500; and

- (ix) an equity purchase agreement dated 1 August 2009 entered into between Schramm Hong Kong as the purchaser and SSCP Holdings (Hong Kong) as the seller, pursuant to which Schramm Hong Kong acquired from SSCP Holdings (Hong Kong) 99.96% of the equity interest in Schramm Thailand at a consideration of HK\$1.00.

LITIGATION

None of the member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

CONSENT AND QUALIFICATION

The following is the qualification of the expert whose letter/opinion is contained in this Composite Document:

Name	Qualification
TC Capital Asia	a corporation licensed under the SFO permitted to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

TC Capital Asia has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and the references to its name, in the form and context in which they are included.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during 9:00 a.m. to 5:00 p.m. from Monday to Friday (except public holidays) at the office of the Company at Unit 07, 25/F, Lippo Centre, Tower 1, 89 Queensway, Admiralty, Hong Kong; (ii) on the website of the SFC at www.sfc.hk; and (iii) on the website of the Company at www.schramm-holding.com, from the date of this Composite Document for so long as the Offer remain open for acceptance:

- (i) the Articles of Association of the Company;
- (ii) the Articles of Association of the Offeror;
- (iii) the annual reports of the Company for the two years ended 31 December 2010 and the interim report of the Company for the six months ended 30 June 2011;
- (iv) the letter from Deutsche Bank, the text of which is set out in this Composite Document;
- (v) the letter from the Board, the text of which is set out in this Composite Document;
- (vi) the letter from the IBC, the text of which is set out in this Composite Document;
- (vii) the letter from the IFA, the text of which is set out in this Composite Document;
- (viii) the service contracts with Mr. Peter Brenner, Mr. Kenny Chae and Dr. Sung Su Han referred to in the section headed “Service Contracts” in Appendix IV to this Composite Document;
- (ix) the material contracts referred to in the section headed “Material Contracts” in Appendix IV to this Composite Document;
- (x) the written consents referred to in the paragraph headed “Consent and Qualification ” in Appendices III and IV to this Composite Document; and
- (xi) the irrevocable undertaking dated 24 June 2011 from the Controlling Shareholders in favour of the Offeror to accept the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this form of acceptance and transfer, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this form of acceptance and transfer.

香港交易及結算有限公司、香港聯合交易所有限公司及香港中央結算有限公司對本接納及過戶表格之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本接納及過戶表格全部或任何部份內容而產生或因依賴該等內容而引致之任何損失承擔任何責任。

Unless the context otherwise requires, terms used in this form shall bear the same meanings as those defined in the composite document dated 16 September 2011 (the "Composite Document") issued jointly by Akzo Nobel N.V., Salvador AG and Schramm Holding AG.

除文義另有所指外，本表格所用詞彙與Akzo Nobel N.V.、Salvador AG及星亮控股股份公司聯合刊發日期為二零一一年九月十六日之綜合文件（「綜合文件」）所界定者具有相同涵義。

FORM OF ACCEPTANCE AND TRANSFER — FOR USE IF YOU WANT TO ACCEPT THE OFFER.

本接納及過戶表格在 閣下欲接納收購建議時適用。



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: 955)

(股份代號: 955)

FORM OF ACCEPTANCE AND TRANSFER OF SHARES OF EUR 1.00 EACH IN THE ISSUED SHARE CAPITAL OF SCHRAMM HOLDING AG

星亮控股股份公司已發行股本中
每股面值1歐元之股份之接納及過戶表格

All parts should be completed unless otherwise provided 除另行訂明外，每項均須填寫

Hong Kong Branch
Registrar
香港股份過戶登記處

FOR THE CONSIDERATION stated below, the "Transferor(s)" named below hereby transfer(s) to the "Transferee" named below the Share(s) held by the Transferor(s) specified below subject to the terms and conditions contained herein and in the Composite Document.
根據本表格及綜合文件所載條款及條件，下列「轉讓人」現按下列代價，將以下註明由轉讓人持有之股份轉讓予下列「承讓人」。

Computershare Hong
Kong Investor
Services Limited
Shops 1712-1716,
17th Floor,
Hopewell Centre,
183 Queen's Road
East,
Wan Chai,
Hong Kong
香港中央證券登記
有限公司
香港
灣仔
皇后大道東183號
合和中心17樓
1712-1716室

Number of Shares(s) (Note) 股份數目 (附註)	FIGURES 數目	WORDS 大寫
Share certificate number(s) 股票號碼		
TRANSFEROR(S) name(s) and address(es) in full 轉讓人 全名及地址 (EITHER TYPEWRITTEN OR WRITTEN IN BLOCK CAPITALS) (請用打字機或正楷填寫)	Family name(s) or company name(s): 姓氏或公司名稱:	First name(s): 名字:
	Registered address: 登記地址:	Telephone number: 電話號碼:
CONSIDERATION 代價	HK\$78.70 in cash for each Share 每股股份現金78.70港元	
TRANSFEEE 承讓人	Name Registered Office Occupation	名稱: 註冊辦事處: 職業: Salvador AG Kasinostraße, 19-21, 42103 Wuppertal, Germany Corporation 法人團體

Signed by the Transferor(s) in the presence of:
轉讓人在下列見證人見證下簽署:

SIGNATURE OF WITNESS 見證人簽署 _____

NAME OF WITNESS 見證人姓名 _____

Address of witness 見證人地址 _____

Occupation of witness 見證人職業 _____

Date of submission of this form of acceptance and
transfer by the Transferor(s)
轉讓人遞交本接納及過戶表格日期

Signature(s) of Transferor(s)/Company chop (if applicable)
轉讓人簽署/公司印鑑 (如適用)



ALL JOINT
HOLDERS
MUST SIGN
HERE
所有聯名持有人
均須於本欄簽署

The signing Transferor(s) hereby acknowledge(s) that the Offer is conditional upon the terms and conditions as set out in the Composite Document, and that the signing and submission of this form of acceptance and transfer by the signing Transferor(s) do not render the transfer of Shares contemplated hereunder becoming effective. The transfer of Shares contemplated hereunder shall be subject to the signing by the Transferee on the date of transfer stated below.

署名轉讓人茲確認收購建議須待符合綜合文件所載條款及條件後方可作實，且由署名轉讓人簽署及呈交本接納及過戶表格不會導致據此擬進行之股份過戶生效。據此擬進行之股份過戶須待承讓人於下述轉讓日期簽署後方可作實。

Transferor(s), please do not complete 轉讓人，請勿填寫本欄	
Signed by or on behalf of the Transferee in the presence of: 承讓人或其代表在下列見證人見證下簽署:	For and on behalf of 代表 Salvador AG
SIGNATURE OF WITNESS 見證人簽署 _____	
NAME OF WITNESS 見證人姓名 _____	
Address of Witness 見證人地址 _____	Authorised Signatory(ies) 授權簽署人
Occupation of Witness 見證人職業 _____	Signature(s) of Transferee 承讓人簽署
Date of transfer 轉讓日期 _____	

Note: Insert the total number of Shares for which the Offer is accepted. If no number is inserted or a number in excess of your registered holding of Shares is inserted on this form of acceptance and transfer and you have signed this form, you will be deemed to have accepted the Offer for your entire registered holding of Shares.

附註: 填上接納收購建議之股份總數。倘無在本接納及過戶表格填寫數目; 或所填數目超過 閣下登記持有之股份數目, 而 閣下已簽署本表格, 則 閣下將被視為已就名下登記持有之全部股份接納收購建議。

* for identification purpose only 僅供識別

THIS FORM OF ACCEPTANCE AND TRANSFER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any aspect of this form of acceptance and transfer or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Schramm Holding AG, you should at once hand this form of acceptance and transfer and the accompanying Composite Document to the purchaser(s) or the transferee(s) or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. If you are a citizen or resident or national of a jurisdiction outside Hong Kong, you should obtain appropriate legal advice on, or be informed yourself about and observe any applicable regulatory or legal requirements. It is your responsibility if you wish to accept the Offer to satisfy yourself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities, regulatory or legal requirements and the payment of any transfer or cancellation or other taxes or duties due in respect of such jurisdiction.

HOW TO COMPLETE THIS FORM

This form of acceptance and transfer should be read in conjunction with the Composite Document. The defined terms under the section "Definitions" in, and the provisions of Appendix 1 to, the Composite Document are incorporated into and form part of this form of acceptance and transfer.

To accept the Offer made by Deutsche Bank on behalf of the Offeror, you should duly complete and sign this form of acceptance and transfer and forward this form, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares which is/are in your name which you intend to accept the Offer by post or by hand, marked "Schramm Holding AG — Offer" on the envelope, to the Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, but in any event so as to reach the Hong Kong Branch Registrar no later than 4:00 p.m. on 7 October 2011 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

FORM OF ACCEPTANCE AND TRANSFER IN RESPECT OF THE OFFER

To: The Offeror and Deutsche Bank

1. My/Our execution of this form of acceptance and transfer, which shall be binding on my/our successors and assignees, shall constitute:
 - (a) my/our irrevocable acceptance of the Offer made by Deutsche Bank on behalf of the Offeror, as contained in the Composite Document, for the consideration and subject to the terms and conditions therein and herein mentioned, in respect of the number of Shares specified in this form of acceptance and transfer;
 - (b) my/our irrevocable instruction and authority to the Offeror and/or Deutsche Bank, the Hong Kong Branch Registrar and/or their respective agent(s) to send a cheque crossed "Not negotiable — account payee only" drawn in my/our favour for the cash consideration to which I/we shall have become entitled under the terms of the Offer after deducting all sellers' ad valorem stamp duty payable by me/us in connection with my/our acceptance of the Offer, by ordinary post at my/our risk to the person and the address stated below or, if no name and address is stated below, to me or the first-named of us (in the case of joint registered Shareholders) at the registered address shown in the register of members of the Company within 10 days of the later of the date on which the Offer becomes or is declared unconditional in all respects and the date on which all the relevant documents are received by the Hong Kong Branch Registrar to render the acceptance under the Offer complete and valid:
(Insert name and address of the person to whom the cheque is to be sent if different from the registered Shareholder or the first-named of joint registered Shareholders.)
Name: (in block capitals) _____
Address: (in block capitals) _____
 - (c) my/our irrevocable instruction and authority to the Offeror and/or Deutsche Bank or such person or persons as they may direct for the purpose, on my/our behalf, to make and execute the contract note as required by Section 19(1) of the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) to be made and executed by me/us as the seller(s) of the Share(s) to be sold by me/us under the Offer and to cause the same to be stamped and to cause an endorsement to be made on this form of acceptance and transfer in accordance with the provisions of that Ordinance;
 - (d) my/our irrevocable instruction and authority to the Offeror and/or Deutsche Bank or such person or persons as they may direct to complete, amend and execute any document on my/our behalf including without limitation to insert, delete, amend or substitute the transferee in this form of acceptance and transfer and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror or such person or persons as they may direct my/our Share(s) tendered for acceptance of the Offer;
 - (e) my/our undertaking to execute such further documents and to do such acts and things by way of further assurance as may be necessary or desirable to transfer my/our Share(s) tendered for acceptance under the Offer to the Offeror or such person or persons as they may direct free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the First Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the First Closing Date;
 - (f) my/our agreement to ratify each and every act or thing which may be done or effected by the Offeror and/or Deutsche Bank or their respective agents or such person or persons as it/they may direct on the exercise of any of the authorities contained herein;
 - (g) my/our irrevocable instruction and authority to the Offeror and/or Deutsche Bank or their respective agent(s) to collect from the Company or the Hong Kong Branch Registrar on my/our behalf the share certificate(s) in respect of the Shares due to be issued to me/us in accordance with, and against surrender of, the enclosed transfer receipt(s) and/or other document(s) of title (if any) (and/or any satisfactory indemnity or indemnities required in respect thereof), which has/have been duly signed by me/us, and to deliver the same to the Hong Kong Branch Registrar and to authorise and instruct the Hong Kong Branch Registrar to hold such share certificate(s) subject to the terms and conditions of the Offer as if it/they were share certificate(s) delivered to the Hong Kong Branch Registrar together with this form of acceptance and transfer; and
 - (h) my/our appointment of the Offeror and/or Deutsche Bank as my/our attorney in respect of all the Share(s) to which this form of acceptance and transfer relates, such power of attorney to take effect from the date and time on which the Offer becomes unconditional in all respects and thereafter be irrevocable.
2. I/We understand that acceptance of the Offer by me/us will constitute a warranty by me/us to the Offeror and/or Deutsche Bank that (i) the number of Share(s) specified in this form of acceptance and transfer will be sold free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the First Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the First Closing Date; and (ii) if my/our registered address is located in a jurisdiction outside Hong Kong, I/we have fully observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other consents, complied with all necessary regulatory formalities, regulatory or legal requirements and paid any transfer or cancellation or other taxes or duties by whomsoever payable, that I/we have not taken or omitted to take any action which will or may result in the Offeror and/or Deutsche Bank or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer or my/our acceptance thereof, and am/are permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
3. In the event that my/our acceptance is not valid in accordance with the terms of the Offer, all instructions, authorisations and undertakings contained in paragraph 1 above shall cease and in which event, I/we authorise and request you to return to me/us my/our share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof), together with this form of acceptance and transfer duly cancelled, by ordinary post at my/our risk to the person and address stated in paragraph 1(b) above or, if no name and address is stated, to me or the first-named of us (in the case of joint registered Shareholders) at the registered address shown in the register of members of the Company.
Note: Where you have sent one or more transfer receipt(s) and in the meantime the relevant share certificate(s) has/have been collected by the Offeror and/or Deutsche Bank or their respective agent(s) from the Hong Kong Branch Registrar on your behalf, you will be sent such share certificate(s) in lieu of the transfer receipt(s).
4. I/We enclose the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the whole or part of my/our holding of Share(s) which are to be held by you on the terms and conditions of the Offer. I/We understand that no acknowledgement of receipt of any form of acceptance and transfer, share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) will be given. I/we further understand that all documents will be sent at my/our own risk.
5. I/We warrant that I/we are the registered holder(s) of the number of Shares specified in this form of acceptance and transfer and I/we have the full right, power and authority to sell and pass the title and ownership of such Shares to the Offeror by way of acceptance of the Offer.
6. I/We warrant to the Offeror and Deutsche Bank that I/we have satisfied the laws of the jurisdiction where my/our address is stated in the register of members of the Company in connection with my/our acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, regulatory or legal requirements.
7. I/We warrant to the Offeror and Deutsche Bank that I/we shall be fully responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction where my/our address is stated in the register of members of the Company in connection with my/our acceptance of the Offer.
8. I/We acknowledge that, save as expressly provided in the Composite Document and this form of acceptance and transfer, all acceptances, instructions, authorities and undertakings hereby given shall be irrevocable and unconditional.
9. I/We acknowledge that my/our Shares sold to the Offeror by way of the Offer will be registered under the name of the Offeror and/or its nominee(s).

If you have questions on any administrative matters in relation to the Offer, such as dates, documentation and procedures, please call the Hong Kong Branch Registrar at (852) 2862 8555 between 9:00 a.m. to 6:00 p.m. from Monday to Friday (other than Hong Kong public holidays) during the period from 16 September 2011 and up to the last date for submission of acceptance in respect of the Offer. Please note that, the Hong Kong Branch Registrar will only be able to provide information contained in this document and information relating to the Company's register of members and will be unable to give advice on the merits of the Offer or to provide financial, legal, tax or investment advice.

本接納及過戶表格乃重要文件，請即處理。閣下如對本接納及過戶表格之任何內容或應採取之行動有任何疑問，應諮詢閣下之持牌證券交易商或註冊證券機構、銀行經理、律師、專業會計師或其他專業顧問。

閣下如已將名下之星亮控股股份全部售出或轉讓，應立即將本接納及過戶表格及隨附之綜合文件送交買主或承讓人，或經手買賣或轉讓之銀行、持牌證券交易商或註冊證券機構或其他代理人，以便轉交買主或承讓人。

向登記地址在香港以外司法權區之人士提出收購建議可能會被禁止或受有關司法權區之法例影響。倘閣下為香港以外司法權區之市民或居民或國民，應記緊就任何適用監管或法律規定取得適當法律意見，或自行瞭解及遵守任何適用監管或法律規定。閣下如欲接納收購建議，須自行負責就此全面遵守有關司法權區之法例，包括取得任何可能規定之政府、外匯管制或其他同意，遵守其他必要手續、監管或法律規定，及支付於有關司法權區應付之任何轉讓稅或註銷稅或其他稅項或徵稅。

本表格填寫方法

本接納及過戶表格應與綜合文件一併閱覽。綜合文件「釋義」一節所界定之詞彙及附錄一之條文已納入並構成本接納及過戶表格之一部分。閣下如欲接納德意志銀行代表要約人提出之收購建議，應填妥及簽署本接納及過戶表格，連同閣下欲就名下之股份接納收購建議之股份數目之相關股票及／或過戶收據及／或任何其他所有權文件（及／或就此所需並令人信納之任何彌償保證），以郵遞方式或由專人盡快送交本公司之香港股份過戶登記分處香港中央證券登記有限公司，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716室，信封面請註明「星亮控股股份——收購建議」，惟無論如何不得遲於二零一一年十月七日下午四時正（或要約人根據收購守則可能決定及公佈之較後時間及／或日期）送達香港股份過戶登記分處。

收購建議之接納及過戶表格

致：要約人及德意志銀行

1. 本人／吾等一經簽署本接納及過戶表格，本人／吾等之承繼人及受讓人將受此約束，並表示：

- (a) 本人／吾等按綜合文件及本接納及過戶表格所述代價按照並遵守當中所述條款及條件，就本接納及過戶表格所註明之股份數目不可撤回地接納綜合文件所載由德意志銀行代表要約人提出之收購建議；
- (b) 本人／吾等不可撤回地指示及授權要約人及／或德意志銀行、香港股份過戶登記分處及／或彼等各自之代理，就本人／吾等根據收購建議之條款應得之現金代價（扣除本人／吾等就本人／吾等接納收購建議應付之所有賣方從價印花稅），於收購建議在所有方面成為或宣佈成為無條件之日或香港股份過戶登記分處收到所有相關文件致使根據收購建議交回之接納完成及有效之日（以較遲者為準）起計10日內，以「不得轉讓——只准入抬頭人賬戶」方式向本人／吾等開出劃線支票，按以下地址以平郵方式寄予以下人士，或如無於下欄填上姓名及地址，則按公司股東名冊所示登記地址以平郵方式寄予本人或吾等當中所列首位者（如屬聯名登記股東），郵誤風險概由本人／吾等承擔；

（倘收取支票之人士並非登記股東或名列首位之聯名登記股東，則請在本欄填上該名人士之姓名及地址。）

姓名：（請用正楷填寫）_____

地址：（請用正楷填寫）_____

- (c) 本人／吾等不可撤回地指示及授權要約人及／或德意志銀行或彼等可能就此指定之有關人士，代表本人／吾等製備及簽立香港法例第117章印花稅條例第19(1)條規定本人／吾等作為根據收購建議出售股份之賣方須製備及簽立之成交單據，並按該條例之條文安排該單據加蓋印花及安排在本接納及過戶表格背書證明；
- (d) 本人／吾等不可撤回地指示及授權要約人及／或德意志銀行或彼等可能指定之有關人士，代表本人／吾等填妥、修訂及簽署任何文件，包括但不限於在本接納及過戶表格填上、刪去、修改或替換承讓人以及辦理任何其他必需或權宜之手續，將本人／吾等提交接納收購建議之股份轉歸要約人或彼等可能指定之有關人士所有；
- (e) 本人／吾等承諾於必需或合宜時簽署有關其他文件及作出有關其他行動及事宜，以將本人／吾等根據收購建議提呈接納之股份轉讓予要約人或其可能指定之有關人士，該（等）股份不附帶一切任何性質之留置權、押記、產權負擔、優先購買權及任何其他第三方權利，並連同於首個截止日期或於其後附帶之一切權利（包括全面收取於首個截止日期或之後宣派、作出或派付之一切股息及其他分派（如有）之權利）；
- (f) 本人／吾等同意追認要約人及／或德意志銀行或彼等各自之代理或彼／彼等可能指定之有關人士於行使本表格所載任何授權時可能作出或進行之各種行動或事宜；
- (g) 本人／吾等不可撤回地指示及授權要約人及／或德意志銀行或彼等各自之代理，代表本人／吾等交回隨附經本人／吾等正式簽署之過戶收據及／或其他所有權文件（如有）（及／或任何就此所需並令人信納之彌償保證），憑此向公司或香港股份過戶登記分處領取本人／吾等就股份應獲發之股票，並將有關股票送交香港股份過戶登記分處，且授權及指示香港股份過戶登記分處根據收購建議之條款及條件持有該（等）股票，猶如該（等）股票已連同本接納及過戶表格一併送交香港股份過戶登記分處論；及
- (h) 本人／吾等委任要約人及／或德意志銀行為本人／吾等就本接納及過戶表格有關之全部股份之委任代理人，該授權書於收購建議在所有方面成為無條件之日期及時間起生效，並隨後不得撤回。

2. 本人／吾等明白本人／吾等接納收購建議，將被視為構成本人／吾等向要約人及／或德意志銀行保證(i)本接納及過戶表格所註明數目之股份將在不附帶一切任何性質之留置權、押記、產權負擔、優先購買權及任何其他第三方權利，並連同於首個截止日期或於其後附帶之一切權利（包括全面收取於首個截止日期或之後宣派、作出或派付之一切股息及其他分派（如有）之權利）下出售；及(ii)倘本人／吾等之註冊地址位於香港以外之司法權區，本人／吾等已全面遵守所有有關司法權區之法例，取得所有所需之政府、外匯管制或其他同意，遵守所有必要監管手續、監管規定或法律規定，及已支付任何人士應付之任何轉讓稅或註銷稅或其他稅項或徵稅，本人／吾等並無採取或不採取任何行動而將引致或可能引致要約人及／或德意志銀行或任何其他人士違反任何司法權區與收購建議或本人／吾等接納收購建議有關之法律或監管規定，且本人／吾等根據所有適用法例獲准收取及接納收購建議（及其任何修訂），而根據所有適用法例，該接納為有效及具有約束力。

3. 倘按收購建議之條款，本人／吾等之接納屬無效，則上文第1段所載之所有指示、授權及承諾均會失效。在此情況下，本人／吾等授權並要求閣下將本人／吾等之股票及／或過戶收據及／或其他所有權文件（及／或就此所需並令人信納之彌償保證）連同已正式註銷之本接納及過戶表格以平郵方式一併寄予上文第1(b)段所列之人士及地址，或如未有列明姓名及地址，則按公司股東名冊所示登記地址寄予本人或吾等當中所列首位者（如為聯名登記股東），郵誤風險概由本人／吾等承擔。

附註：倘閣下交出一份或以上過戶收據，而同時要約人及／或德意志銀行或彼等各自之代理已代表閣下從香港股份過戶登記分處領取有關股票，則發還予閣下者將為有關股票而非過戶收據。

4. 本人／吾等茲附上本人／吾等持有之全部或部份股份之相關股票及／或過戶收據及／或其他所有權文件（及／或就此所需並令人信納之任何彌償保證），由閣下按收購建議之條款及條件予以保存。本人／吾等明白任何交回之接納及過戶表格、股票及／或過戶收據及／或其他所有權文件（及／或就此所需並令人信納之彌償保證）概不獲發收據。本人／吾等亦了解寄發所有文件之一切郵誤風險概由本人／吾等自行承擔。
5. 本人／吾等保證，本人／吾等為本接納及過戶表格所列數目之股份之登記持有人，而本人／吾等有十足權利、權力及授權以接納收購建議之方式，向要約人出售及移交有關股份之所有權及擁有權。
6. 本人／吾等向要約人及德意志銀行保證，本人／吾等已遵守在貴公司股東名冊所示本人／吾等地址所在司法權區關於本人／吾等接納要約人之法例，包括獲得任何所需之政府、外匯管制或其他同意，及遵守其他必須之手續、監管或法律規定。
7. 本人／吾等向要約人及德意志銀行保證，本人／吾等須就支付在貴公司股東名冊上列示本人／吾等地址所在相關司法權區關於本人／吾等接納要約人應付之任何轉讓稅、註銷稅或其他稅項或徵稅承擔全部責任。
8. 本人／吾等知悉，除綜合文件及本接納及過戶表格明文規定外，據此作出之所有接納、指示、授權及承諾均不可撤回及為無條件。
9. 本人／吾等知悉，本人／吾等以收購建議之方式向要約人出售之股份將登記於要約人及／或其代名人下。

閣下如有任何有關收購建議行政事宜的疑問，例如日期、文件記錄及程序，請自二零一一年九月十六日起至遞交收購建議接納之最後日期止期間內由星期一至星期五上午九時正至下午六時正（香港公眾假期除外）致電香港股份過戶登記分處(852) 2862 8555。請注意：香港股份過戶登記分處僅可提供本文件所載資料及有關本公司股東名冊的資料，其不能就收購建議的益處給予意見或提供財務、法律、稅務或投資意見。

PERSONAL DATA

Personal Information Collection Statement

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Privacy Ordinance") came into effect in Hong Kong on 20 December 1996. This personal information collection statement informs you of the policies and practices of the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar in relation to personal data and the Privacy Ordinance.

1. Reasons for the collection of your personal data

To accept the Offer for your Shares, you must provide the personal data requested. Failure to supply the requested data may result in the processing of your acceptance being rejected or delayed. It is important that you inform the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar immediately of any inaccuracies in the data supplied.

2. Purposes

The personal data which you provide on this form may be used, held and/or stored (by whatever means) for the following purposes:

- processing your acceptance and verification or compliance with the terms and application procedures set out in this form of acceptance and transfer and the Composite Document;
- registering transfers of the Share(s) out of your name;
- maintaining or updating the relevant register of holders of the Share(s);
- conducting or assisting to conduct signature verifications, and any other verification or exchange of information;
- establishing your entitlements under the Offer;
- distributing communication from the Offeror, Deutsche Bank and/or their respective agents, such as the Hong Kong Branch Registrar;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations (whether statutory or otherwise);
- disclosing relevant information to facilitate claims or entitlements;
- any other purpose in connection with the business of the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar; and
- any other incidental or associated purposes relating to the above and/or to enable the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar to discharge their obligations

to the Shareholders and/or regulators and any other purpose to which the Shareholders may from time to time agree to or be informed of.

3. Transfer of personal data

The personal data provided in this form will be kept confidential but the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar may, to the extent necessary for achieving the purposes above or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and, in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) such personal data to, from or with any and all of the following persons and entities:

- the Offeror's advisers and/or agent(s), such as financial advisers, legal advisers and the Hong Kong Branch Registrar;
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar in connection with the operation of its business;
- the Stock Exchange, the SFC and any other regulatory or governmental bodies;
- any other persons or institutions with which you have or propose to have dealings, such as your bankers, solicitors, accountants, licensed securities dealers or registered institutions in securities; and
- any other persons or institutions whom the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar consider(s) to be necessary or desirable in the circumstances.

4. Access to and correction of personal data

The Privacy Ordinance provides you with rights to ascertain whether the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar holds your personal data, to obtain a copy of that data, and to correct any data that is incorrect.

In accordance with the Privacy Ordinance, the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to the Offeror, Deutsche Bank and/or the Hong Kong Branch Registrar (as the case may be).

BY SIGNING THIS FORM OF ACCEPTANCE AND TRANSFER YOU AGREE TO ALL OF THE ABOVE

個人資料

收集個人資料聲明

香港法例第486章個人資料(私隱)條例(「私隱條例」)之主要條文於一九九六年十二月二十日在香港生效。本收集個人資料聲明旨在知會閣下要約人、德意志銀行及/或香港股份過戶登記分處關於個人資料及私隱條例之政策及慣例。

1. 收集閣下個人資料之原因

如欲就閣下之股份接納收購建議，閣下須提供所要求之個人資料，倘閣下未能提供所要求資料，則可能導致閣下之接納被拒或有所延誤。倘所提供之資料有任何不準確之處，務請閣下立即知會要約人、德意志銀行及/或香港股份過戶登記分處。

2. 用途

閣下於本表格提供之個人資料可能會用作、持有及/或保存(以任何方式)作下列用途：

- 處理閣下之接納及核實或遵循本接納及過戶表格及綜合文件載列之條款及申請程序；
- 登記以閣下名義轉讓股份；
- 保存或更新有關股份持有者之名冊；
- 核實或協助核實簽名，以及進行任何其他資料核實或交換；
- 確定閣下根據收購建議的權益；
- 自要約人、德意志銀行及/或彼等各自之代理(如香港股份過戶登記分處)發佈通訊；
- 編製統計資料及股東資料；
- 按法例、規則或規例(無論法定或其他規定)作出披露；
- 披露有關資料以促進索償或享有權益；
- 有關要約人、德意志銀行及/或香港股份過戶登記分處業務之任何其他用途；及
- 有關上文所述任何其他附帶或關連用途及/或以便要約人、德意志銀行及/或香港股份過戶登記分處履行彼等對股東及/或監管機構之責任及股東可能不時同意或獲知會之任何其他用途。

3. 轉交個人資料

本表格提供之個人資料將作為機密資料妥當保存，惟要約人、德意志銀行及/或香港股份過戶登記分處為達致上述或其中任何用途，可能作出彼等認為必需之查詢，以確認個人資料之準確性，尤其可能向或自下列任何及所有個人及實體披露、獲取、轉交(無論在香港或香港以外地區)該等個人資料：

- 要約人之顧問及/或代理，如財務顧問、法律顧問及香港股份過戶登記分處；
- 向要約人、德意志銀行及/或香港股份過戶登記分處就其業務經營提供行政、電訊、電腦、付款或其他服務之任何代理、承包商或第三方服務供應商；
- 聯交所、證監會及任何其他監管或政府機構；
- 與閣下進行交易或建議進行交易之任何其他人士或機構，如閣下之銀行、律師、會計師、持牌證券交易商或註冊證券機構；及
- 要約人、德意志銀行及/或香港股份過戶登記分處認為必需或適當情況下之任何其他人士或機構。

4. 獲取及更正個人資料

私隱條例賦予閣下權利以確認要約人、德意志銀行及/或香港股份過戶登記分處是否持有閣下之個人資料，獲取該資料副本，以及更正任何不正確資料。

依據私隱條例之規定，要約人、德意志銀行及/或香港股份過戶登記分處可就處理任何資料之請求收取合理手續費。獲取資料或更正資料或獲取有關政策及慣例及所持資料類型之資料之所有請求，須提交予要約人、德意志銀行及/或香港股份過戶登記分處(視情況而定)。

閣下一經簽署本接納及過戶表格即表示同意上述所有條款