THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, 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 circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SCHRAMM HOLDING AG

星亮控股股份公司*

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

(Stock Code: 955)

SPECIAL DEALS IN RELATION TO (1) ACQUISITION OF THE SSCP COATINGS BUSINESS BY THE OFFEROR (2) RE-ENFORCEMENT OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND (3) SERVICE AGREEMENT OF A DIRECTOR OF THE COMPANY

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

TC Capital
天財資本

An invitation to the extraordinary general meeting of Schramm Holding AG to be held at the office of Norton Rose LLP at Theatinerstrasse 11, 80333 Munich, Germany at 9:00 a.m. (CEST) on 7 October 2011 (which can be viewed live at Fountains Room 1–2, LG/F, Hotel Nikko Hong Kong, 72 Moody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:00 p.m. (Hong Kong time) on 7 October 2011) for the purpose of convening the extraordinary general meeting under German law together with the form of proxy for use in connection with the extraordinary general meeting have been despatched by the Company on 6 September 2011 to the Shareholders. The invitation is also published on the websites of the Company at www.schramm-holding.com/en_generalmeeting2011.html and of the Stock Exchange at www.hkexnews.hk.

Please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 24 hours before the time appointed for such meeting (i.e. not later than 9:00 a.m. (CEST) on 6 October 2011/3:00 p.m. (Hong Kong time) on 6 October 2011). Whether or not you intend to attend the extraordinary general meeting, you are advised to complete and return the form of proxy in accordance with the instructions printed thereon.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting to be held in Munich, Germany or viewing the extraordinary general meeting at the Hong Kong venue and voting in person in Hong Kong should you so wish.

* *for identification purposes only*

16 September 2011

CONTENTS

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

"acting in concert"	has the same meanings as given to it in the Takeovers Code
"AkzoNobel"	Akzo Nobel N.V., a publicly listed company incorporated 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), the Re-enforced CCT Arrangements, and the transactions contemplated thereunder
"Announcements"	the Joint Announcement and the announcement of the Company dated 9 September 2011 setting out further details on the Ancillary Transactions
"Ansan 1 Facility"	facilities of SSCP located at 629-3 Sunggok-dong, Danwon-gu, Ansan-si, Gyeonggi-do, Korea
"Ansan 2 Facility"	facilities of SSCP located at 403-2 Mongnae-dong, Danwon-gu, Ansan-si, Gyeonggi-do, Korea
"Ansan 1 Site Lease Agreement"	the lease agreement dated 16 August 2011 entered into between AkzoNobel Korea and SSCP in relation to the lease of Ansan 1 Facility
"Ansan 2 Site Lease Agreement"	the lease agreement dated 16 August 2011 entered into between AkzoNobel Korea and SSCP in relation to the lease of Ansan 2 Facility
"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
"Carve-out Arrangement"	the original proposed arrangement for SSCP to cause the Company to carve out the Non-Coatings Business of the Group to SSCP prior to the Transfer Date, pursuant to the terms of the Irrevocable Undertaking
"CEST"	Central European Summer Time

"Closing Date"	the date to be stated in the Composite Document as the first closing date of the Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive
"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 (plastic product) 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
"Composite Document"	the composite document to be issued jointly by 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 forms in respect of the Offer
"Conditions"	the conditions of the Offer, as set out in the paragraph headed "Conditions of the Offer" in the Joint Announcement
"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
"Directors"	the member(s) of the Management Board
"EGM"	the extraordinary general meeting of the Company to be held at the office of Norton Rose LLP at Theatinerstrasse 11, 80333 Munich, Germany at 9:00 a.m. (CEST) on 7 October 2011 (which can be viewed live at Fountains Room 1–2, LG/F, Hotel Nikko Hongkong, 72 Moody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:00 p.m. (Hong Kong time) on 7 October 2011) for the purpose of considering and if thought fit, approving, inter alia, the resolutions set out in the Invitation
"Excluded Business"	business of SSCP (other than SSCP Coatings Business) including without limitation the business of manufacturing and marketing electronic materials

"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: 1. the master purchase agreement dated 9 May 2011 entered into between the Company and SSCP in relation to, among the others, the purchase of products from the SSCP Group by the Group under the master purchase arrangements; 2. the toll manufacturing and service agreement dated 9 May 2011 entered into between the Company and SSCP in relation to, among the others, the sales and purchase of coating products to/from the SSCP Group by the Group under the toll manufacturing arrangements; 3. the technology licence agreement dated 10 March 2009 between SSCP and the Company; and 4. various SAP licence agreements among SSCP and the PRC subsidiaries of the Company
"EU"	the European Union
"EUR"	Euro, the official currency of the EU's Eurozone
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Humble Humanity"	The Humble Humanity Limited, a company incorporated in Labuan, Malaysia and being one of the Controlling Shareholders
"IFA" or "TC Capital Asia"	TC Capital Asia Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the IBC and the Shareholders on the Offer and to the IBC and the Independent Shareholders on the Special Deals
"IBC" or "Independent Board Committee"	an independent committee of the Company comprising the Independent Supervisors, formed to advise the Independent Shareholders in respect of the Special Deals

"Independent 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
"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. Kiyoung SHIN
"Intellectual Property Agreement"	the agreement dated 16 August 2011 entered into between AkzoNobel Korea and SSCP in relation to the license of intellectual property used by the SSCP Coatings Business
"Invitation"	the invitation to the EGM for the purpose of convening the EGM under German law issued on 6 September 2011
"Irrevocable Undertaking"	the irrevocable undertaking dated 24 June 2011 given by each of the Controlling Shareholders in favour of the Offeror, the terms of which are described further in the paragraph headed "Irrevocable Undertaking" of the Joint Announcement
"Jinyoung Facility"	facilities of SSCP located at 315-1, 315-2, 315-3, 315-4, 315-8, 315-9 Bonsan-ri, Jinyoung-eup, Gimhae-si, Gyeongsangnam-do, Korea
"Jinyoung Site Ownership & Lease Agreement"	the agreement dated 16 August 2011 entered into between AkzoNobel Korea and SSCP in relation to lease of Jinyoung CB Area of the Jinyoung Facility
"Jinyoung CB Area"	the portion of Jinyoung Facility designated for SSCP Coatings Business
"Jinyoung EM Area"	the portion of Jinyoung Facility designated for Excluded Business
"Joint Announcement"	the joint announcement dated 30 June 2011 made by the Offeror and the Company in respect of, among others, the Offer and the Special Deals
"KC's Service Agreement"	the service contract of Mr. Kenny Chae

"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"	the agreement dated 24 June 2011 between AkzoNobel and SSCP relating to the sale and purchase of the SSCP Coatings Business, which was terminated by the Termination Agreement
"Korean Transfer Agreement"	the definitive sale and purchase agreement of the SSCP Coatings Business dated 16 August 2011 between SSCP and AkzoNobel Korea
"KRW"	Korean won, the lawful currency of Republic of Korea
"Latest Practicable Date"	14 September 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"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 of the Company
"Mr. Oh"	Mr. Jung Hyun OH, a Supervisor, the chief executive officer of SSCP and a shareholder of SSCP holding approximately 14.2% of interest in SSCP as at the Latest Practicable Date
"New Master Purchase Agreement"	the agreement dated 9 September 2011 entered into between the Company and SSCP in relation to, among others, the purchase of products from SSCP by the Group under the master purchase arrangements
"New Technical Services Agreement"	the agreement dated 9 September 2011 entered into between the Company and SSCP in relation to, among others, the provision of technical and development services for the Coatings Business by SSCP to the Company and right to use the software licences and IT solution of the "SAP" program
"New Technology User Rights Agreement"	the agreement dated 9 September 2011 entered into between the Company and SSCP in relation to, among others, the licence of the Technology User Rights by SSCP to the Company

"New Toll Manufacturing Agreement"	the agreement dated 9 September 2011 entered into between the Company and SSCP in relation to, among others, the sales and purchases of coating products to/from SSCP by the Group under the toll manufacturing arrangements
"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 to be made by Deutsche Bank on behalf of the Offeror for all the issued Shares
"Offeror"	Salvador AG, a joint stock company incorporated under the laws of Germany and a wholly-owned subsidiary of AkzoNobel
"PRC"	the People's Republic of China but excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region 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 Joint Announcement
"Prospectus"	the Company's prospectus dated 15 December 2009 for the purpose of the initial listing of the Shares of the Company on the Stock Exchange
"Qunno Metal"	Qunno Metal Technologies Inc, a company controlled by SSCP
"Qunno Master Purchase Agreement"	the master purchase agreement dated 16 August 2011 entered into between AkzoNobel Korea and Qunno Metal in relation to the provision of aluminium paste and raw materials, intermediary goods and commodities
"Re-enforced CCT Arrangements"	collectively, the 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
"Schramm Hong Kong"	Schramm Hong Kong Co., Limited (formerly known as Schramm SSCP (Hong Kong) Limited), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong
"Share(s)"	the share(s) €1.00 each in the capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Special Deals"	the Ancillary Transactions and the KC Transaction, both of which constitute special deals under Rule 25 of the Takeovers Code
"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 coatings 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 Excluded Business. For the avoidance of doubt, the SSCP Coatings Business comprise exactly the same business as that under the "Target Business Division" as defined in the valuation report set out in Appendix I to this circular
"SSCP Holdings (Hong Kong)"	SSCP Holdings (Hong Kong) Limited, a company incorporated in Hong Kong, which is a wholly-owned subsidiary of SSCP and one of the Controlling Shareholders
"SSCP Group"	SSCP and its subsidiaries from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the member(s) of the Supervisory Board
"Supervisory Board"	the supervisory board of the Company
"Takeovers Code"	the Codes on Takeovers and Mergers issued by the SFC
"Technology User Rights"	the technologies to be provided pursuant to the New Technology User Rights Agreement

"Termination Agreement"	the agreement dated 16 August 2011 between AkzoNobel and SSCP relating to the termination of the Korean Agreement.
"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
"Transitional Service Agreement"	the agreement dated 16 August 2011 entered into between SSCP and AkzoNobel Korea in relation to, among others, the provision of service by SSCP to AkzoNobel Korea so as to avail AkzoNobel Korea to run the SSCP Coatings Business on a standalone basis
"Valid Acceptances"	valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the 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
"€" or "EUR"	the lawful currency of the member states of the European Union
"%"	per cent.

Unless otherwise defined, KRW has been converted to HK$ at the rate of KRW139.37 = HK$1 and EUR has been converted to HK$ at the rate of HK$11.05 = EUR 1 for illustration purpose only. No representation is made that any amounts in KRW or HK$ or EUR have been, could have been or could be converted at the above rate or at any other rates or at all.

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 Sirs or Madams,

SPECIAL DEALS IN RELATION TO
(1) ACQUISITION OF THE SSCP COATINGS BUSINESS BY THE OFFEROR
(2) RE-ENFORCEMENT OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
(3) SERVICE AGREEMENT OF A DIRECTOR OF THE COMPANY

1. INTRODUCTION

Reference is made to the Announcements. The Offer will be conditional on the satisfaction of a number of Conditions, including but not limited to, the Valid Acceptances and the Special Deals (comprising the Ancillary Transactions and the KC Transaction) having been approved by the Independent Shareholders and the Executive's consent under Rule 25 of the Takeovers Code in relation to the Special Deals having been obtained.

* *for identification purposes only*

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. The Irrevocable Undertaking will only be terminated on the withdrawal or lapsing of the Offer. 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.

As disclosed in the Announcements, the Ancillary Transactions comprises the Korean Agreement and the Re-enforced CCT Arrangements and the transactions contemplated thereunder:

(i) On 24 June 2011, AkzoNobel and SSCP entered into the Korean Agreement relating to the sale and purchase of the SSCP Coatings Business. After completion of due diligence by AkzoNobel on the SSCP Coatings Business and further negotiations between the parties, the parties entered into the Korean Transfer Agreement (details of which are set out below) and agreed to terminate the Korean Agreement by way of the Termination Agreement to ensure the SSCP Coatings Business can operate on a stand-alone basis after completion.

(ii) Under the terms of the Irrevocable Undertaking, SSCP agreed to be bound by the Re-enforced CCT Arrangements as from the Transfer Date, pursuant to which certain agreements will be entered into by and between SSCP and the Company to replace the terms of the Existing CCT upon or after the Transfer Date.

As disclosed in the Joint Announcement, the KC Transaction relates to the extension arrangement relating to the extension of the existing service agreement of Mr. Kenny Chae and the settlement agreement between Mr. Kenny Chae, the Company, Mr. Oh and the Controlling Shareholders on 17 June 2011. In the annual general meeting of the Company held on 30 June 2011, the Controlling Shareholders had voted in favour of the proposed extension of the KC's Service Agreement for a term of two more years until 31 December 2013.

The Ancillary Transactions and the KC Transaction constitute special deals under Rule 25 of the Takeovers Code and therefore require the consents of the Executive, and the Company has made an application to the Executive for the consents. Such consents, if granted, will be subject to the IFA publicly stating that in its opinion the respective terms of the Special Deals are fair and reasonable; and the approval of the Special Deals by the Independent Shareholders by way of poll at the EGM.

The purpose of this circular is to provide you with information regarding, among other things, (i) the Special Deals; (ii) recommendations of the IBC and (iii) letter of advice from the IFA.

2. ANCILARY TRANSACTIONS

I. Acquisition of the SSCP Coatings Business by the Offeror — the Korean Transfer Agreement

Date: 16 August 2011

Parties:
(i) SSCP, as seller
(ii) AkzoNobel Korea, as purchaser

Subject: SSCP has agreed to sell and AkzoNobel Korea has agreed to purchase the SSCP Coatings Business as a going concern on a conditional basis.

Conditions: Completion of the sale and purchase of the SSCP Coatings Business contemplated under the Korean Transfer Agreement is subject to the following conditions:

(i) all obligations and covenants of each of AkzoNobel Korea and SSCP under the Korean Transfer Agreement having been duly performed respectively in all material respects on or before completion of the Korean Transfer Agreement;

(ii) each and every representation and warranty made by each of SSCP and AkzoNobel Korea being true and correct as of the date when made and being true and correct as of the completion date of the Korean Transfer Agreement in all material respects;

(iii) all permits, including the acceptance of the report under the Foreign Investment Promotion Law and the anti-trust clearance from the Korean Fair Trade Commission required for the consummation of all such contemplated transactions having been obtained;

(iv) Korean tax authority having issued a determination as to whether the transaction contemplated in the Korean Transfer Agreement deemed a "comprehensive business transfer" or an "asset transfer" under Korean tax laws;

(v) shareholders of SSCP having approved the transaction contemplated in the Korean Transfer Agreement;

(vi) no action having been threatened or is pending before any governmental authority, the probable outcome of which would result in the restraint or prohibition of the consummation of the sale and purchase of the SSCP Coatings Business and the business assets or such other contemplated transactions;

(vii) AkzoNobel Korea having satisfied that it will receive good, valid and full title to all of the material business assets for the SSCP Coatings Business, free and clear from liens on completion date of the Korean Transfer Agreement;

(viii) AkzoNobel Korea having obtained all permits required by Korean law in order to enable it to legally conduct the SSCP Coatings Business and own and operate the business assets for the SSCP Coatings Business following the completion, and as may otherwise be required to effect completion of such other contemplated transactions;

(ix) there being no material adverse change or condition involving a prospective material adverse change in the SSCP Coatings Business or the business assets for the SSCP Coatings Business since the execution of the Korean Transfer Agreement;

(x) all required third party's consent to the novation or assignment of the material business contracts for the SSCP Coatings Business having been obtained;

(xi) all of the key employees having accepted to be assigned to AkzoNobel Korea as part of the transfer of the SSCP Coatings Business;

(xii) completion and settlement of the Offer;

(xiii) SSCP having delivered documents relating to termination of the agreements mentioned in item (iii) below under paragraph headed "Major Pre-Completion Obligations of SSCP";

(xiv) all of the occupancy agreements mentioned in item (v) below under paragraph headed "Major Pre-Completion Obligations of SSCP" having been executed; and

(xv) SSCP having delivered documents evidencing consents mentioned in item (vi) below under paragraph headed "Major Pre-Completion Obligations of SSCP".

Completion: Completion shall take place on the date which shall be at least 5 business days after the conditions shall have been satisfied or waived.

Consideration and basis thereof: The estimated consideration of the sale and purchase of the SSCP Coatings Business is between KRW54.25 billion (approximately HK$389.2 million) and approximately KRW77.50 billion (approximately HK$556.1 million), the final amount of which will be determined with reference to the year-to-date EBITDA at completion, which would be calculated on a stand-alone basis and including all overheads and other costs necessary to run the SSCP Coatings Business as a continuing operation (excluding inter-company sales to the Group), and subject to (A) purchase price assumptions adjustment relating to Ansan 1 Facility, Ansan 2 Facility and liability for retirement benefits assumed by AkzoNobel Korea and (B) working capital adjustment.

The estimated consideration for the sale and purchase of the SSCP Coatings Business is based on arm's length negotiations between AkzoNobel and SSCP after taking into consideration: (i) the current trading levels of comparable trading companies; (ii) precedent transaction analysis; (iii) AkzoNobel's view of synergies that could be created through the acquisition under the Korean Transfer Agreement, and (iv) working capital levels (being defined as trade receivables and stock less trade payables) and the turnover for the current 12-month period.

SSCP and AkzoNobel further confirmed on 6 September 2011 that the final consideration for the sale and purchase of the SSCP Coatings Business under the Korean Transfer Agreement shall not exceed KRW60 billion (approximately HK$430.5 million).

Major Pre-Completion Obligations of SSCP:

(i) SSCP to terminate its existing non-exclusive technical Pre-information agreement with a third party and provide cooperation to enable such party and AkzoNobel Korea to enter into a new license agreement for the license by Origin to AkzoNobel Korea of the same technical information.

(ii) SSCP to use best efforts to obtain written consent of a third party, to the assignment of all its rights and obligations, joint interests in any intellectual property rights or registrations under the existing joint development agreement.

(iii) SSCP to terminate (a) certain licence agreements previously entered into between itself and the Group; and (b) agreements or arrangements with certain suppliers of raw material, inputs or supplies to the SSCP Coatings Business.

(iv) SSCP to prepare documents for the purposes of recordation of the assignment or transfer of (a) patents and trademarks with relevant intellectual property registration offices; and (b) real and moveable properties with the appropriate local or municipal registry office.

(v) SSCP to enter into new occupancy agreements and provide assistance to AkzoNobel Korea to enter new occupancy agreements with relevant management authority to effect valid transfer or lease or shared occupation of Ansan 1 Facility, Ansan 2 Facility and Jinyoung Facility (as the case may be).

(vi) SSCP to obtain written consents from relevant counterparties to all leases and enable AkzoNobel Korea to enter into occupancy agreements relating to certain technical centres.

(vii) SSCP to remove and de-register the liens relating to any portion of the SSCP Coatings Business.

(viii) SSCP to support the establishment of an independent information technology system by AkzoNobel Korea.

Other Principal Terms:

(i) The buildings, structures and land comprising Ansan 1 Facility shall be leased to AkzoNobel Korea from completion pursuant to the Ansan 1 Site Lease Agreement. All employees and ownership over equipment located at Ansan 1 Facility shall be transferred to AkzoNobel Korea at completion of the Korean Transfer Agreement. AkzoNobel Korea shall seek to relocate the equipments outside Ansan 1 Facility pursuant to an agreed relocation plan.

(ii) All employees and ownership of Ansan 2 Facility which belong to the SSCP Coatings Business shall be transferred to AkzoNobel Korea at completion of the Korean Transfer Agreement (save from those related to Excluded Business which shall remain with SSCP). SSCP shall continue to operate such portion of existing resins manufacturing business required for Excluded Business in Ansan 2 Facility, while AkzoNobel Korea will operate such portion of existing resins manufacturing business required for SSCP Coatings Business in Ansan 2 Facility. For the purpose of enabling SSCP to continue the operation, the relevant premises shall be leased to SSCP from completion date pursuant to the Ansan 2 Site Lease Agreement. SSCP shall seek to relocate the Excluded Business operations outside Ansan 2 Facility pursuant to the relocation plan.

(iii) Jinyoung CB Area shall be leased to AkzoNobel Korea pursuant to the Jinyoung Site Ownership & Lease Agreement. SSCP shall undertake all steps to enable the transfer of ownership over the Jinyoung CB Area to AkzoNobel Korea pursuant to the relocation plan. All employees of SSCP and ownership of equipment relating to the SSCP Coatings Business located on Jinyoung Facility shall be transferred at completion of the Korean Transfer Agreement (save from those relating to Excluded Business, which shall remain with SSCP).

(iv) In order to implement the relocation actions, the parties shall agree on a final relocation plan.

(v) All employees and ownership of equipment located in the technical centres shall be transferred on completion date.

(vi) For a period of three years following completion of the Korean Transfer Agreement, SSCP and its affiliates shall not directly or indirectly do anything which may lead a person to cease to deal with the SSCP Coatings Business, or whether alone or jointly with others develop, produce, sell, market or distribute any products of the SSCP Coatings Business or any similar types of products in Korea or any other territory in which the SSCP Coatings Business sells its products as of immediately prior to completion.

AkzoNobel and SSCP agreed to enter into certain transitional agreements to ensure the SSCP Coatings Business can operate on a stand-alone basis after completion. These transitional agreements are subject to the Executive's consent and independent shareholders approved. Details of the transitional agreements are set out below:

(a) Transitional Services Agreement

Date:	16 August 2011
Parties:	(i) SSCP (ii) AkzoNobel Korea
Term:	The term shall commence from the completion date of the Korean Transfer Agreement and continue until (a) the first anniversary of completion of the Korean Transfer Agreement; or (b) mutual agreement between the parties to terminate the agreement. The agreement shall be terminated if, amongst other things, completion of the Korean Transfer Agreement fails to take place in accordance with the Korean Transfer Agreement.
Principal Terms:	AkzoNobel Korea shall provide transitional services for the respective service period in accordance with the agreement for purpose of facilitating SSCP to operate its remaining business activities after completion of the Korean Transfer Agreement, while SSCP shall provide transitional services for the respective service period in accordance with the agreement for purpose of facilitating AkzoNobel Korea to operate the SSCP Coatings Business after completion of the Korean Transfer Agreement.
Consideration and basis thereof:	Service fees chargeable for the transitional services have been agreed among the parties. With respect to service rates charged by SSCP for its provision of services, SSCP shall ensure that the basis for calculation or allocation of costs reflected in the service rates are (i) no less favourable to AkzoNobel Korea than such basis of calculation or allocation of costs between the SSCP Coatings Business and the wider business of SSCP during the first 6 months of 2011; and (ii) consistent with such costs as reflected in the accounts of SSCP Coatings Business as at 31 December 2010 and 30 June 2011. The service rates charged by AkzoNobel Korea shall not exceed the lowest rates offered during the similar period to the affiliates of AkzoNobel Korea for same or similar services performed.

Purpose of the Transitional Service Agreement: The purpose of the agreement is to set out the terms upon which both AkzoNobel and SSCP will provide any services reasonably required by the other party so as to avail (i) AkzoNobel to run the SSCP Coatings Business and (ii) SSCP to run its other business for a reasonable period of time after the completion of the sale of the SSCP Coatings Business until AkzoNobel can make the SSCP Coatings Business on a stand-alone basis.

(b) Intellectual Property Agreement

Date:	16 August 2011
Parties:	(i) SSCP, as licensor (ii) AkzoNobel Korea, as licensee
Term:	The term shall commence from the completion date of the Korean Transfer Agreement and shall remain in effect (i) in perpetuity for certain types of trademarks of SSCP and (ii) for a period of three years, subject to an extension for an additional 2 years at AkzoNobel Korea's option for other types of trademarks of SSCP.
Principal Terms:	(i) SSCP grants to AkzoNobel Korea an irrevocable, non-transferable, royalty-free world-wide right and license to use certain licensed intellectual property rights of SSCP in connection with the conduct of the SSCP Coatings Business. (ii) SSCP shall not license the licensed intellectual property rights of SSCP to any third party which engages in a business similar to or competing with the SSCP Coatings Business. However, license shall only be granted on a non-exclusive basis for any non-Coatings Business related business activity. (iii) If SSCP newly develops or creates improvements, technologies or know-how related to the licensed intellectual property rights of SSCP, SSCP shall fully convey to and share with AkzoNobel Korea such improvements, technologies or know-how.

(iv) AkzoNobel Korea may, subject to certain conditions, sublicense the licensed intellectual property rights of SSCP to any of its affiliate where such sublicense is reasonably deemed necessary for the conduct of the SSCP Coatings Business. The sublicenses shall be non-exclusive licenses.

Purpose of the Intellectual Property Agreement: The purpose of the agreement is to set out the terms upon which SSCP will license to AkzoNobel Korea certain trademarks/service marks required for the operation of the SSCP Coatings Business.

(c) Jinyoung Site Ownership & Lease Agreement

Date: 16 August 2011

Parties:
(i) SSCP, as lessor
(ii) AkzoNobel Korea, as lessee

Term: A term of 20 years commencing from the completion date of the Korean Transfer Agreement provided that AkzoNobel Korea shall have an option to extend the term for additional periods of 20 years each, upon giving SSCP one year prior notice before expiry of the then current term; provided however AkzoNobel Korea may terminate the agreement during the term by giving at least 12 months prior written notice to SSCP. The agreement shall be terminated if, amongst other things, completion of the Korean Transfer Agreement fails to take place in accordance with the Korean Transfer Agreement.

Leased Premise: Portions of the premises of 6,308.18 m^2 (1,971.31 *pyung*) situated at 315-1, 315-2, 315-3, 315-4, 315-8, 315-9 Bonsan-ri, Jinyoung-eup, Gimhae-si, Gyeongsangnam-do, Korea comprising the Jinyoung CB Area.

Principal Terms:
(i) SSCP to lease Jinyoung CB Area to AkzoNobel Korea for operation of SSCP Coatings Business related facilities and associated activities such as office, warehousing and laboratory.

(ii) The right of AkzoNobel Korea shall include the right to use the roads inside the Bonsan Industrial Complex and within the premises of SSCP for access to Jinyoung CB Area of AkzoNobel Korea by pedestrians and vehicles.

Consideration and basis thereof: A monthly rent in the amount of KRW100,000 (excluding VAT) payable by AkzoNobel Korea (together with fees payable for additional utilities required by AkzoNobel Korea). The amount of rent will be adjusted on a pro-rata basis if there be any change in the area of the leased premises during the term.

Subdivision: SSCP shall have completed the subdivision of the ownership of Jinyoung CB Area from the Jinyoung Facility on or before the 2nd anniversary of the completion of the Korean Transfer Agreement (or otherwise extended). Upon completion of the subdivision and transfer of ownership, the leasing of Jinyoung CB Area shall cease.

Option to purchase: From the commencement of the term of the Jinyoung Site Ownership & Lease Agreement and for a period of 5 years, AkzoNobel Korea shall have an option to purchase ownership over the Jinyoung EM Area (in the event AkzoNobel Korea has legal ownership over Jinyoung CB Area at the time of option exercise) or the entire Jinyoung Facility (in the event AkzoNobel Korea is leasing the Jinyoung CB Area), in each case the option price shall equal the fair market value of Jinyoung EM Area as valued by independent appraisal firms; if the option is not exercised, then (a) in the event AkzoNobel Korea has legal ownership over Jinyoung CB Area, each party shall have the right to sell its occupied area to any third party, subject to right of first refusal granted to the other party and a right to match any offer received from any third party purchaser; or (b) in the event AkzoNobel Korea leasing the Jinyoung CB Area, it shall have any option during the remainder of the lease term to decide to vacate the Jinyoung CB Area, in which case SSCP shall pay an amount equal to the fair market value of the Jinyoung CB Area to AkzoNobel Korea at the time the premises are vacated.

Purpose of the Jinyoung Site Ownership & Lease Agreement: The purpose of the agreement is to set out the terms upon which SSCP will lease or transfer the property used exclusively or primarily to manufacture products that form part of the SSCP Coatings Business to AkzoNobel Korea.

(d) Ansan 1 Site Lease Agreement

Date:	16 August 2011
Parties:	(i) AkzoNobel Korea, as lessee (ii) SSCP, as lessor
Term:	A term of 2 years commencing from the completion date of the Korean Transfer Agreement, provided however (i) AkzoNobel Korea may terminate the agreement by giving 12 months' prior written notice to SSCP; and (ii) at the end of the above 2 year term, the lease may be extended for 1 additional year for completion of the relocation plan contemplated in the Korean Transfer Agreement. The agreement shall be terminated if, amongst other things, completion of the Korean Transfer Agreement fails to take place in accordance with the Korean Transfer Agreement.
Leased Premise:	A premise of 3,116 m^2 (944.24 *pyung*) and a parcel of land of 6,008.08 m^2 (1,820.63 *pyung*) located at 629-3 Sunggok-dong, Danwon-gu, Ansan-si, Gyeonggi-do, Korea comprising the Ansan 1 Facility.
Principal Terms:	(i) SSCP to lease the leased premise comprising the Ansan 1 Facility to AkzoNobel Korea for operation of SSCP Coatings Business related facilities and associated activities such as office, warehousing and laboratory. (ii) The right of AkzoNobel Korea shall include the right to use the roads inside the Banwol Industrial Complex and within the premises of SSCP for access to the Leased Premise of AkzoNobel Korea by pedestrians and vehicles.
Consideration and basis thereof:	A monthly rent in the amount of KRW11,500,000 (excluding VAT) payable by AkzoNobel Korea (together with fees payable for additional utilities required by AkzoNobel Korea). The amount of rent will be adjusted on a pro-rata basis if there be any change in the area of the leased premises during the term.

Purpose of the Ansan 1 Site Lease Agreement: The purpose of the agreement is to set out the terms upon which SSCP will lease the property comprising the Ansan 1 Facility used exclusively or primarily to manufacture products that form part of the SSCP Coatings Business to AkzoNobel Korea.

(e) Ansan 2 Site Lease Agreement

Date:	16 August 2011
Parties:	(i) SSCP, as lessee (ii) AkzoNobel Korea, as lessor
Term:	A term of 2 years commencing from the completion date of the Korean Transfer Agreement, however SSCP may terminate the agreement by giving 12 months' prior written notice to AkzoNobel Korea. The agreement shall be terminated if, amongst other things, completion of the Korean Transfer Agreement fails to take place in accordance with the Korean Transfer Agreement
Leased Premise:	A premise of 2,671.19 m^2 (809.45 *pyung*) situated at 403-2 Mongnae-dong, Danwon-gu, Ansan-si, Gyeonggi-do, Korea comprising the Ansan 2 Facility.
Principal Terms:	(i) AkzoNobel Korea to lease the leased premise comprising a portion of the Ansan 2 Facility to SSCP for operation of electronic materials laboratory and associated activities such as manufacture of resins for the electronic materials products. (ii) The right of SSCP shall include the right to use the roads inside the Banwol Industrial Complex and within the premises of AkzoNobel Korea for access to the Leased Premise of SSCP by pedestrians and vehicles. (iii) The parties will agree to cover certain costs arising from relocation of the non-SSCP Coatings Business related activities of SSCP out of the Ansan 2 Facility.

Consideration and basis thereof:	A monthly rent in the amount of KRW100,000 (excluding VAT) payable by SSCP (together with fees payable for additional utilities required by SSCP). The amount of rent will be adjusted on a pro-rata basis if there be any change in the area of the leased premises during the term.

Purpose of the Ansan 2 Site Lease Agreement: The purpose of the agreement is to set out the terms upon which AkzoNobel Korea will lease a portion of the property comprising the Ansan 2 Facility used exclusively or primarily to manufacture products that form part of the Excluded Business to SSCP.

(f) Qunno Master Purchase Agreement

Date:	16 August 2011
Parties:	(i) Qunno Metal, as supplier (ii) AkzoNobel Korea, as purchaser
Term:	A term of three years commencing from the later of (i) the date of the Qunno Master Purchase Agreement; and (ii) the completion of the Korean Transfer Agreement, and shall extend automatically for further term of one year, unless the Qunno Master Purchase Agreement is terminated by either party by at least 6 months' prior written notice to the expiry of the first term.
Principal Terms:	Qunno Metal agrees to sell to AkzoNobel Korea aluminium paste manufactured by Qunno Metal or its affiliates for AkzoNobel Korea.

Consideration and basis thereof:	Base prices have been fixed for orders from the date of the agreement. The price for the products sold under the Qunno Master Purchase Agreement will be on no less favourable terms than which applied throughout the 18-month period prior to 30 June 2011, and Qunno Metal undertakes that such price shall not exceed the lowest rates offered to the other customers at the same time for the same product and for comparable volumes. Such base prices are subject to adjustment for each subsequent calendar year. Adjustment shall be dependent on the prices of development of the aluminium paste or aluminium. If the prices of aluminium paste or aluminium increase or decrease resulting in a more than 10% increase or decrease of price of product, parties may renegotiate the base prices in good faith.

Purpose of the Qunno Master Purchase Agreement: The purpose of the agreement is to set out the terms upon which Qunno Metal will agree to sell to AkzoNobel Korea aluminium paste required by AkzoNobel.

II. Re-enforced CCT Arrangements

As disclosed in the Announcements, under the terms of the Irrevocable Undertaking, SSCP agreed to be bound by the Re-enforced CCT Arrangements as from the Transfer Date, pursuant to which certain agreements as detailed below will be entered into by and between SSCP and the Company to replace the terms of the Existing CCT upon or after the Transfer Date. The Re-enforced CCT Arrangements consist of:

(a) New Master Purchase Agreement;

(b) New Toll Manufacturing Agreement;

(c) New Technology User Rights Agreement; and

(d) New Technical Services Agreement.

Reasons for and Benefits of the Re-enforced CCT Arrangements

As the Controlling Shareholders will cease to be the shareholders of the Company immediately after the Closing Date, the Re-enforced CCT Arrangements would serve to protect the businesses of the Group after completion of the Offer.

(a) New Master Purchase Agreement

Date: 9 September 2011

Parties: (i) SSCP
(ii) the Company

Term: Subject to the satisfaction of the conditions set out below, the New Master Purchase Agreement shall be valid for a term of three years and shall extend automatically by further terms of one year upon expiry of the first three-year term unless terminated by either party.

Principal Terms:

(i) SSCP and the Company intend to replace the existing master purchase agreements dated 9 May 2011 ("Existing Master Purchase Agreement") with the New Master Purchase Agreement from the date when the New Master Purchase Agreement becomes effective.

(ii) The Group sources certain raw materials, intermediate goods and commodities from SSCP.

(iii) Until 31 December 2011, the prices of the raw materials, intermediary goods and commodities shall follow those set out in the Existing Master Purchase Agreement, i.e. determined on an arm's length negotiation, at the lower of the prices offered by independent third parties and SSCP's acquisition costs plus a maximum margin of 10%. After 31 December 2011, the price shall be agreed between SSCP and the Company anew for each calendar year. Any adjustment of the price shall be dependent on the price development of raw materials relating to a basket consisting of the top five (with regard to value) raw materials needed for the manufacturing of the products classes 'solvents', 'resins' and 'pigments' and in any event not exceeding the lowest price that SSCP offered to other customers at the same time for the same product and for comparable volumes and adjusted of or currency differences.

Conditions:

(i) The valid execution of the New Master Purchase Agreement by SSCP and the Company.

(ii) The approval of the terms of the New Master Purchase Agreement by the Independent Shareholders at the EGM.

(iii) The consent from the Executive being obtained.

(iv) The completion of the sale of the majority shareholding in the Company by SSCP to AkzoNobel or its associates.

(b) New Toll Manufacturing Agreement

Date: 9 September 2011

Parties:
(i) SSCP
(ii) the Company

Term: Subject to the satisfaction of the conditions set out below, the New Toll Manufacturing Agreement shall be valid for a term of three years and shall extend automatically by further terms of one year upon expiry of the first three-year term unless terminated by either party.

Principal Term:

(i) SSCP and the Company intends to replace the existing master toll manufacturing agreement dated 9 May 2011 ("Existing Toll Manufacturing Agreement") with the New Toll Manufacturing Agreement from the date when the New Toll Manufacturing Agreement becomes effective.

(ii) The Group supplies raw materials and intermediary goods to SSCP for the production of coating products (including the licence of certain know-how and technology rights by the Group to SSCP at nil consideration for the manufacturing process) and such materials to be paid by SSCP.

(iii) SSCP sells the coatings products manufactured under the New Toll Manufacturing Agreement to the Group.

(iv) Until 31 December 2011, the prices of the coating products supplied by SSCP to the Group shall be determined on a cost-basis within the tax legal boundaries having regard to the total raw materials costs, delivery costs, manufacturing costs (excluding depreciation and selling, general and administrative costs) incurred by SSCP in the manufacturing of the coating products. After 31 December 2011, the price shall be agreed between SSCP and the Company anew for each calendar year. Any adjustment of the price shall be dependent on the price development of raw materials relating to a basket of the top five (with regard to value) raw materials needed for the manufacturing of the products classes 'solvents', 'resins' and 'pigments' and in any event not exceeding the lowest price that SSCP offered to other customers at the same time for the same product and for comparable volumes and adjusted f or currency differences.

Conditions:

(i) Valid execution of the New Toll Manufacturing Agreement by SSCP and the Company.

(ii) The approval of the terms of the New Toll Manufacturing Agreement by the Independent Shareholders at the EGM.

(iii) The consent from the Executive being obtained.

(iv) The completion of the sale of the majority shareholding in the Company by SSCP to AkzoNobel or its associates.

(c) New Technology User Rights Agreement

Date: 9 September 2011

Parties:
(i) SSCP
(ii) the Company

Term: The New Technology User Rights Agreement shall come into effect from the Transfer Date and shall be perpetual unless terminated by either party upon the completion of the Korean Transfer Agreement in accordance with the terms therein.

Principal Terms:

(i) SSCP and the Company intend to replace the existing technology user rights agreement dated 10 March 2009 with the New Technology User Rights Agreement from the Transfer Date;

(ii) SSCP agrees to provide the Technology User Rights and use of and access to all related technology and information, which is based on and flanked by rights and know-how, exclusively to the Company;

(iii) SSCP agrees to provide the Company access (including sending copies and scans by emails in order to allow working with such information at the premises of the Company) to all research documentations, tabulations, experimental reports and any other working results and materials necessary for the Company to use and access the Technology User Rights;

(iv) the New Technology User Rights Agreement can be terminated by either party by mutual written agreement of the parties; and

(v) if SSCP for whatever reason ceases to provide use of and access to the Technology User Rights, the Company shall have the right to, at its own discretion, require SSCP to further provide the use of and access to the Technology User Rights or to require SSCP to transfer the respective assets and/or underlying intellectual property rights to the Company on a no-cost basis, in order to allow the Company to continue its business in a proper way.

Conditions:

(i) The approval of the terms of the New Technology User Rights Agreement by the Independent Shareholders at the EGM.

(ii) The consent from the Executive being obtained.

(iii) The completion of the sale of the majority shareholding in the Company by SSCP to AkzoNobel or its associates.

Consideration: The right of use and exploitation of all technology, material and Technology User Right is granted free of charge.

(d) New Technical Services Agreement

Date: 9 September 2011

Parties:
(i) SSCP
(ii) the Company

Principal Terms:

(i) The New Technical Service Agreement shall supersede all prior communications or agreements, written or oral entered into between SSCP and the Company, including various existing SAP licence agreements among SSCP and the PRC subsidiaries of the Company;

(ii) SSCP shall provide technical and development services for the Coatings Business for a term of three years from the Transfer Date through its manufacturing and development and automotive development centres in Korea on terms and conditions equivalent to, and no less favourable than, those terms applicable to the services provided by SSCP to the Company during the last twelve months prior to the Transfer Date. No fee was paid or payable by the Company in favour of SSCP during the last twelve months prior to the date of the New Technical Services Agreement in relation to the provision of technical and development services for the Coatings Business by SSCP to the Company under the existing SAP licence agreements;

(iii) SSCP shall grant the Company the right free of charge to use the software licences and IT solution of the "SAP" program mentioned in the New Technical Service Agreement and the data within it employed by SSCP and/or its subsidiaries for the sole purpose of transferring data relating to the Coatings Business out of such SAP system to a system specified by AkzoNobel for a period of 18 months, subject to an extension of additional six months as agreed by the parties in accordance with the term therein; and

(iv) SSCP shall transfer at its own cost data relating to the Coatings Business out of such SAP system to a system specified by AkzoNobel.

Conditions:

(i) The approval of the terms of the New Technical Services Agreement by the Independent Shareholders at the EGM.

(ii) The consent from the Executive being obtained.

(iii) The completion of the sale of the majority shareholding in the Company by SSCP to AkzoNobel or its associates.

III. Carve-out Arrangement

As disclosed in the Announcements, under the terms of the Irrevocable Undertaking, SSCP agreed to cause the Company to enter into the Carve-out Arrangement pursuant to which SSCP would cause the Company to sell the Non-Coatings Business of the Group to SSCP or its associates prior to the Transfer Date.

As the Company had entered into a sale and purchase agreement on 9 September 2011 with Ecoyarn Co., Ltd., an independent third party of the Company other than SSCP or its associates in relation to the disposal of the Non-Coatings Business at a consideration of US$500,000, the Carve-out Arrangement will no longer constitute a special deal under Rule 25 of the Takeovers Code as Ecoyarn Co., Ltd., is (i) neither a shareholder of the Company; nor (ii) a party related to SSCP or its associates. The disposal is conditional upon, among others, the completion of the sale of the majority shareholdings in the Company by SSCP to AkzoNobel or its associates. As all the applicable ratios are less than 5%, the disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

3. KC TRANSACTION

As disclosed in the Joint Announcement, Mr. Kenny Chae is a member of the Management Board. Under the original service agreement of Mr. Kenny Chae (which was extended for a term of two more years on the same terms, as approved by the Shareholders in the annual general meeting of the Company held on 30 June 2011), the Company would be required to make compensation payments to Mr. Kenny Chae of EUR9.25 million if there is a sale of the Company. Details of the compensation mechanism of the service agreement of 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 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 compensation payments arising from a sale in the Company pursuant to the Offer. In return, (i) Mr. Kenny Chae will receive a reduced lump sum compensation payment in the amount of EUR3.5 million from the Company on the Transfer Date; and (ii) the Controlling Shareholders had agreed to vote and already voted in favour of the proposed extension of the KC's Service Agreement for a term of two more years until 31 December 2013 in the annual general meeting of the Company held on 30 June 2011.

The settlement agreement also provides certain provisions to amend the KC's Service Agreement including:

(i) upon due payment by the Company to Mr. Kenny Chae as mentioned above, the relevant compensation clause in the KC's Service Agreement shall no longer apply to the extent a sale of the Company or parts thereof is concerned; and

(ii) the term of the KC's Service Agreement is prolonged until 31 December 2013, as approved by the shareholder in the annual general meeting of the Company held on 30 June 2011.

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. Kenny Chae if there are additional payments required other than the above lump sum gross payment in the amount of EUR3.5 million, if not in the ordinary continuance of his contract as member 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).

Reasons for and Benefits of the KC Transaction

The Company considers that the KC Transaction is in the interests of the Company and the Shareholders as a whole on the basis that Mr. Kenny Chae would receive compensation payments arising from a sale of the Company of an amount that is substantially less than those as originally contemplated under his original service agreement. The Board (including the members of the IBC) is of the view that the terms of the KC Transaction are on normal commercial terms and fair and reasonable.

4. TAKEOVERS CODE IMPLICATIONS

The Ancillary Transactions and the KC Transaction constitute special deals under Rule 25 of the Takeovers Code and therefore require the consents of the Executive. Such consents, if granted, will be subject to the independent financial adviser publicly stating that in its opinion the respective terms of the Special Deals are fair and reasonable; and the approval of the Special Deals by the Independent Shareholders by way of poll at the EGM.

SSCP, its associates and any parties acting in concert with any of them as well as those who are interested in or involved in the Ancillary Transactions will be required to abstain from voting on the resolutions in respect of the Ancillary Transactions in the EGM. Mr. Kenny Chae, SSCP, its associates and parties acting in concert with any of them as well as those who are interested in or involved in the KC Transaction, will be required to abstain from voting on the resolution in respect of the KC Transaction at the EGM.

The Company has made an application to the Executive for consents under Rule 25 of the Takeovers Code in relation to the Special Deals.

5. 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.

6. INFORMATION ON AKZONOBEL

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.

7. INFORMATION ON SSCP

SSCP is a company incorporated in Korea in 1973, whose shares have been listed on the Korean Securities Dealers Automated Quotations since October 2005. It is principally engaged in manufacturing and sales of electronic materials and coatings materials.

8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

As disclosed in the Prospectus, the Company is required to establish a supervisory board comprising individuals who are nominated and appointed by the Shareholders to supervise and monitor the Management Board under German law, and the members of such supervisory board do not meet the independence requirements under the Listing Rules. As German law only distinguishes between members of the management board and supervisory board members, and there is no distinction between executive and non-executive directors, the Company has appointed the current Independent Supervisors who are in compliance with the independence requirements under Rule 3.13 of the Listing Rules to take the place of an independent non-executive director under Rule 3.10 of the Listing Rules. Therefore, the IBC has been formed comprising all Independent Supervisors to advise the Independent Shareholders regarding the Special Deals and TC Capital Asia has been appointed as the IFA to advise the IBC and the Independent Shareholders in this regard. The IBC, comprising all the Independent Supervisors, to advise the Independent Shareholders regarding the Special Deals was formed on 29 June 2011. The IBC has also unanimously approved the appointment of the IFA on 29 June 2011 pursuant to a written resolution by all the members of the IBC. Despite further repeated request from the Management Board, Mr. Shin had hesitations and refused to approve the Special Deals 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 Special Deals and would not sign the letter from the IBC to this circular without giving any reasons to the Board.

9. EGM

The Company has convened the EGM to take place in the offices of Norton Rose LLP at Theatinerstrasse 11, 80333 Munich, Germany at 9:00 a.m. (CEST) on 7 October 2011 (which can be viewed live at Fountains Room 1–2, LG/F, Hotel Nikko Hongkong, 72 Moody Road, Tsimshatsui East, Kowloon, Hong Kong, at 3:00 p.m. (Hong Kong time) on 7 October 2011). Resolutions will be proposed at the EGM for the purpose of considering and if thought fit, approving, inter alia, the Resolutions. The Invitation together with the revised form of proxy for use in connection with the EGM have been despatched to the shareholders by the Company on 6 September 2011. The Invitation is also published on the websites of the Company at www.schramm-holding.com/en_generalmeeting2011.html and of the Stock Exchange at www.hkexnews.hk.

You are requested to complete and return the form of proxy in accordance with the instructions printed thereon which must be deposited at the offices of the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or sent to the e-mail address of the Company at shareholder@schramm-holding.de at least 24 hours before the time for holding the EGM (i.e. not later than 9:00 a.m. (CEST) on 6 October 2011/3:00 p.m. (Hong Kong time) on 6 October 2011) or any adjourned meeting thereof. Whether or not you intend to attend the EGM, you are advised to complete and return the form of proxy in accordance with the instructions printed thereon. For the avoidance of doubt, the proxy form accompanied the first notice of EGM dated 19 August 2011 (the "First Proxy Form") is treated as a valid proxy form if correctly completed. Shareholders who have already lodged the First Proxy Form are not required to lodge the revised proxy form, however, if they choose to lodge the revised proxy form again, the revised proxy form will revoke and supersede the First Proxy Form previously lodged by them.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM in Munich, Germany or viewing the EGM at the Hong Kong venue and voting in person in Hong Kong should you so wish.

The register of members of the Company will be closed from 4 October 2011 to 7 October 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to vote at the EGM, all transfers accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 3 October 2011.

10. VOTING BY POLL

Each of the resolutions will be voted on by poll. Results of the poll voting will be published on the Company's website at www.schramm-holding.com/en_generalmeeting2011.html and the website of the Stock Exchanges at www.hkexnews.hk after the EGM on 7 October 2011.

11. RECOMMENDATION

The Board considers that the terms of the Special Deals are fair and reasonable and the entering into of the Special Deals is in the interests of the Company and the Shareholders as a whole. IFA recommends the Independent Shareholders to vote in favour of the relevant resolutions proposed in the Invitation by the Board and the Supervisory Board to approve the Special Deals.

However your attention is drawn to the letter from the Independent Board Committee containing its advise and recommendation to the Independent Shareholders as set out on page 35 of this circular and the letter from TC Capital Asia containing its advice and the principal factors which it has considered in arriving at its advice and opinions in respect of the terms of the Special Deals and recommendations in terms of voting in relation to the Special Deals as set out on pages 36 to 73 of this circular.

12. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the professional advisers who have given opinions or advice contained in this circular:

Name	Qualifications
TC Capital Asia	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Samil PricewaterhouseCoopers	Certified Public Accountants, South Korea
Daehyun Accounting Corp.	Certified Public Accountants, South Korea

Each of TC Capital Asia, Samil PricewaterhouseCoopers and Daehyun Accounting Corp., has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice or report, as the case may be, and the references to its name in the form and context in which they respectively appear.

13. RESPONSIBILITY STATEMENT

The Directors and the Supervisors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

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 Independent Shareholders

Dear Sir or Madam,

SPECIAL DEALS IN RELATION TO (1) ACQUISITION OF THE SSCP COATINGS BUSINESS BY THE OFFEROR (2) RE-ENFORCEMENT OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND (3) SERVICE AGREEMENT OF A DIRECTOR OF THE COMPANY

We, being the Independent Supervisors, have been appointed to form the Independent Board Committee to advise you, as an Independent Shareholder, in connection with the Special Deals, details of which have been set out in the letter from the Board contained in the circular to the Shareholders dated 16 September 2011 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Special Deals and the advice and recommendation of TC Capital Asia as the IFA in relation to the Special Deals as set out in the Circular, we are of the opinion that the Special Deals and their respective terms are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Special Deals.

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

Bang Seon KO
Independent Supervisor

Choong Min LEE
Independent Supervisor

* *for identification purposes only*

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,

SPECIAL DEALS IN RELATION TO
ACQUISITION OF THE SSCP COATINGS BUSINESS BY THE OFFEROR;

RE-ENFORCEMENT OF EXISTING CONTINUING CONNECTED TRANSACTIONS;
AND
SERVICE AGREEMENT OF A DIRECTOR OF THE COMPANY

INTRODUCTION

We refer to our appointment as the IFA to advise the IBC and the Independent Shareholders of Schramm Holding AG (the "**Company**") relating to the Ancillary Transactions and the KC Transaction, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular (the "**Circular**") of the Company dated 16 September 2011 of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

Reference is made to the Announcements. On 30 June 2011, the Company, AkzoNobel and the Offeror 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. Under the Offer, the consideration for every Share is HK$78.70 in cash. 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 addition to the Pre-Conditions, the Offer will be conditional on the satisfaction of all the Conditions, which include, *inter alia*, the Ancillary Transactions and the KC Transaction having been approved by the Independent 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. Full details of the Pre-Conditions and the Conditions are disclosed in the Announcements.

On 24 June 2011, SSCP (as vendor) and AkzoNobel (as purchaser) entered into the Korean Agreement pursuant to which, subject to the conditions thereto on or before 30 June 2012, AkzoNobel agreed to enter into a definitive agreement with SSCP on the purchase of the SSCP Coatings Business and subsequently was terminated by the Termination Agreement. On 16 August 2011, the Korean Transfer Agreement was entered into between SSCP and AkzoNobel Korea, pursuant to which SSCP has agreed to sell and AkzoNobel Korea has agreed to purchase the SSCP Coatings Business as a going concern on a conditional basis. The consideration for the sale and purchase of the SSCP Coatings Business is between KRW54.25 billion (equivalent to approximately HK$389.3 million) and KRW77.50 billion (equivalent to approximately HK$556.1 million). As stated in the Board Letter, SSCP and AkzoNobel further confirmed on 6 September 2011 that the final consideration for the sale and purchase of the SSCP Coatings Business under the Korean Transfer Agreement shall not exceed KRW60 billion (approximately HK$430.5 million).

The Korean Transfer Agreement, including the terms of the transitional agreements, constitutes a special deal under Rule 25 of the Takeovers Code and requires the Executive's consent.

Under the terms of the Irrevocable Undertaking, SSCP agreed to be bound by the Re-enforced CCT Arrangements as from the Transfer Date, pursuant to the Re-enforced CCT Arrangements, New Master Purchase Agreement, New Toll Manufacturing Agreement, New Technology User Rights Agreement and New Technical Services Agreement will be entered into between SSCP and the Company to replace the terms of the Existing CCT upon or after the Transfer Date. Further details of the Re-enforced CCT Arrangements are disclosed in the Board Letter. The Re-enforced CCT Arrangements constitute special deals under Rule 25 of the Takeovers Code and require the Executive's consent.

Mr. Kenny Chae, a member of the Management Board, entered into the KC's Service Agreement with the Company, pursuant to which the Company would be required to make compensation payments to Mr. Kenny Chae of EUR9.25 million if there is a sale of the Company, as would be triggered by the Offer. In order to reduce the compensation obligations of the Company against Mr. Kenny Chae, the Company and Mr. Kenny Chae have entered into a settlement agreement pursuant to which Mr. Kenny Chae agreed to waive and forfeit his rights to receive payments arising from a sale of the Company, subject to the payment of a lump sum gross payment in the amount of EUR3.5 million being paid to Mr. Kenny Chae by the Company on the Transfer Date.

The KC Transaction (the extension arrangement relating to the extension of the KC's Service Agreement and the settlement agreement) constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires the Executive's consent.

As summarised above, the Ancillary Transactions, comprising 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 KC Transaction and the transactions contemplated thereunder constitute special deals under Rule 25 of the Takeovers Code and therefore require the consent of the Executive. Such consent, if granted, will be subject to (i) the IFA publicly stating that in its opinion the terms of the Ancillary Transactions and the KC Transaction are fair and reasonable; and (ii) the approval of the Ancillary Transactions and the KC Transaction by the Independent Shareholders by way of poll at the EGM. An IBC comprising all independent Supervisors on the Supervisory Board, namely Mr. Bang Seon KO, Mr. Choong Min LEE and Mr. Kiyoung SHIN has been formed to consider and make recommendation to the Independent Shareholders in respect of the Ancillary Transactions and the KC Transaction. We have been appointed as the IFA to advise the IBC and the Independent Shareholders in relation to the Ancillary Transactions, the KC Transaction and the transactions contemplated thereunder.

We are not associated or connected with the Company, SSCP, the Offeror and their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give an independent advice on the terms of the Ancillary Transactions, the KC Transaction and the transactions contemplated thereunder.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to 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 Circular or otherwise provided or 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 its senior management that no material fact has been omitted from the information provided, opinions expressed by them to us and referred to in the Circular.

We consider that we have reviewed all information and documents which are made available to enable us to reach an informed view and to justify our reliance on the information obtained 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 to us by the Company and its senior management or to believe that material information has been withheld or omitted from the information provided with us or referred to in the Circular. 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, the Offeror and SSCP.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Ancillary Transactions, the KC Transaction and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

I. Korean Transfer Agreement and transitional agreements

(a) Background

On 30 June 2011, the Offeror and the Company jointly announced the Offer. The Offer will be conditional on the satisfactions of a number of Conditions, including but not limited to, the Korean Transfer Agreement and transitional agreements having been approved by the Independent Shareholders and the Executive's consent under Rule 25 of the Takeovers Code in relation to the Special Deals having been obtained.

Information on SSCP

SSCP is a company incorporated in Korea in 1973, whose shares have been listed on the Korean Securities Dealers Automated Quotations since October 2005. SSCP is principally engaged in the manufacturing and sales of electronic materials and coatings materials.

Mr. Oh, a Supervisor, is the chief executive of SSCP and a shareholder of SSCP holding approximately 14.2% interest in SSCP. As stated in the Announcements, the SSCP Coatings Business in Korea is only mainly for general industry coatings and does not involve automotive coatings in Korea.

Financial information of SSCP

Set out below is the key audited financial information of SSCP, prepared in accordance with Korean Generally Accepted Accounting Principles as extracted from SSCP's website, http://eng.sscpcorp.co.kr:

	For the year ended 31 December			
	2010	**2010**	**2009**	**2009**
	KRW'billion	*HK$'million*	*KRW'billion*	*HK$'million*
Exchange rate (KRW/HK$)		148.83		164.66
Sales	263.42	1,769.94	210.57	1,278.82
Gross profit	44.28	297.52	38.08	231.26
Gross profit margin (%)	16.81%	16.81%	18.08%	18.08%
Operating profit	5.10	34.27	16.45	99.90
Profit before tax	(21.89)	(147.08)	(4.86)	(29.52)
Net Profit	(29.84)	(200.50)	(5.68)	(34.50)

From the above, we noted that there was an increase in sales for SSCP in the year ended 31 December 2010, to approximately KRW263.42 billion, largely due to the growth in sales in its electronic material business division. In 2010, SSCP experienced a decrease in gross profit margin to 16.81% owing to increasing material costs in the fourth quarter of 2010. Net loss was enlarged to approximately KRW29.84 billion for the year ended 31 December 2010 as a result of the increase in allowance for bad debts and other bad debt expenses. The following table shows further the audited balance sheet figures of SSCP:

	As at 31 December			
	2010	**2010**	**2009**	**2009**
	KRW'billion	*HK$'million*	*KRW'billion*	*HK$'million*
Exchange rate (KRW/HK$)		148.83		164.66
Total assets	490.38	3,294.90	480.55	2,918.44
Total liabilities	248.32	1,668.48	227.00	1,378.60
Net assets value	242.06	1,626.42	253.55	1,539.84

(b) Reasons for the Korean Transfer Agreement

As disclosed in the Announcements, there are existing business relationships between the SSCP Coatings Business and the Group's Coatings Business and SSCP would cease to have shareholding interest in the Company immediately after the Transfer Date, the acquisition of the SSCP Coatings Business by AkzoNobel would serve to protect the businesses of the Group and complement its coatings business alongside the acquisition of the Company after completion of the Offer.

(c) Principal terms of the agreements

The Korean Transfer Agreement

Pursuant to the Korean Transfer Agreement, SSCP has agreed to sell and AkzoNobel has agreed to purchase the SSCP Coatings Business as a going concern on a conditional bases. The consideration for the sale and purchase of the SSCP Coatings Business is between KRW54.25 billion (approximately HK$389.3 million) and KRW77.50 billion (approximately HK$556.1 million), the final amount of which will be determined with reference to the year-to-date EBITDA before completion, which would be calculated on a stand-alone basis and including all overheads and other costs necessary to run the SSCP Coatings Business as a continuing operation (excluding inter-company sales to the Group), and subject to (i) purchase price assumptions adjustment relating to Ansan 1 Facility, Ansan 2 Facility and liability for retirement benefits assumed by AkzoNobel Korea; and (ii) working capital adjustment. As stated in the Board Letter, SSCP and AkzoNobel further confirmed on 6 September 2011 that the final consideration for the sale and purchase of the SSCP Coatings Business under the Korean Transfer Agreement shall not exceed KRW60 billion (approximately HK$430.5 million).

We have also reviewed the Korean Transfer Agreement, which also sets out the terms for, among other matters, the arrangement of Ansan 1 Facility, Ansan 2 Facility, Jinyoung CB Area and Jinyoung EM Area as follows:

Ansan 1 Facility

(a) the buildings, structures and land comprising the Ansan 1 Facility shall be leased to AkzoNobel Korea with terms include rent at cost and a lease term of two years subject to an extension;

(b) AkzoNobel Korea will seek to relocate the equipment located at Ansan 1 Facility outside of the Ansan 1 Facility;

Ansan 2 Facility

(c) all employees and ownership of the entirety of Ansan 2 Facility shall transfer over to AkzoNobel Korea at the Transfer Date;

(d) all employees, equipment and structures of SSCP that are a part of the Excluded Business shall remain on the Ansan 2 Facility;

(e) ASSCP shall continue to operate that portion of the existing resins manufacturing business required for the Excluded Business;

(f) the relevant premises shall be leased to SSCP under the Ansan 2 Site Lease Agreement with terms include rent at nominal value and lease term of two years;

(g) SSCP will seek to relocate the Excluded Business related operations outside of Ansan 2 Facility;

Jinyoung Facility

(h) Jinyoung CB Area shall be leased to AkzoNobel Korea under the Jinyoung Site Ownership and Lease Agreement with terms include (i) rent at nominal value plus taxes, public charges and other expenses that would have been imposed by any third party or government authority and incurred by AkzoNobel Korea if it had been the legal owner of Jinyoung CB Area and such taxes, public charges and other expenses were actually incurred by SSCP (no double counting); (ii) a lease term of 20 years subject to automatic renewal; and (iii) option to purchase ownership over the Jinyoung EM Area by AkzoNobel Korea and option to purchase Jinyoung CB Area by SSCP.

AkzoNobel and SSCP agreed to enter into certain transitional agreements to ensure the SSCP Coatings Business can operate on a stand-alone basis after completion. Details of which are disclosed in the Board Letter.

Transitional Services Agreement

Date	:	16 August 2011
Parties	:	(i) SSCP (ii) AkzoNobel Korea
Term	:	The term shall commence from the completion date of the Korean Transfer Agreement and continue until (i) the first anniversary of completion of the Korean Transfer Agreement; or (ii) mutual agreement between the parties to terminate the agreement. The agreement shall be terminated if, among other things, completion of the Korean Transfer Agreement fails to take place in accordance with the Korean Transfer Agreement.
Principal terms	:	AkzoNobel Korea shall provide transitional services for the respective service period in accordance with the agreement for purpose of facilitating SSCP to operate its remaining business activities after completion of the Korea Transfer Agreement, while SSCP shall provide transitional services for the respective service period in accordance with the agreement for purpose of facilitating AkzoNobel Korea to operate the SSCP Coatings Business after completion of the Korean Transfer Agreement.
Consideration and basis thereof	:	With respect to service rates charged by SSCP, SSCP shall ensure that the basis for calculation or allocation of costs reflected in the service rates are (i) no less favourable to AkzoNobel Korea than such basis of calculation or allocation of costs between the SSCP Coatings Business and the wider business of SSCP during the first six months of 2011; and (ii) consistent with such costs as reflected in the accounts of SSCP Coatings Business as at 31 December 2010 and 30 June 2011. The service rates charged by AkzoNobel Korea shall not exceed the lowest rates offered to the affiliates of AkzoNobel Korea for same or similar service performed.

We understand that the purpose of the Transitional Services Agreement is to set out the terms upon which both AkzoNobel Korea and SSCP will provide any services reasonably required by the other party so as to avail (i) AkzoNobel Korea to run the SSCP Coatings Business and (ii) SSCP to run its other business for a reasonable period of time after the completion of the sale of the SSCP Coatings Business until AkzoNobel Korea can make the SSCP Coatings Business on a stand-alone basis. We have also discussed with the parties and understand that there are certain contracts currently in place between SSCP and various third parties of which some will be assigned to AkzoNobel Korea. After completion of the Korean Transfer Agreement, AkzoNobel Korea would then be taking over these assigned contracts but certain of which will require AkzoNobel Korea to provide transitional services to SSCP under the Transitional Services Agreement to merely transfer the benefits that already earned by SSCP before assignment back to SSCP. On this basis, and taking into account that (i) SSCP Coatings Business was run by SSCP as one of the business units which had integration with the remaining businesses of SSCP, such as the sharing of plants and facilities, a transitional period would be required for the segregation of SSCP Coatings Business from SSCP; (ii) SSCP has the experience in operating the SSCP Coatings Business and is capable and suitable to provide AkzoNobel Korea with the transitional services; (iii) service rates charged by SSCP is no less favourable to AkzoNobel Korea than such basis of calculation or allocation of costs between the SSCP Coatings Business and the wider business of SSCP during the first month of 2011 and consistent with such costs as reflected in the accounts of SSCP Coatings Business as at 31 December 2010 and 30 June 2011; (iv) no extra value will be given to SSCP under the Transitional Services Agreement and the service rates charged by AkzoNobel Korea shall not exceed the lowest rates offered to the affiliates of AkzoNobel Korea for same or similar service performed and will abide by local jurisdiction law; and (v) the transitional nature of the agreement, we therefore consider the terms of the Transitional Services Agreement fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Intellectual Property Agreement

Date	:	16 August 2011
Parties	:	(i) SSCP, as licensor
		(ii) AkzoNobel Korea, as licensee
Term	:	The term shall commence from the completion date of the Korean Transfer Agreement and shall remain in effect (i) in perpetuity for certain types of trademarks of SSCP and (ii) 3 years, subject to an extension for an additional 2 years at AkzoNobel Korea's option for other types of trademarks of SSCP.

Principal term	:	SSCP grants to AkzoNobel Korean an irrevocable, non-transferable, royalty-free world-wide right and license to use certain licensed intellectual property rights of SSCP in connection with the conduct of the SSCP Coatings Business. If SSCP newly develops or creates improvements, technologies or know-how related to the licensed intellectual property rights of SSCP, SSCP shall fully convey to and share with AkzoNobel Korea such improvements, technologies and know-how. AkzoNobel Korea may sublicense the licensed intellectual property rights of SSCP to any of its affiliates where such sublicense is reasonably deemed necessary for the conduct of the SSCP Coatings Business.

The purpose of the Intellectual Property Agreement is to set out the terms upon which SSCP will license to AkzoNobel Korea certain trademarks/service marks required for the operation of the SSCP Coatings Business. We are given to understand that in order to carry on the SSCP Coatings Business, sufficient trademarks and service marks, including those covered under the Intellectual Property Agreement should be possessed by AkzoNobel Korea, together with the consideration that the licensed intellectual property rights granted by SSCP to AkzoNobel Korea are irrevocable, non-transferable, royalty-free, world-wide right, we are of the view that the entering into the Intellectual Property Agreement is reasonable in connection with the Korean Transfer Agreement and the terms therein are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Jinyoung Site Ownership & Lease Agreement

Date	:	16 August 2011
Parties	:	(i) SSCP, as lessor
		(ii) AkzoNobel Korea, as lessee

Term	:	A term of 20 years commencing from the completion date of the Korean Transfer Agreement provided that AkzoNobel Korea shall have an option to extend the term for additional periods of 20 years each, upon giving SSCP one year prior notice before expiry of the then current term; provided however AkzoNobel Korea may terminate the agreement during the term by giving at least 12 months prior written notice to SSCP. The agreement shall be terminated if, among other things, completion of the Korean Transfer Agreement fails to take place in accordance with the Korean Transfer Agreement.
Leased premise	:	Portions of the premises of 6,308.18m^2 situated at 315-1, 315-2, 315-3, 315-4, 315-8, 315-9 Bonsan-ri, Jinyoung-eup, Gimhai-si, Gyeongsangnam-do, Korea comprising the Jinyoung CB Area.
Principal terms	:	SSCP to lease Jinyoung CB Area to AkzoNobel Korea for operation of SSCP Coatings Business related facilities and associated activities such as office, warehousing and laboratory. The right of AkzoNobel Korea shall include the right to use the roads inside the Bonsan Industrial Complex and within the premises of SSCP for access of Jinyoung CB Area of AkzoNobel Korea by pedestrians and vehicles.
Consideration and basis thereof	:	A monthly rent in the amount of KRW100,000 (equivalent to approximately HK$731) (excluding VAT) payable by AkzoNobel Korea (together with fees payable for additional utilities required by AkzoNobel Korea). The amount of rent will be adjusted on a pro-rata basis if there be any change in the area of the leased premises during the term.
Subdivision	:	SSCP shall have completed the subdivision of the ownership of Jinyoung CB Area from the Jinyoung Facility on or before the second anniversary of the completion of the Korean Transfer Agreement (or otherwise extended). Upon completion of the subdivision and transfer of ownership, the leasing of Jinyoung CB Area shall cease.

Option to purchase	:	From the commencement of the term of the Jinyoung Site Ownership & Lease Agreement and for a period of 5 years, AkzoNobel Korea shall have an option to purchase ownership over the Jinyoung EM Area (in the event AkzoNobel Korea has legal ownership over Jinyoung CB Area at the time of option exercise) or the entire Jinyoung Facility (in the event AkzoNobel Korea is leasing the Jinyoung CB Area), in each case the option price shall equal the fair market value of Jinyoung EM Area as valued by independent appraisal firms; if the option is not exercised, then (a) in the event AkzoNobel Korea has legal ownership over Jinyoung CB Area, each party shall have the right to sell its occupied area to any third party, subject to right of first refusal granted to the other party and a right to match any offer received from any third party purchaser; or (b) in the event AkzoNobel Korea leasing the Jinyoung CB Area, it shall have any option during the remainder of the lease term to decide to vacate the Jinyoung CB Area, in which case SSCP shall pay an amount equal to the fair market value of the Jinyoung CB Area to AkzoNobel Korea at the time the premises are vacated.

The purpose of the Jinyoung Site Ownership & Lease Agreement is to set out the terms upon which SSCP will lease or transfer the property used exclusively or primarily to manufacture products that form part of the SSCP Coatings Business to AkzoNobel Korea. We have reviewed the terms of both the Jinyoung Site Ownership & Lease Agreement and the Korean Transfer Agreement and are of the view that the material terms of the former are generally covered in the latter.

We are informed that the property under the agreement has been used by the SSCP Coatings Business in its ordinary and usual course of business and the long tenure would avoid any potential inconvenience and administrative cost arising from the expiry of a short-term lease. We are further informed that there is a possibility that the transfer of the ownership of Jinyoung CB Area to AkzoNobel Korea may not be completed by the second anniversary of the completion of Korean Transfer Agreement and could be postponed for few years for reasons not attributable to SSCP or AkzoNobel Korea. The Jinyoung Site Ownership & Lease Agreement would terminate at the time of actual transfer of ownership of Jinyoung CB Area to AkzoNobel Korea. We are of the view that long term tenure with fixed rental under the Jinyougn Site Ownership & Lease Agreement would not be a favourable condition to SSCP as SSCP may not re-negotiate rental nor terminate the lease. Having considered also that the monthly rental fee payable by AkzoNobel Korea to SSCP is only nominal in nature, which is required for not being challenged by Korean Tax Authorities under Korean law, and that the exercise of the option would require either AkzoNobel Korea or SSCP (whichever applicable) to pay an amount equal to the fair market value of the relevant properties, as well as the transitional nature of the Jinyoung Site Ownership & Lease Agreement, we are of the view that the terms of the Jinyoung Site Ownership & Lease Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Ansan 1 Site Lease Agreement

Date	:	16 August 2011
Parties	:	(i) SSCP, as lessor (ii) AkzoNobel Korea, as lessee
Term	:	A term of 2 years commencing from the completion date of the Korean Transfer Agreement, provided however (i) AkzoNobel Korea may terminate the agreement by giving 12 months' prior written notice to SSCP; and (ii) at the end of the 2 year term above, the lease may be extended for 1 additional year for completion of the relocation plan contemplated in the Korean Transfer Agreement. The agreement shall be terminated if, amongst other things, completion of the Korean Transfer Agreement fails to take place in accordance with the Korean Transfer Agreement.
Leased premise	:	A premise of 3,116m^2 and a parcel of land of 6,008.08m^2 located at 629-3 Sunggok-dong, Danwon-gu, Ansan-si, Gyeonggi-do Korea comprising the Ansan 1 Facility.
Principal terms	:	SSCP to lease the leased premise comprising the Ansan 1 Facility to AkzoNobel Korea for operation of SSCP Coatings Business related facilities and associated activities such as office, warehousing and laboratory. The right of AkzoNobel Korea shall include the right to use the roads inside the Banwol Industrial Complex and within the premises of SSCP for access to the leased premise of AkzoNobel Korea by pedestrians and vehicles.

Consideration and basis thereof	:	A monthly rent in the amount of KRW11,500,000 (equivalent to approximately HK$84,100) (excluding VAT) payable by AkzoNobel Korea (together with fees payable for additional utilities required by AkzoNobel Korea). The amount of rent will be adjusted on a pro-rata basis if there be any changes in the area of the leased premises during the term.

The purpose of the Ansan 1 Site Lease Agreement is to set out the terms upon which SSCP will lease the property comprising the Ansan 1 Facility used exclusively or primarily to manufacture products that form part of the SSCP Coatings Business to AkzoNobel.

We have reviewed the terms of both the Ansan Site 1 Lease Agreement and the Korean Transfer Agreement and are of the view that the material terms of the former are generally covered in the latter. The monthly rental has been agreed with reference to the depreciation costs for the building and structures of the Ansan 1 Facility and the real property tax payable by SSCP for the land and building in Ansan 1 Facility.

We are also given to understand that AkzoNobel Korea will seek to relocate all the machinery, equipment, computer and communications hardware, loose tools, fixtures, fittings and furniture which are exclusively or primarily used in the SSCP Coatings Business on the Ansan 1 Facility outside of the Ansan 1 Facility. It is reasonable that time is required for AkzoNobel Korea to complete the relocation and the Ansan Site 1 Lease Agreement will terminate when relocation activities are complete. Therefore, given that (i) the Ansan Site 1 Lease Agreement is only transitional in nature which will be terminated when relocation is complete and (ii) the rent is only to compensate the cost of possessing the Ansan 1 Facility, we consider the terms of the Ansan Site 1 Lease Agreement, including the monthly rental fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Ansan 2 Site Lease Agreement

Date	:	16 August 2011
Parties	:	(i) AkzoNobel Korea, as lessor (ii) SSCP, as lessee

Term	:	A term of 2 years commencing from the completion date of the Korean Transfer Agreement, however, SSCP may terminate the agreement by giving 12 months' prior written notice to AkzoNobel Korea. The agreement shall be terminated if, amongst other things, completion of the Korean Transfer Agreement fails to take place in accordance with the Korean Transfer Agreement.
Leased premise	:	A premise of 2,671.19m^2 situated at 403-2 Mongnae-dong, Danwon-gu, Ansan-si, Gyeonggi-do, Korea comprising the Ansan 2 Facility.
Principal terms	:	AkzoNobel Korea to lease the leased premise comprising a portion of the Ansan 2 Facility to SSCP for operation of electronic materials laboratory and associated activities such as manufacture of resins for the electronic materials products. The right of SSCP shall include the right to use the roads inside the Banwol Industrial Complex and within the premises of AkzoNobel Korea for access to the Leased Premise of SSCP by pedestrians and vehicles. The parties will agree to cover certain costs arising from relocation of the non-SSCP Coatings Business related activities of SSCP out of the Ansan 2 Facility.
Consideration and basis thereof	:	A monthly rent in the amount of KRW100,000 (equivalent to approximately HK$718) (excluding VAT) payable by SSCP (together with fees payable for additional utilities required by SSCP). The amount of rent will be adjusted on a pro-rata basis if there be any change in the area of the leased premises during the term.

The purpose of the Ansan 2 Site Lease Agreement is to set out the terms upon which AkzoNobel Korea will lease a portion of the property comprising the Ansan 2 Facility used exclusively or primarily to manufacture products that form part of the Excluded Business to SSCP.

We have reviewed the terms of both the Ansan Site 2 Lease Agreement and the Korean Transfer Agreement and are of the view that the terms of the former is generally covered in the latter. The monthly rental of KRW100,000 is a nominal value as stipulated in the Korean Transfer Agreement.

Ansan 2 Facility shall also be transferred to AkzoNobel Korea at completion of the Korean Transfer Agreement (save from those related to Excluded Business which shall remain with SSCP). SSCP shall continue to operate such portion of existing resins manufacturing business required for Excluded Business in Ansan 2 Facility, while AkzoNobel Korea will operate such portion of existing resins manufacturing business required for SSCP Coatings Business in Ansan 2 Facility. For the purpose of enabling SSCP to continue the operation, the relevant premises shall be leased to SSCP to continue the operation, from completion date pursuant to the Ansan 2 Site Lease Agreement. SSCP shall seek to relocate the Excluded Business operations outside Ansan 2 Facility pursuant to the relocation plan. It is reasonable that time is required for SSCP to complete the relocation and the Ansan Site 2 Lease Agreement will terminate when relocation activities are complete.

The management of the Company has informed us that the entering into of the Ansan 2 Site Lease Agreement would enable the SSCP Coatings Business, after being possessed by AkzoNobel Korea, to conduct its businesses at the relevant premises at which such businesses are currently carried out and to avoid any disruption of their businesses after the completion date of the Korean Transfer Agreement and before SSCP can finish its relocation. Accordingly, given (i) the transitional nature of Ansan Site 2 Lease Agreement, which will terminate when SSCP's relocation is complete; and (ii) that AkzoNobel Korea can continue the SSCP Coatings Business after its takeover without any disruption, we consider that the terms therein are in normal course of business and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Qunno Master Purchase Agreement

Date	:	16 August 2011
Parties	:	(i) Qunno Metal, as supplier (ii) AkzoNobel Korea, as purchaser
Term	:	A term of three years commencing from the later of (i) the date of the Qunno Master Purchase Agreement; and (ii) the completion of the Korean Transfer Agreement, and shall extend automatically for further term of one year, unless the Qunno Master Purchase Agreement is terminated by either party by at least 6 months' prior written notice to the expiry of the first term.
Principal terms	:	Qunno Metal agrees to sell to AkzoNobel Korea aluminium paste manufactured by Qunno Metal or its affiliates for AkzoNobel Korea.

Consideration and basis thereof	:	Base prices have been fixed for orders from the date of the agreement. The price for the products sold under the Qunno Master Purchase Agreement will be on no less favourable terms than which applied throughout the 18-month period prior to 30 June 2011, and Qunno Metal undertakes that such price shall not exceed the lowest rates offered to the other customers at the same time for the same product and for comparable volumes. Such base prices are subject to adjustment for each subsequent calendar year. Adjustment shall be dependent on the prices of development of the aluminium paste or aluminium. If the prices of aluminium paste or aluminium increase or decrease resulting in a more than 10% increase or decrease of price of product, parties may renegotiate the base prices in good faith.

The purpose of the Qunno Master Purchase Agreement is to set out the terms upon which Qunno Metal will agree to sell to AkzoNobel Korea aluminium paste required by AkzoNobel.

Qunno Metal is a company controlled by SSCP and is indirectly owned as to approximately 57% by Mr. Oh. Qunno Metal manufactures different grades of aluminium paste in Korea, and is one of the suppliers of aluminium paste for the Group's and SSCP Coatings Business' operation.

We are informed that in performing its business, the Group and the SSCP Coatings Business have been from time to time purchasing materials from Qunno Metal for a number of years. For the year ended 31 December 2010, The Group's purchases from Qunno Metal amounted to EUR255,976 (equivalent to approximately HK$2.8 million), or approximately 0.38% of the cost of materials of the Group. The aluminium paste and raw materials, intermediary goods and commodities relating to production of finished products or coating products are products required by the Group and SSCP Coatings Business in their usual and ordinary course of business. Having considered that:

(i) the entering into of the Qunno Master Purchase Agreement would capitalise on the long term relationship between Qunno Metal and the Group and SSCP Coatings Business as a set of practice, including the required lead time and quality of products, has been developed and the Qunno Metal's knowledge in product requirements;

(ii) price for the products to AkzoNobel Korea will be on no less favourable terms than which applied throughout the 18-month period prior to 30 June 2011, and Qunno Metal undertakes that such price shall not exceed the lowest rates offered to the other customers, including the Group, at the same time for the same product and for comparable volumes, whereby the previously agreed prices between SSCP and Qunno Metal would continue to apply to this new agreement and would be fixed until 31 December 2011; and

(iii) information given to us that the intention of entering into the Qunno Master Purchase Agreement was not to effect a change in the existing purchase price, but to exclude other non-price terms which were contained in the existing master purchase agreement between Qunno Metal and SSCP, including a commitment on the part of the purchaser to purchase a certain quantity of the supplied products and that AkzoNobel Korea and Qunno Metal will in good faith review the pricing applicable for the next adjustment to come, i.e. next calendar year,

we consider that the terms of the Qunno Master Purchase Agreement are in normal course of business and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) Information on the SSCP Coatings Business

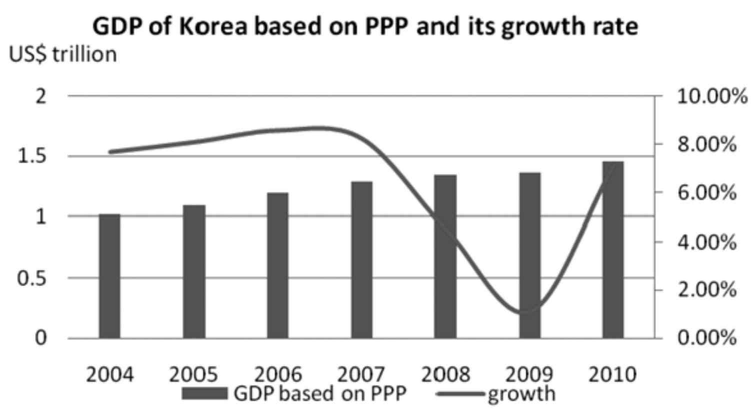
As set out in the Board Letter, the SSCP Coatings Business consists of the research, development, marketing, manufacturing and selling of any products relating to coatings based on organic and inorganic materials which are applied to the surface of an object to impart specific surface properties to the 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 Excluded Business.

(e) Industry outlook in Korea

General paint and coatings industry in Korea

(i) Korean economic outlook

Korea is a high-income developed country which is also a member of the Organisation for Economic Co-operation and Development (OECD), a forum of developed countries. Korea is labelled as one of the Asian Tigers and is known to have an advanced economies and highly educated and skilled workforce. According to the International Monetary Fund, Korea's market economy ranked 15th in the world by nominal gross domestic product (GDP) and 12th by purchasing power parity (PPP) in 2010. The following chart illustrates the GDP based on PPP, a measure for the standard of living, for Korea from 2004 to 2009:



(Source: International Monetary Fund)

(ii) Korean coatings and paint market

There are trends in environmentally-friendly coatings favour the greater use of water-based coatings in the architectural coatings sector. Technologies for reducing volatile organic compounds (VOCs) and residual formaldehyde levels have been key development areas, as have antibacterial and performance attributes. Major demand for general coatings (excluding automotive coatings) is mainly from the architectural, ship, and industrial industries.

The paint and coatings industry is typically driven by economic growth, environmentally friendly technology, increasing investments in infrastructure, and growth in industrial end-users. Whereas in Korea, according to Frost & Sullivan, an international marketing and consulting agency, coatings and paint market in Korea, however, was mainly driven by decorative, automotive and marine coatings. The value of the paint and coatings in Korea is approximately 9% of the total value in Asia Pacific in 2007.

The following table illustrates the production and market size of the coatings and paint market in Korea.

		Production Amount *(Kiloliters)*	Market Size Sales *(KRW'billion)*
Architectural		154,183	560
Floor/Waterproof		54,586	
Ship		163,966	410
Electricity and Electronics		25,089	117
Industrial	— PCM	39,117	340
	— Metal/Machinery	79,318	
	— Can manufacturing	9,592	
Wood		30,589	92
Heavy duty		35,170	86
Traffic marking paint		76,776	57
Plastic		14,516	210
Others		109,961	280

(Source: Korea Paint & Printing Ink Industry Cooperative, a paint and printing ink trade association in Korea)

We are of the view that the paint and coatings companies in Korea are facing intense competition that domestic companies not only competing themselves, but also with multinational players such as AkzoNobel, Nippon Paint and PPG, which we believe could have better environmentally-friendly coatings technology and have operations in Korea. With demands from the PRC and other Asia Pacific countries remain strong, the ability to have global reach and well brand recognition are advantageous to take up more opportunities. Therefore, we expect there may be more merger and acquisition activities for a consolidation in this industry.

(f) Disposal consideration

As set out in the Board Letter, the consideration of the sale and purchase of the SSCP Coatings Business is between KRW54.25 billion (equivalent to approximately HK$389.3 million) and approximately KRW77.50 billion (equivalent to approximately HK$556.1 million), the final amount of which will be determined with reference to the year-to-date EBITDA at completion, which would be calculated on a stand-alone basis and including all overheads and other costs necessary to run the SSCP Coatings Business as a continuing operation (excluding inter-company sales to the Group), and subject to (i) purchase price assumptions adjustment relating to Ansan 1 Facility, Ansan 2 Facility and liability for retirement benefits assumed by AkzoNobel Korea; and (ii) working capital adjustment. As stated in the Board Letter, SSCP and AkzoNobel further confirmed on 6 September 2011 that the final consideration for the sale and purchase of the SSCP Coatings Business under the Korean Transfer Agreement shall not exceed KRW60 billion (approximately HK$430.5 million).

The consideration for the sale and purchase of the SSCP Coatings Business is based on arm's length negotiations between AkzoNobel and SSCP after taking into consideration: (i) the current trading levels of comparable trading companies; (ii) precedent transaction analysis; (iii) AkzoNobel's view of synergies that could be created through the acquisition under the Korean Transfer Agreement, and (iv) working capital levels (being defined as trade receivables and stock less trade payables) and the turnover for the current 12-month period. We are not aware of any recently completed comparable transactions in Korea. On the other hand, we have included below an analysis of comparable trading companies.

According to the information published in the Korea's Data Analysis, Retrieval and Transfer System's ("**DART**", an electronic disclosure system that allows companies to submit disclosures online and is publicly accessible) website, for the year ended 31 December 2010, SSCP Coatings Business recorded the following unaudited financial information:

	(KRW'million)	*(HK$'million)*
Exchange rate (KRW/HK$)		148.83
Sales	70,840	475.98
Gross profit	18,953	127.35
Net profit	6,816	45.80

Further, according to the information published in DART, as at 31 December 2010, SSCP Coatings Business had total assets amounted to approximately KRW32,681 million (equivalent to approximately HK$234.5 million) and net assets value of approximately KRW2,709 million (equivalent to approximately HK$19.4 million) and was profitable in 2010. The 2010 revenue and total assets of SSCP Coatings Business were KRW70,840 million and KRW32,681 million, representing approximately 26.89% and 6.6% of the revenue and total assets of SSCP, respectively.

In addition, we have reviewed the price to earnings ratios (the "**P/E Ratios**"), price to book value ratios (the "**P/B Ratios**") and other financial ratios of other comparable companies (the "**Comparables**") based on the following criteria: (i) principally engaged in coatings/painting operation in Korea; (ii) listed on the Korean Stock Exchange; and (iii) made a positive earnings for the latest financial year. Based on these selection criteria, an exhaustive list of the Comparables and their P/E Ratios and P/B Ratios as at the Latest Practicable Date are set out below:

Company (Stock code)	Principal activities	Closing price as at the Latest Practicable Date (KRW)	Net profit (KRW'million)	Total assets (KRW'million)	Net assets value (KRW'million)	Market capitalisation (KRW'million)	P/E Ratio	P/B Ratio
Kunsul Chemical Industrial Co., Ltd. (000860.KS)	provision of paints and coatings	14,050	21,827	394,312	274,310	91,325	4.18 x	0.33 x
Chokwang Paint Limited (004910.KS)	manufacturing of paint products and coatings in Korea	3,685	13,379	127,827	80,648	47,168	3.53 x	0.58 x
Samhwa Paints Industrial Co., Ltd. (000390.KS)	manufacturing of paints	3,245	7,949	387,119	201,888	72,688	9.14 x	0.36 x
Noroo Paint & Coatings Co., Ltd. (090350.KS)	manufacturing and sale of paints	2,940	6,333	324,027	161,911	58,800	9.28 x	0.36 x
Average							**6.53 x**	**0.41 x**
Median							**6.66 x**	**0.36 x**
Consideration (KRW54.25 billion)							**7.96 x**	**20.03 x**
Consideration (KRW60 billion)							**8.80 x**	**22.15 x**

Company (Stock code)	Return on net assets (Net profit/ net assets) (%)	Return on total assets (Net profit/ total assets) (%)	Gross profit margin (%)	Net profit margin (%)
Kunsul Chemical Industrial Co., Ltd. (000860.KS)	7.96%	5.54%	15.09%	6.09%
Chokwang Paint Limited (004910.KS)	16.59%	10.47%	5.19%	8.74%
Samhwa Paints Industrial Co., Ltd. (000390.KS)	3.94%	2.05%	15.17%	2.03%
Noroo Paint & Coatingss Co., Ltd. (090350.KS)	3.91%	1.95%	18.74%	1.96%
Average of Comparables	**8.10%**	**5.00%**	**13.55%**	**4.71%**
Median of Comparables	**5.95%**	**3.79%**	**15.13%**	**4.06%**
SSCP Coatings Business	251.61%	21.53%	26.75%	9.62%

(Source: Bloomberg and company's website)

As illustrated in the table above, the P/E Ratios and P/B Ratios of the Comparables ranged from approximately 3.53 x to 9.28 x, and 0.33 x to 0.58 x, respectively with an average P/E Ratio and P/B Ratio of approximately 6.53 x and 0.41 x, respectively.

As also illustrated above, the P/E Ratios implied by the base consideration and maximum consideration are 7.96 x and 8.80 x, respectively. The base consideration of KRW54.25 billion and maximum consideration of KRW60.00 billion implied P/E Ratios within the range of the Comparables and accordingly we consider that the consideration is fair and reasonable with reference to the Comparables insofar the Company and the Independent Shareholders are concerned.

We observe that the P/E Ratios implied by the consideration are higher than the average and median of the Comparables but below the highest of the Comparables. We further reviewed the gross profit margins and net profit margins of SSCP Coatings Business and the Comparables which are shown in the table above. We note that the median and average gross profit margins of the Comparables are 15.13% and 13.55%, respectively, whereas gross profit margin of the SSCP Coatings Business is 26.75%. We further note that the median and average net profit margins of the Comparables are 4.06% and 4.71%, respectively, whereas net profit margin of the SSCP Coatings Business is 9.62%. Furthermore, median and average return on total assets of the Comparables are 3.79% and 5.00%, respectively, with a range between 1.95% and 10.47%, which are again below the return on total assets of SSCP Coatings Business, being 21.53%. As all of the net profit margin, gross profit margin and return on total assets of SSCP Coatings Business are considerably higher than those of the Comparables, we are of the view that SSCP Coatings Business' efficiency in its operation is better and warrants a higher P/E Ratio.

In addition to the P/E Ratios analysis above, we have considered the use of P/B Ratios. We note that the P/B Ratio implied by the consideration for the SSCP Coatings Business exceeds those P/B Ratios of the Comparables. As previously discussed, the return on total assets and the return on net assets of SSCP Coatings Business are much higher than any of the Comparables. We also noted that Chokwang Paint Limited, one of the Comparables with return on net assets significantly higher than other Comparables, also gives a higher P/B Ratio.

However, we have been informed that the SSCP Coatings Business includes only core assets for SSCP Coatings Business production and its assets and facilities have been significantly depreciated, resulting in a low asset base. Further, we are advised that the nature of the SSCP Coatings Business does not require a large-scale capital investment. In view of the above, we consider that P/E Ratio is a more appropriate indicator than P/B Ratio to assess the valuation of the SSCP Coatings Business. Despite the higher P/B Ratio of the SSCP Coatings Business may indicate an abnormal conclusion, we have included it here for Independent Shareholders' additional reference.

(g) The Valuation Report

In assessing the consideration for the SSCP Coatings Business, we have considered the valuation report (the "**Valuation Report**") prepared by Samil PricewaterhouseCoopers ("**Korea PwC**") contained in Appendix I to the Circular. We understand that the bases and assumptions adopted by Korea PwC together with the projection led to the value of SSCP Coatings Business being appraised as in the range of KRW40.09 billion (equivalent to approximately HK$287.7 million) to KRW60.21 billion (equivalent to approximately HK$432.0 million) as at 31 May 2011. We have discussed the bases and assumptions adopted by Korea PwC. We have also reviewed the Valuation Report and the financial projection of the SSCP Coatings Business (the "**Projection**") prepared by the management of SSCP and Korea PwC as part of the input used for the Valuation Report. We have also discussed with the management of SSCP the principal assumptions upon which the Projection has been made. The Projection is disclosed in the Valuation Report and we consider that the Projection has been carefully drawn up.

(a) Valuation approach

Korea PwC has adopted the income valuation approach, utilising the discounted cash flow valuation method, to assess the value of the SSCP Coatings Business. The valuation considered the present value of all cash flows expected to be derived from the SSCP Coatings Business, based on a series of forecasts of revenue, cost stream and capital expenditures, over an explicit forecast periods from 1 June 2011 to 31 December 2015, and followed by a perpetual growth rate.

The free cash flows expected to be generated by SSCP Coatings Business is then discounted by an appropriate discount rate to arrive at a present value. The discount rate used in the valuation model was determined using the weighted average cost of capital ("**WACC**"). The WACC is the required return on the capital investment of a company and, according to the Valuation Report, was calculated by considering capital expense and debt capital expense.

Daehyun Accounting Corp. has issued a letter stating that the Projection has been properly compiled as far as the arithmetical accuracy of the calculations is concerned. We have also issued a letter stating that we are of the view that the Projection has been made after due care and consideration.

We consider that the income approach is an appropriate approach in valuing business of the type of the SSCP Coatings Business. We also concur with Korea PwC that the income approach is appropriate in this case.

As disclosed in the Valuation Report, the valuation was in conformity with external valuation guideline set out by Financial Supervisory Service and valuation service standard by KICPA. The Valuation Report was effective as of 4 July 2011. Having discussed with Korea PwC, we understand that this is industrial practice to adopt the guideline and standard mentioned above.

(b) Key assumptions

In arriving at the value of the SSCP Coatings Business, Korea PwC has adopted a number of assumptions, some of which are specific and are discussed below:

— Discount rate of 9.19%, which is the WACC, was adopted. We are advised by Korea PwC that such rate has been determined with reference to government bond maturity return rate, risk premium of the market return above the risk free return, and the borrowing interest rate of SSCP Coatings Business.

— Regarding capital expenditures and depreciation and amortisation, due to the nature of the SSCP Coatings Business, there is no large-scale capital investment and utilisation of existing facilities is less than 70%, as disclosed in the Valuation Report. Since there were only minor changes in property, plant, equipment and intangible assets for the past 3 years, it was assumed that there will not be any new investment.

— After the explicit forecast for the period ending 31 December 2015, 0% perpetual growth rate was applied.

As disclosed in the Valuation Report, the value of the SSCP Coatings Business being appraised as in the range of KRW40.09 billion (equivalent to approximately HK$287.7 million) to KRW60.21 billion (equivalent to approximately HK$432.0 million) as at 31 May 2011. The range of value was given by a sensitivity analysis which has been carried out by Korea PwC using discount rates between 7.19% (results in a value of KRW60.21 billion) and 11.19% (results in a value of KRW40.09 billion).

Our view

Having considered that (i) the SSCP Coatings Business was profitable although SSCP was making a loss overall for the year ended 31 December 2010; (ii) the SSCP Coatings Business had a net assets value as at 31 December 2010; (iii) AkzoNobel sees SSCP Coatings Business as a key to the development of its coatings business alongside the acquisition of the Company; (iv) the consideration for the SSCP Coatings Business is reasonable in our analysis as it falls within the range of the Comparables; and (v) the consideration for SSCP Coatings Business also falls within the range of value as evaluated by Korea PwC, an independent value, as provided in the Valuation Report, we are of the view that the terms of the Korean Transfer Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

II. Re-enforced CCT Arrangements

IIA. New Master Purchase Agreement

(a) Background to and reasons for the New Master Purchase Agreement

The Group has historically sourced from SSCP certain raw materials, intermediary goods and commodities which were used for the production coatings for general industries, such as coatings for mobile phones, laptop computers, electronic products, home appliances, etc. Due to lower transportation costs from Korea to the PRC and Thailand when compared with direct purchases from Europe, purchase of raw materials and commodities through SSCP would allow the Group to source these materials at more favourable prices.

The New Master Purchase Agreement will replace the existing master purchase agreement dated 9 May 2011 (the "**Existing Master Purchase Agreement**") made between the Company and SSCP with the main purpose of securing the Company's supply of raw materials, intermediary goods and commodities under substantially similar terms to the Existing Master Purchase Agreement, with effect from the Transfer Date.

Compared to the New Toll Manufacturing Agreement, the raw materials, intermediary goods and commodities purchased from the SSCP Group under the New Master Purchase Agreement are mainly for the manufacturing of the general coatings products which require less advanced technology. On the other hand, the raw materials, intermediary goods and commodities supplied by the Group under the New Toll Manufacturing Agreement are tailor-made according to the specification of the Korean automotive customers for the production of coating products which require more advanced technology and are not available in the market.

(b) Principal terms of the New Master Purchase Agreement

Principal terms of the New Master Purchase Agreement are contained in the Board Letter and are summarised in the table below, together with a comparison with the Existing Master Purchase Agreement:

Item	New Master Purchase Agreement	Existing Master Purchase Agreement
Parties:	(1) The Company, as purchaser (2) SSCP, as supplier	
Term:	3 years and extended automatically by further terms of 1 year upon expiry of the then current term, unless the agreement is terminated	3 years
Products:	Raw materials, intermediary goods (including but not limited to colourants) and commodities relating to production of coatings products manufactured by the SSCP Group, and other ancillary products in relation to the above, offered by the SSCP Group (the "**Purchase Products**")	
Price:	Prices under the Existing Master Purchase Agreement shall be deemed fixed until 31 December 2011. At the end of each calendar year, the parties shall in good faith review and adjust the prices for the next calendar year. Any adjustment of prices shall be dependent on the price development of raw materials. The SSCP Group has undertaken to always offer the Purchase Products at a price not exceeding to the lowest price offered to other customers at the same time for the same product.	The Group sources the Purchase Products at the lower of the prices offered by independent third parties and the SSCP Group's acquisition costs plus a maximum margin of 10%

Pursuant to the New Master Purchase Agreement, the New Master Purchase Agreement shall replace the Existing Master Purchase Agreement, and the Existing Master Purchase Agreement shall be deemed terminated upon the Transfer Date.

In assessing the fairness and reasonableness of the price under the New Master Purchase Agreement, we have discussed with the management of the Company and understand that the price is determined after arm's length negotiation between the relevant parties along the basis of the market price and having regard to the quantity, specifications and/or other conditions of the products. We also note that the Purchase Products involve the trade secrets and know-how which the Group may not be able to source from other third parties or handily develop from scratch. In addition, we take note of the fact that products offered by the SSCP Group have to be sold to the Group at a price not higher than the lowest price offered to other customers at the same time for the same product and other key terms of the New Master Purchase Agreement are substantially similar to the Existing Master Purchase Agreement, which was approved by the independent Shareholders in the annual general meeting of the Company dated 30 June 2011 (the "**2011 AGM**").

Based on the above, we are of the view that the key terms of the New Master Purchase Agreement, particularly the price, are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

IIB. New Toll Manufacturing Agreement

(a) Background to and reasons for the New Toll Manufacturing Agreement

The Group has production facilities in various sale locations customised to meet the specifications of its customers. In order to minimise the Group's capital investment cost, the Group has not constructed its own production plant in Korea. Instead, the Group contracted with SSCP to manufacture the specific coatings products in Korea to be sold to the Group's Korean customers by entering into a toll manufacturing arrangement with the SSCP Group since April 2005. The SSCP Group's production facilities are not exclusively for the Group, and are used by the Group under the existing toll manufacturing agreement entered into on 9 May 2011 (the "**Existing Toll Manufacturing Agreement**") only on an as-needed basis. The Group has to supply raw materials and intermediary goods which are tailor-made for the Group's customers and are not available in the market to the SSCP Group for the production of coatings products. The terms of such purchase by the Group from the SSCP Group are governed by the Existing Toll Manufacturing Agreement.

As advised by the management of the Company, the demand for coatings products has experienced a significant increase as driven by the global demand on Korean automotives and hence the demand of the Group's products including high end functional coatings products, such as high elastic and anti-scratch coatings. The Group has established its brand name within the Korean automotive sector and the number of models the Group is supplying coatings to have increased significantly since 2005.

(b) Principal terms of the New Toll Manufacturing Agreement

Principal terms of the New Toll Manufacturing Agreement are contained in the Board Letter and are summarised in the table below, together with a comparison with the Existing Toll Manufacturing Agreement:

Item	**New Toll Manufacturing Agreement**	**Existing Toll Manufacturing Agreement**
Parties:	(1) The Company, as principal (2) SSCP, as contractor	
Term:	3 years and extended automatically by further terms of 1 year upon expiry of the then current term, unless the agreement is terminated	3 years
Products:	Coatings products (including but not limited to automotive products products) manufactured by SSCP (the "**Manufacture Products**"). The Manufacture Products are distributed and sold to the Group's customers in Korea.	
Price:	Prices under the Existing Toll Manufacturing Agreement shall be deemed fixed until 31 December 2011. At the end of each calendar year, the parties shall in good faith review and adjust the prices for the next calendar year. Any adjustment of prices shall be dependent on the price development of raw materials. The SSCP Group has undertaken to always offer the Manufacture Products at a price not exceeding to the lowest price offered to other customers at the same time for the same product.	The price of the Manufacture Products shall be determined on a cost-basis within the tax legal boundaries.

Pursuant to the New Toll Manufacturing Agreement, the New Toll Manufacturing Agreement shall replace the Existing Toll Manufacturing Agreement and the Existing Toll Manufacturing Agreement shall be deemed terminated upon the Transfer Date.

In assessing the fairness and reasonableness of the price under the New Toll Manufacturing Agreement, we have discussed with the management of the Company and understand that the price is determined after arm's length negotiation between the relevant parties with reference to the price development of raw materials needed for the manufacturing of the products. We also take note of the fact that Manufacture Products offered by SSCP to the Group have to be at a price not higher than the lowest price offered to other customers at the same time for the same product and other key terms of the New Toll Manufacturing Agreement are approximately similar to the Existing Toll Manufacturing Agreement, which was approved by the independent Shareholders in the 2011 AGM.

Based on the above, we are of the view that the key terms of the New Toll Manufacturing Agreement, particularly the price, which is not less favourable than that offered to independent third party, are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

IIC. New Technology User Rights Agreement

(a) Background to and reasons for the New Technology User Rights Agreement

As part of the Group's business, the Group develops and manufactures coatings products which are bespoke to the specifications of the customers. The formulations for these bespoke coatings are important to the Group's business, which also relies on the protection and possession of technological know-how and trade secrets.

Accordingly, the Company and SSCP on 10 March 2009 entered into the existing technology user rights agreement (the "**Existing Technology User Rights Agreement**") whereby the SSCP Group agreed to supply the Company with assistance, full and unrestricted right and exploitation of the identified registered or pending intellectual property rights such as patents and trademarks and design patents or any other registered or non-registered intellectual property rights (the "**Technology User Right**") free of charge.

As set out in the Announcements, under the Carve-out Arrangement, SSCP would cause the Company to sell the Non-Coatings Business prior to the Transfer Date. The Non-Coatings Business is not material to the Group and is not in line with the principal activities of the Group. Accordingly, after the Transfer Date, the Group will not engage in any Non-Coatings Business which requires the use of the Technology User Right regarding the Non-Coatings Business. Accordingly, the New Technology User Rights Agreement, entered as part of the Re-enforced

CCT Arrangements, to replace the Existing Technology Licence Agreement to the effect that the Technology User Right relating to the Non-Coatings Business shall be excluded from the scope of technologies provided to the Group under the Existing Technology User Rights Agreement as from the Transfer Date.

(b) Principal terms of the New Technology User Rights Agreement

SSCP and the Company intend to replace the Existing Technology Licence Agreement with the New Technology User Rights Agreement from the Transfer Date. Pursuant to the New Technology User Rights Agreement, SSCP agrees to provide the Technology User Right and use of and access to all related technology and information, which is based on and flanked by rights and know-how, exclusively to the Company. SSCP further agrees to provide the Company access (including sending copies and scans by emails in order to allow working with such information at the premises of the Company) to all research documentations, tabulations, experimental reports and any other working results referring to the Technology User Right and any related know-how.

The New Technology User Rights Agreement shall not be terminated by SSCP, except with good cause and if SSCP for whatever reason ceases to provide the use of and access to the Technology User Right, the Company shall have the right to, at its own discretion, require SSCP to further provide the use of and access to the Technology User Right or to require SSCP to transfer the respective assets and/or underlying intellectual property rights to the Company on a no-cost basis, in order to allow the Company to continue its business in a proper way.

Taking into account that

(i) the Technology User Right has historically been used by the Company under the Existing Technology User Rights Agreement;

(ii) the Company can continually enjoy free of charge the Technology User Right which the Company relies on to carry on its coatings business as granted by the SSCP Group;

(iii) the Company will no longer need the Technology User Right relating to the Non-Coatings Business after completion of the Offer and the disposal of the Non-Coatings Business and the exclusion of such rights will enable the Group to eliminate the administrative burden to maintain such rights; and

(iv) the New Technology User Rights Agreement is for transitional purpose during the time between the Transfer Date and the completion date of the Korean Transfer Agreement such that during which period the Company's rights to use and access the Technology User Right will not be affected by the change of shareholders of the Company, we consider that the terms under the New Technology User Rights Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

IID. New Technical Services Agreements

(a) Background to and reasons for the New Technical Services Agreement

The Company acquired several companies in Huizhou, Shanghai and Yantai, the PRC, from SSCP in 2008, 2008 and 2009, respectively, which became subsidiaries of the Company (the "**PRC Subsidiaries**"). Schramm Huizhou is principally engaged in the manufacture of coatings for mobile handsets, Schramm Shanghai is principally engaged in the manufacture of coatings for computer electronics and automotives using water or solvent-borne technology, whereas Schramm Tianjin is principally engaged in the manufacture of coatings for mobile electronics.

Before the acquisition of the PRC Subsidiaries by the Group, the PRC Subsidiaries and the SSCP Group principally shared an information technology system, including the SAP platform. After the acquisition of the PRC Subsidiaries by the Group, the PRC Subsidiaries continued to use the SAP platform pursuant to various SAP licence agreements among SSCP and each of the PRC Subsidiaries (the "**Existing Licencing Agreements**") dated 10 December 2009 for the user right to the SAP platform at a licence fee.

As advised by the Directors, the Company expects that the sub-licencing to the user right to the SAP platform from SSCP after completion of the Offer and will continue until the PRC Subsidiaries implement their own information technology system.

According to the management of the Company, either AkzoNobel or the Company intends to implement a new SAP platform and that the data relating to the Coatings Business will migrate out of the SSCP's SAP system after the Transfer Date. This process is expected to take about two years. After the implementation and migration, AkzoNobel will no longer require the arrangement under the New Technical Services Agreements.

(b) Principal terms of the New Technical Services Agreements

Pursuant to the New Technical Services Agreements, the New Technical Services Agreement shall supersede all prior communications or agreements, written or oral entered into between SSCP and the Company, including the Existing Licencing Agreements. SSCP shall provide technical and development services for the Coatings Business through its manufacturing and development and automotive development centres in Korea and grant the Company the right free of charge to use the software licences and IT solution of the "SAP" programme mentioned in the New Technical Services Agreement and the data within it employed by SSCP and/or its subsidiaries for the sole purpose of transferring data relating to the Coatings Business out of such SAP system. Further, SSCP shall transfer at its own cost data relating to the Coatings Business out of such SAP system to a system specified by AkzoNobel.

Taking into account that (i) before the SAP platform has been historically used by the Group under the Existing Licencing Agreements; (ii) the New Technical Services Agreement serves to maintain the normal operation of the Group before the Group or AkzoNobel sets up a new SAP system for the Group; and (iii) the technical and development services, the software right and licence solution are granted by SSCP free of charge under the New Technical Services Agreement, we consider that the terms under the New Technical Services Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

III. KC Transaction

(a) Background to and reasons for the KC Transaction

Mr. Kenny Chae was appointed as a member of the Management Board on 28 August 2008 and since then has acted as the chief strategic officer, with responsibilities for devising the business development and strategies of the Group including responsibilities for planning, human resources, information technology, risk management, and strategic corporate developments of the Group. Mr. Kenny Chae entered into the KC's Service Agreement with the Company effective from 1 July 2009 to 31 December 2010, which was then extended for one year to 31 December 2011 with the approval of the Supervisory Board and the Shareholders.

In order to continually leverage on Mr. Kenny Chae's strong experience and network in a variety of industries, and having recognised that his continuous services with the Group are important and essential, the Board passed a resolution to extend the KC's Service Agreement for further two years to 31 December 2013 on the same terms. The proposed extension was approved by the Shareholders in the 2011 AGM.

Pursuant to the KC's Service Agreement, the Company would be required to make compensation payments to Mr. Kenny Chae of EUR9.25 million (the "**Compensation Payment**") if there is a sale in the Company. The Offer would constitute a sale in the Company for the purposes above. In order to reduce the compensation obligation of the Company against Mr. Kenny Chae, Mr. Kenny Chae has entered into a settlement agreement with the Company, Mr. Oh and the Controlling Shareholders on 17 June 2011 whereby 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 a lump sum gross payment in the amount of EUR3.5 million (the "**Settlement Amount**") being paid to Mr. Kenny Chae by the Company on the Transfer Date. The settlement agreement also aims to amend certain terms in the KC's Service Agreement, and in particular, the Controlling Shareholders had agreed to vote and already voted in favour of the extension of the KC's Service Agreement for a term of two more years until 31 December 2013 in the 2011 AGM.

As at the Latest Practicable Date, Mr. Kenny Chae held 11,280 Shares, representing 0.06% of the issued share capital of the Company. The KC Transaction thus constitutes a special deal under Rule 25 of the Takeovers Code and requires the Executive's consent.

(b) Terms of the KC's Service Agreement

The material terms of the KC's Service Agreement are summarised in the table below:

Term	:	From 1 January 2012 to 31 December 2013
Fixed salary	:	An annual gross amount of EUR350,000 at the initial contract day (i.e. 24 August 2009), which will be increased by 4% at the beginning of each calendar year or, if greater, by the rate of inflation for the previous year.
Variable performance-related bonuses	:	In circumstances where parts of the business or the Company, or the entire business or the entire Company are/is sold or transferred to another company/firm, Mr. Kenny Chae shall receive a one-off payment of 5% of the selling price as compensation for actual and potential lost variable bonuses. This sum is payable at the end of the month in which the legal transfer is effected. It will be calculated with due regard to the requirements of the statutory tax law in force at the time ("**Section 3(2)**").
Housing and other allowances	:	Housing allowance in Hong Kong in a gross amount of EUR50,000 per year.
Termination compensation	:	In the event of early termination of the contract, Mr. Kenny Chae shall receive a settlement in the sum of the total fixed earnings, performance-related variable bonuses as well as other agreed benefits and share options for the remainder of the period of the contract, unless the contract is terminated by the Company for a serious cause for which Mr. Kenny Chae is held to be accounted for.

We note that it is a common practice for listed companies to enter into service agreement and/or services contracts with senior officers to set out and fix the relevant terms and benefits for their respective appointment. According to the Company's annual report 2010, Mr. Kenny Chae received gross fixed salary and other benefits in the amounts of approximately EUR328,000 and EUR50,000, respectively for the year ended 31 December 2010. Mr. Kenny Chae did not receive any performance related bonus in 2010. According to the Company's circular to the Shareholders dated 30 May 2011, the remuneration committee of the Company considered that the terms of the KC's Service Agreement are based on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole having considered the experience of Mr. Kenny Chae and his duties and responsibilities within the Group and the prevailing market conditions.

(c) Terms of the settlement agreement

Pursuant to the settlement agreement and as set out in the Board Letter, Mr. Kenny Chae agreed to waive and forfeit his rights to receive the Compensation Payment, subject to receiving the payment of the Settlement Amount by the Company on the Transfer Date.

We have discussed with the Company and were given to understand that the Company has consulted a German legal adviser and the Company was advised that if the settlement did not exist, pursuant to the KC's Service Agreement which is governed by German laws, Mr. Kenny Chae is entitled to claim against the Company for the payment of the Compensation Amount upon the Transfer Date. If the Company fails to pay Mr. Kenny Chae on that date, Mr. Kenny Chae is entitled to go to a German court, claim a payment of the Compensation Amount and will obtain a positive judgement within a very short period of time, as there is a very clear contract with Mr. Kenny Chae being granted the right to such compensation payment by the Company.

As the Settlement Amount (EUR3.5 million) is significantly lower than the Compensation Amount (EUR9.25 million), we consider that the terms of the settlement agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Amendments to the KC's Service Agreement

As described in the Board Letter, the settlement agreement provides certain provisions to amend the KC's Service Agreement, including:

(i) that upon due payment by the Company to Mr. Kenny Chae, Section 3(2) shall no longer apply to the extent a sale of the Company or parts thereof is concerned; and

(ii) that the term of the KC's Service Agreement is herewith prolonged until 31 December 2013, i.e. the KC Transaction.

Having considered that (i) the amendments to the existing KC's Service Agreement are only to remove certain terms favourable to Mr. Kenny Chae and extend the term of his office by two years to 31 December 2013; (ii) the Company's payment to Mr. Kenny Chae is reduced under the settlement agreement; and (iii) other than the extension of Mr. Kenny Chae's term of office, there is no added term in favour to Mr. Kenny Chae and other terms of the KC's Service Agreement, including but not limited to his fixed salary, allowances and compensation, shall remain the same, it is commercially justifiable to retain Mr. Kenny Chae by extending his service term and payment of EUR3.5 million to ensure continuity of management of the Company. We also note that the extension of the KC's Service Agreement has already been approved by Shareholders in the 2011 AGM. Accordingly, we are of the view that the KC Transaction is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having considered that:

(a) regarding the Korean Transfer Agreement, (i) the SSCP Coatings Business was profitable although SSCP is making a loss overall for the year ended 31 December 2010; (ii) the SSCP Coatings Business had a net assets value as at 31 December 2010; (iii) AkzoNobel sees SSCP Coatings Business as a key to the development of its coatings business alongside the acquisition of the Company; and (iv) the consideration for the SSCP Coatings Business is reasonable in our analysis above;

(b) regarding the Transitional Services Agreement, (i) SSCP Coatings Business was run by SSCP as one of the business units which had integration with the remaining businesses of SSCP, such as the sharing of plants and facilities, a transitional period would be required for the segregation of SSCP Coatings Business from SSCP; (ii) SSCP has the experience in operating the SSCP Coatings Business and is capable and suitable to provide AkzoNobel Korea with the transitional services; (iii) service rates charged by SSCP is no less favourable to AkzoNobel Korea than such basis of calculation or allocation of costs between the SSCP Coatings Business and the wider business of SSCP during the first month of 2011 and consistent with such costs as reflected in the accounts of SSCP Coatings Business as at 31 December 2010 and 30 June 2011; (iv) services provided by AkzoNobel Korea; (iv) no extra value will be given to SSCP under the Transitional Services Agreement and the service rates charged by AkzoNobel Korea shall not exceed the lowest rates offered to the affiliates of AkzoNobel Korea for same or similar service performed and will abide by local jurisdiction law; and (vi) the transitional nature of the agreement;

(c) regarding the Intellectual Property Agreement, (i) in order to carry on the SSCP Coatings Business, sufficient trademarks and service marks, including those covered under the Intellectual Property Agreement should be possessed by AkzoNobel Korea, and (ii) the licensed intellectual property rights granted by SSCP to AkzoNobel Korea are irrevocable, non-transferable, royalty-free, world-wide right;

(d) regarding the Jinyoung Site Ownership & and Lease Agreement, (i) the long term tenure with fixed rental under the Jinyougn Site Ownership & Lease Agreement would not be a favourable condition to SSCP; (ii) the monthly rental fee payable by AkzoNobel to SSCP is only nominal in nature; and (iii) the transitional nature of the Jinyoung Site Ownership & Lease Agreement;

(e) regarding the Ansan Site 1 Lease Agreement, (i) the Ansan Site 1 Lease Agreement is only transitional in nature which will be terminated when relocation is complete and (ii) the rent is only to compensate the cost of owning the Ansan 1 Facility;

(f) regarding the Ansan Site Lease Agreement, (i) the Ansite Site 2 Lease Agreement is only transitional in nature which will be terminated when relocation is complete and (ii) that AkzoNobel Korea can continue the SSCP Coatings Business after its takeover without any disruption;

(g) regarding the Qunno Master Purchase Agreement, (i) the entering into of the Qunno Master Purchase Agreement would capitalise on the long term relationship between Qunno Metal and the Group and SSCP Coatings Business as a set of practice, including the required lead time and quality of products, has been developed and the Qunno Metal's knowledge in product requirements; and (ii) price for the products will be on no less favourable terms to AkzoNobel Korea than which applied throughout the 18-month period prior to 30 June 2011, and Qunno Metal undertakes that such price shall not exceed the lowest rates offered to the other customers, including the Group, at the same time for the same product and for comparable volumes, whereby the previously agreed prices between SSCP and Qunno Metal would continue to apply to this new agreement and would be fixed until 31 December 2011; and (iii) information given to us that the intention of entering into the Qunno Master Purchase Agreement was not to effect a change in the existing purchase price, but to exclude other non-price terms which were contained in the existing master purchase agreement between Qunno Metal and SSCP, including a commitment on the part of the purchaser to purchase a certain quantity of the supplied products and that AkzoNobel Korea and Qunno Metal will in good faith review the pricing applicable for the next adjustment to come, i.e. next calendar year;

(h) regarding the New Master Purchase Agreement, (i) the Purchase Products involve the trade secrets and know-how which the Group may not be able to source from other third parties or handily develop from scratch; and (ii) products offered by the SSCP Group have to be sold to the Group at a price not higher than the lowest price offered to other customers at the same time for the same product and other key terms of the New Master Purchase Agreement are substantially similar to the Existing Master Purchase Agreement;

(i) regarding the New Toll Manufacturing Agreement, (i) the price is determined after arm's length negotiation between the relevant parties with reference to the price development of raw materials needed for the manufacturing of the products; and (ii) Manufacture Products offered by SSCP to the Group have to be at a price not higher than the lowest price offered to other customers at the same time for the same product and other key terms of the New Toll Manufacturing Agreement are approximately similar to the Existing Toll Manufacturing Agreement;

(j) regarding the New Technology User Rights Agreement, (i) the Technology User Right has historically been used by the Company under the Existing Technology User Rights Agreement; (ii) the Company can continually enjoy free of charge the Technology User Right which the Company relies on to carry on its coatings business as granted by the SSCP Group; (iii) the Company will no longer need the Technology User Right relating to the Non-Coatings Business after completion of the Offer and the disposal of the Non-Coatings Business and the exclusion of such rights will enable the Group to eliminate the administrative burden to maintain such rights; and (iv) the New Technology User Rights Agreement is for transitional purpose during the time between the Transfer Date and the completion date of the Korean Transfer Agreement such that during which period the Company's rights to use and access the Technology User Right will not be affected by the change of shareholders of the Company;

(k) regarding the New Technical Services Agreement, (i) before the SAP platform has been historically used by the Group under the Existing Licencing Agreements; (ii) the New Technical Services Agreement serves to maintain the normal operation of the Group before the Group or AkzoNobel sets up a new SAP system for the Group; and (iii) the technical and development services, the software right and licence solution are granted by SSCP free of charge under the New Technical Services Agreement; and

(l) regarding the KC Transaction, (i) the amendments to the existing KC's Service Agreement are only to remove certain terms favourable to Mr. Kenny Chae and extend the term of his office by two years to 31 December 2013; (ii) the Company's payment to Mr. Kenny Chae is reduced under the settlement agreement; and (iii) other than the extension of Mr. Kenny Chae's term of office, there is no added term in favour to Mr. Kenny Chae and other terms of the KC's Service Agreement, including but not limited to his fixed salary, allowances and compensation, shall remain the same, it is commercially justifiable to retain Mr. Kenny Chae by extending his service term and payment of EUR3.5 million to ensure continuity of management of the Company,

we consider that the Ancillary Transactions and the KC Transaction and their respective terms are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise the IBC to recommend, and we ourselves also recommend, that the Independent Shareholders should vote in favour of the relevant resolutions to be proposed at the EGM to approve the Ancillary Transactions and the KC Transaction.

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

The following is a reproduction of text of the valuation report prepared by Samil PricewaterhouseCoopers which has been submitted to the Financial Service Commission in accordance with capital Market ad Financial Investment Service Act 161 and the Enforcement Decree 171.

To SSCP Co., Ltd.

We are pleased to present our valuation report on the adequacy of price for transfer of application business division of SSCP Co., Ltd. We conducted our valuation on the adequacy of price for transferring part of the coating business division (the "Target Business Division") including mobile coating business, home appliance coating business and automotive coating business to Akzo Nobel Industrial Coatings Korea LTD as of May 31, 2011, in accordance with the request from SSCP Co., Ltd. (the "Company"). Our report was prepared using (DCF; Discounted Cash Flow) valuation method as agreed with the Company. We used historical data and the business plan provided by the Company.

The Company was responsible for providing and preparing the data for our valuation. Our work was to express an opinion on the adequacy of the valuation as a function of the value of future cash flows for the Target Business Division, by using the business plan, assumptions, and underlying data, which were reviewed for reasonableness by us. Therefore, if there are changes to the underlying information provided to us, our estimates of earnings for Target Business Division, growth rate, inflation rate or macroeconomic circumstances may change and the results of the review may differ and the difference may be material.

Assumptions used for future cash flows estimation are the responsibility of the Company and our work on valuation which included a review of the business plan and cash flow estimations was to review the reasonableness of the assumptions contained within the business plan. The Company must accept that the valuation report was prepared based on the industry, information technology, and pro forma financial statements. The report does not assure the actual financial results of the Target Business Division. Therefore, the methodology and limitations of the report shall be considered. KRW54.25 billion, the price set by the Company, falls in our valuation range of KRW40.09 billion–KRW60.21 billion and the price is reasonable from a financial perspective.

Our report was prepared to be used as supplementary information in the submission to the Financial Service Commission in accordance with Capital Market and Financial Investment Service Act 161 and Enforcement Decree 171. Therefore, our report cannot be used for any other purpose than the purpose stated in the report. In case our report is used for other purpose, we shall not be responsible for damages.

We conducted our valuation in conformity with external valuation guideline set out by Financial Supervisory Service and valuation service standard by KICPA. The report is effective as of July 4, 2011, the review result date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on valuation. Accordingly, readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any. We do not have obligation to update valuation report for subsequent events.

The procedures described in valuation report should not be construed as audit procedures in conformity with auditing applicable standards, therefore, we do not express an audit opinion. Additionally, we do not provide any assurance or guarantee to business performance and financial results. If additional audit procedures had been performed in accordance with auditing standards, additional findings and changes may have been detected.

July 4, 2011

Contract date:	June 22, 2011
Fieldwork:	June 22, 2011–July 4, 2011
External Agency:	Samil PricewaterhouseCoopers
President:	Kyungtea Ahn
Address:	LS Yongsan Tower, Hangang-ro 2ga 191, Yongsan-gu, Seoul
Valuator:	Partner Changha Park
Phone number:	+82-2-709-0247

This report is translation of External Valuation Agency's Assessment Report related to transferring business division of SSCP Co., Ltd. which was disclosed on 16 August, 2011, through electronic disclosure system (http://dart.fss.or.kr) of Financial Supervisory Service in Republic of Korea. If there are differences between contents of English report and Korean report disclosed on electronic disclosure system, the interpretation of the Korean report on electronic disclosure system prevails the interpretation of the English report. Therefore, all users of the English report must check the Korean report published on electronic disclosure system of Financial Supervisory Service in Republic of Korea.

I. BUSINESS DIVISION TRANSFER METHODOLOGY

SSCP (the "Company") plans to transfer the coating business division (the "Target Business Division") including mobile coating business, home appliance coating business and automotive coating business to Akzo Nobel Industrial Coatings Korea LTD.

II. VALUATION ON PRICE OF TARGET BUSINESS DIVISION

1. Business summary

		Transferor	Acquirer (2)
Name		SSCP Co., Ltd.	Akzo Nobel Industrial Coatings Korea LTD
Transfer/Acquisition		Transfer	Acquisition
C.E.O		Junghyun Oh	Cheol-Bong Kim
Address	HQ	Danwon-gu, Ansan-si, Gyunggi-do	676-12, Seonggok-dong, Danweongu, Ansan-si, Kyeonggi-do
	Phone number	031-786-5811	031-432-1100
Established date		1973.05.20	2001.5.24
Capital*(1)*		KRW14,959,725 thousands	KRW7,790,245 thousands
Total Asset*(1)*		KRW490,375,592 thousands	KRW6,895,984 thousands
Y/E Closing		December	December
Number of employees*(1)*		426	9
Registration date		2005.10.18	—
Number and type of stocks issued		Common 29,919,450	1,558,049 units

(1) As of December 31, 2010.

(2) Akzo Nobel Industrial Coatings Korea LTD, acquirer, is wholly owned by Akzo Nobel.

2. Valuation summary

(1) Purpose

Our report has been prepared for use as supplementary information in conjunction with a major report submission to the Financial Service Commission in accordance with Capital Market and Financial Investment Service Act 161 and Enforcement Decree 171.

(2) Subject for valuation

Application business division (the "Target Business Division") including mobile coating business, home appliance coating business and automotive coating business.

(3) Valuation date

The valuation was conducted utilizing historical financial information and business plan prepared as of May 31, 2011.

(4) Valuation method

1) General valuation method

Valuation methods are asset valuation, income valuation, market valuation and intrinsic value valuation. Details of these methodologies are as follows:

1. Asset valuation approach

Asset valuation method considers total asset as enterprise value and evaluates capital as net asset. Asset valuation method is relatively simple and objective, however, the economic entity exists to create cash flows and it fails to reflect enterprise's ability to create cash flows. Asset valuation method can be classified into book value, fair value, and liquidated value and the asset value changes due to application of different method.

2. Income valuation approach

Income valuation approach focuses on future ability to generate income with tangible and intangible assets rather than current financial conditions. The Discounted Cash Flow model is widely used, however, subjectivity may be involved when determining factors such as FCF, WACC, and Terminal value for computation of DCF.

3. Market valuation approach

Asset and income valuation approaches focus on financial conditions and ability to create future cash flows, however the market valuation approach focuses on enterprise value formed through market mechanism. The market values for listed companies are formed in the stock market and can be interpreted as market value of the enterprise. There is no objective market value for non-listed companies, however the value may be computed by using the stock price of similar size listed enterprises.

4. Intrinsic value valuation approach

This method has been specifically defined by the Financial Service Commission in accordance with enforcement of Capital Market and Financial Investment Service Act, regarding regulation of stock issuance and disclosure. Therefore, objectivity is ensured and there is a lower risk of misstatement due to less subjectivity since only historical information and two year pro-forma financial projections are used. However, the enterprise value may be relatively low for companies experiencing growth since only two year pro-forma financial projections are used.

2) Valuation method and evidence

The Discounted Cash Flow method was used to determine the value of the business transfer. Asset valuation method is relatively simple and objective, however, it fails to reflect the enterprise's ability to create cash flows. Market valuation method was not applicable due to absence of similar listed companies. Therefore, we applied discounted cash flow model for our valuation.

(5) Note for valuation report

Consideration and awareness are as follows:

1) Limitation on the use of the report

Our report was prepared to be used as supplementary information to the major report submission to Financial Service Commission and registration related to the transfer; therefore, the report shall not be used for any other purpose. In case our report is used for other purpose, we are not responsible for any damages incurred. Additionally, the report does not guarantee future financial results or values, therefore, the limitations of using assumptions and methodology must be considered.

2) Future income estimation

The Company was responsible for providing and preparing the data for our valuation. Our work was to express an opinion on the adequacy of the valuation as a reflection of future cash flows for the Target Business Division, by using the business plan, assumptions, and underlying data, which were reviewed for reasonableness by us. Therefore, in the event that there are changes to the information provided to us, such as but not limited to, estimates of earnings for Target Business Division, growth rate, inflation rate or macroeconomic data, the review result may differ and the difference may be material.

3) Other

Limitations or flaws other than those described in 1) or 2) above may affect our report.

3. Valuation summary

(1) Valuation procedures and result

We conducted our valuation in conformity with transfer discounted cash flows and the result is as follows:

1) Valuation result

	Amount
Enterprise value	KRW40,087,294,648–KRW60,211,223,157
Assets excluded from transfer*(*)*	—
Enterprise value	KRW40,087,294,648–KRW60,211,223,157

(*) A portion of the assets was excluded from the transfer, however, land and buildings that can be sold separately are not considered as non-operating asset. Therefore, the land and buildings were not deducted from the operating value and it was assumed that the depreciation expense would be assumed as a rental obligation to the acquirer.

In order to conduct valuation for "Target Business Division", future estimated income was computed for 4 years and 7 month period from June 1, 2011 to end of 2015 and used for cash flows. We assumed 0% growth rate for period after 2015.

(2) Market environment and characteristics of the business

1) Coating material business

1. Characteristics of the business

Paint is synthesized from various chemical products, pigment, resin, and miscellaneous chemicals. Paint is used for industry which produces low volume high variety products, such as construction, motor vehicles, shipping vessels, and plastics.

Development of paint based industry is difficult, but enables the company to build high entrance barriers to the market for a long time in case product development is successful. Additionally, paint is highly sensitive to the product quality and has close association with manufacturing technique. Due to humid sensitivity, the paint cannot be stored as inventory for a long period which leads to high transportation cost; therefore, most countries consider it as a domestic industry. Paint market is classified into construction, industrial, automotive, marine, electronics, and plastics. Target Business Division is focused in plastic paint market.

2. Growth potential of the market

Domestic paint market size is KRW3.5–4 trillion as of 2010, and approximately 150 firms are currently in operation. There are 5 leading firms and each firm has differentiating competitiveness.

Production within the paint industry has experienced annual growth of 7–8% since 2005. Production decreased in 2008 and 2009, however, the output level has recovered in 2010 due to expansion of production capacity effects for vehicles and electronic goods. Industrial paint is expected to increase, because of increase in equipment investment and export growth rate will maintain its growth. Therefore, 3–7% growth is expected for paint for automotive, industrial, and electronic goods.

Paint production for 2011 is expected to grow by 4%, which is a slight decrease from the growth rate for 2010, however this rate is plausible compared to the past growth rate. Due to increase in the price of the raw materials, sales are expected to grow by 7% compared to prior year. The market size of the plastic paint market amounts to KRW200 billion and production is slowing down due to relocation of factories to overseas. Market size will continue to be maintained, since value added paints increases the average sales price of the paint.

3. Economy fluctuation

Raw material cost accounts for the highest portion of the cost and 70% of raw materials are synthesis of solvent, resin, and pigment, which are 50% imports. Therefore, the exchange rate has dominant influences. Reliance on the import of raw materials is higher than export of the products and margin decreased during the time of Korean currency depreciation. Additionally raw material price is linked to the price of oil. However, the product price appreciation is limited and not timely. The margin worsens during periods of rapid increase in oil prices. Plastic coating business division products are used in digital electronics, LCD/PDP, display, mobile phone, automotive interior, and IT products, therefore, the business is heavily influenced by exchange rate, vehicle production rate, IT industry and domestic and foreign economy.

4. Market trend

Due to expansion in production capacity of automotive and electronics in 2011, the demand for paints is expected to increase. Raw material prices are going to be effected by the high oil price, however, low exchange rate will mitigate and help to maintain stable raw material price.

SSCP leads the market by selling paints related to mobile and electronic devices to Samsung Electronics Co., Ltd. and LG electronics. Co., LTD. Hyundai Motors and Kia Motors are also major clients of SSCP. However, all of automotive business is conducted via Schramm Korea.

PPG Korea, Daehwa Paint, Hanjin Chemical, Noru Paint, Samhwa Paint, Kunsul Chemical industrial Co.,LTD, Sam young ink & paint mfg, Co., LTD and Aekyung PNC Co.,LTD. are other participants in the market.

(3) Conclusion

1) Basis for cash flows

We analyzed income and expenses for the past 3 years financial information and financial information as of May, 31st 2011 to conclude reasonableness of the business plan report prepared by the Company. Our value was computed based on the information provided by the Company.

2) Assumption for estimation period

Estimated for 4 years and 7 months period from June 2011 to December 2015.

3) *Results*

Valuation result is as follows:

1. Valuation results

	Amount *(in Korean Won)*
Enterprise value	40,087,294,648–60,211,223,157
Assets excluded from transfer*(*)*	—
Enterprise value	40,087,294,648–60,211,223,157

(*) A portion of the assets was excluded from the transfer, however, land and buildings that can be sold separately are not considered as non-operating asset. Therefore, the land and buildings weren't deducted from the operating value and it was assumed that the depreciation expense would be assumed as a rental obligation to the acquirer.

2. Sensitivity analysis

	Discount rate *(in millions of Korean Won)*				
	7.19%	**8.19%**	**9.19%**	**10.19%**	**11.19%**
Enterprise value	60,211	53,348	47,972	43,646	40,087

3. Result from Discounted Cash Flow

	2011 June–Dec.	**2012**	**2013**	**2014**	**2015**	**Perpetual Cash**	**Total**
			(in millions of Korean Won)				
Operating income	4,056	6,372	6,124	5,768	5,529		
Income tax (t)	955	1,380	1,325	1,247	1,194		
EBIT(1-t)	3,101	4,992	4,799	4,521	4,335		
Depreciation	939	1,609	1,609	1,609	1,609		
ΔNWC	(2,543)	351	304	310	316		
CAPEX	939	1,609	1,609	1,609	1,609		
FCFF	5,644	4,641	4,495	4,211	4,019		
Discount rate	0.9500	0.8701	0.7969	0.7298	0.6684	0.6684	
PV of FCFF	5,362	4,037	3,582	3,073	2,686	29,232	47,972

9.19% discount rate and 0% perpetual growth rate computed from using DCF Method, is applied

4) Pro Forma statement of income

Pro forma statement of income is as follows:

	2011 June–Dec.	2012	2013	2014	2015
	(in millions of Korean Won)				
Sales	46,088	73,090	75,054	77,070	79,141
Cost of goods sold	36,027	57,350	59,062	60,831	62,657
Gross margin	10,061	15,740	15,992	16,239	16,484
Gross margin rate	21.8%	21.5%	21.3%	21.1%	20.8%
SG&A expenses	6,005	9,368	9,868	10,471	10,955
Operating income	4,056	6,372	6,124	5,768	5,529
Operating income rate	8.8%	8.7%	8.2%	7.5%	7.0%
Non-operating income	—	—	—	—	—
Non-operating expenses	—	—	—	—	—
Earnings before tax	4,056	6,372	6,124	5,768	5,529
Income tax expense	955	1,380	1,325	1,247	1,194
Net Income	**3,101**	**4,992**	**4,799**	**4,521**	**4,335**

(4) Pro Forma of future cash flow

1) Sales estimation

1. Summary of sales

	2011 June–Dec.	2012	2013	2014	2015
	(in millions of Korean won)				
Products revenue	44,936	71,897	73,829	75,812	77,849
Goods revenue	1,152	1,193	1,225	1,258	1,292
	46,088	**73,090**	**75,054**	**77,070**	**79,141**

2. Product revenue

Products revenue was estimated separately for Mobile, Home appliances, Automobile coating division by considering each division's expected sales volume and expected selling price.

	2011 June–Dec.	2012	2013	2014	2015
	(in millions of Korean Won)				
Mobile coating division	13,705	20,561	21,114	21,681	22,264
Home appliances division	20,563	32,483	33,356	34,252	35,171
Automobile coating division	10,668	18,853	19,359	19,879	20,414
	44,936	**71,897**	**73,829**	**75,812**	**77,849**

A. Expected sales volume

	2011 June–Dec.	2012	2013	2014	2015
	(Unit: Ton)				
Mobile coating division	1,397	2,030	2,028	2,026	2,024
Home appliances division	3,153	4,826	4,821	4,816	4,811
Automobile coating division	1,453	2,487	2,485	2,482	2,479
	6,003	**9,343**	**9,334**	**9,324**	**9,314**

According to Korea paint & printing ink industry cooperative, plastic paint production trend has decreased on average by 3% in each of the past five years. This is because of the trend of manufacturing for the industries in which the product is used (IT, automobile industry) has been shifted overseas to China, therefore, production of middle-lower price plastic has been reduced. However, domestic manufacturers have been focusing on high value added products. Approximately, 0.01% of annual sales have been reduced since 2008 portfolio advancement. This trend is assumed to be sustainable in the future.

B. Expected selling price

	2011 June–Dec.	2012	2013	2014	2015
	(in thousands of Korean Won/ton)				
Mobile coating division	9,813	10,127	10,410	10,702	11,001
Home appliances division	6,521	6,730	6,919	7,112	7,311
Automobile coating division	7,344	7,579	7,791	8,010	8,234
Producer price index	6.9%	3.2%	2.8%	2.8%	2.8%

(Source: EIU, as of June 22, 2011)

The average price of the Company's products rose by 19.1% and 6.2% due to the introduction of smart phones and changes in the Company's products portfolio with an increase in high value products reflecting the trend for high-tech electronics and automobile interiors.

In this respect the Company is not expected to experience rapid growth as the aforementioned trend is already built in to the company's projections and future changes will revolve around fluctuations in producer price index.

3. Goods revenue

Goods revenue consists of export of raw materials and others consumables to China. Goods revenue was estimated by applying goods revenue-products revenue ratio from 2008 to 2010 since there is no separate division and the amount is immaterial.

	2011 June–Dec.	2012	2013	2014	2015
	(in millions of Korean Won)				
Goods revenue	1,152	1,193	1,225	1,258	1,292

The goods revenue-products revenue ratio from 2008 to 2010 was as follows:

	2008	2009	2010	Average
Historical ratio of goods sales	4.1%	1.9%	0.7%	1.7%

2) Estimation of COGS

The estimation of COGS is as follows:

1. Estimation of production COGS

A. Estimation of raw material costs.

The cost of raw materials was estimated by applying the average ratio of historical raw material cost to product sales from 2008 to 2010. The Company's raw material costs are heavily influenced by oil prices and exchange rates. Since the estimation of future macroeconomic variables is relatively uncertain and historical raw material costs contain all factors, using the historical raw material cost to product sales ratio is reasonable.

	2011 June–Dec.	**2012**	**2013**	**2014**	**2015**
	(in millions of Korean Won)				
Product revenues					
Mobile coating division	13,705	20,561	21,114	21,681	22,264
Home appliances division	20,563	32,483	33,356	34,252	35,171
Automobile coating division	10,668	18,853	19,359	19,879	20,414
Total products revenue	44,936	71,897	73,829	75,812	77,849
Raw material cost					
Mobile coating division	6,739	10,153	10,425	10,706	10,993
Home appliances division	12,183	19,403	19,924	20,460	21,009
Automobile coating division	6,474	11,440	11,747	12,063	12,387
Total raw material cost	25,396	40,996	42,096	43,229	44,389
Raw material cost rate					
Mobile coating division	49.2%	49.4%	49.4%	49.4%	49.4%
Home appliances division	59.2%	59.7%	59.7%	59.7%	59.7%
Automobile coating division	60.7%	60.7%	60.7%	60.7%	60.7%

The average historical raw material cost ratio of sales for Target Business Division, is as follows:

	2008	2009	2010	Average
Mobile coating division	48.2%	53.1%	47.3%	49.4%
Home appliances division	62.0%	63.3%	56.6%	59.7%
Automobile coating division	59.0%	65.0%	58.3%	60.7%

B. Estimation of labor cost

Please refer to "4) Estimation of labor cost".

C. Estimation of manufacturing expenses

Estimation of the Company's manufacturing expenses for the next five years, are as follows.

Variable costs related to labor cost were calculated by estimating the number of employees and salary in the future reflecting the target of evaluated division's past business performance. Variable costs related to sales were calculated by applying the historic cost ratio for each account to the future expected sales. Please refer to "5) CAPEX investment and Depreciation and amortization for details of depreciation calculations.

	2011 June–Dec.	2012	2013	2014	2015
	(in millions of Korean Won)				
Variable cost related to labor cost	1,158	2,132	2,239	2,351	2,469
Sales to Variable cost	4,138	5,405	5,550	5,699	5,852
Depreciation expense	580	1,146	1,146	1,146	1,146
	5,876	**8,683**	**8,935**	**9,196**	**9,467**

Classification of the cost by its nature, are as follows:

Variable costs related to labor costs	Employee benefits, Utilities, Supplies, Vehicle maintenance, Training expenses
Variable costs over sales	Travel expense, Maintenance expense, Insurance, Entertainment expense, Transportation costs, Service fees, Packaging fees, Samples expense, R&D expense, Waste disposal expense, Other expense

Three years average labor variable costs for each business divisions are as follows:

	Mobile coating	Home appliance	Automobile coating
		(3 year average)	
Employee benefits	10.2%	10.9%	9.7%
Utilities	9.5%	11.1%	10.5%
Supplies	2.1%	1.9%	1.7%
Vehicle maintenance	4.8%	4.8%	4.7%
Training	4.7%	4.6%	4.6%

Historical average ratios of variable costs over sales applied to estimate costs are as follows:

	Mobile coating	Home appliance	Automobile coating
		(3 year average)	
Travel expense	0.2%	0.2%	0.2%
Maintenance expense	0.2%	0.2%	0.4%
Insurance	0.1%	0.2%	0.2%
Entertainment expense	0.0%	0.0%	0.0%
Transportation cost	0.7%	0.9%	0.8%
Service fees	0.4%	0.4%	0.4%
Packaging	4.6%	4.6%	4.7%
Samples	0.0%	0.0%	0.0%
R&D	0.7%	0.9%	0.9%
Disposal	0.1%	0.1%	0.1%
Other	0.1%	0.1%	0.0%

2. Estimation of Cost of goods sold

Costs for goods were computed by applying the historical cost to sales ratios for 2008–2010 under the assumption that this will not change greatly in the near future.

	2011 June–Dec.	**2012**	**2013**	**2014**	**2015**
	(in millions of Korean Won)				
Goods revenue	1,152	1,193	1,225	1,258	1,292
Goods Cogs	1,031	1,067	1,096	1,125	1,156
Ratio	89.5%	89.5%	89.5%	89.5%	89.5%

	2008	**2009**	**2010**	**Average**
	(in millions of Korean Won)			
Goods revenue	2,477	1,094	489	
Goods Cogs	2,131	1,076	411	
Ratio	86.0%	98.4%	84.0%	89.5%

3) Estimation of selling, administrative and general expenses

Selling, administrative and general expense estimation were computed as follows:

Variable costs related to labor cost were calculated by estimating the number of employees and salary in the future reflecting the target of evaluated division's past business performance. Variable costs related to sales were calculated by applying the historic cost ratio for each account to the future expected sales. Please refer to "5) CAPEX investment and Depreciation and amortization for details of depreciation calculations. As for labor cost, please refer to "4) Estimation of labor cost" and as for depreciation, please refer to "5) CAPEX investment and Depreciation and amortization".

	2011 June–Dec.	**2012**	**2013**	**2014**	**2015**
	(in millions of Korean Won)				
Salary*(*)*	2,085	3,489	3,767	4,118	4,381
Variable cost related to labor cost	838	1,428	1,542	1,685	1,793
Sales to Variable cost	2,812	3,988	4,096	4,205	4,318
Depreciation expense	270	463	463	463	463
	6,005	**9,368**	**9,868**	**10,471**	**10,955**

(*) Salary, Bonus and retirement benefits are included.

Selling, administration and general expenses were classified by nature as follows:

	Description
Variable costs related to labor costs	Employee benefits, Utilities, Supplies, Vehicle maintenance, Training expenses
Variable costs over sales	Travel expense, Communication expense, Taxes and dues, Maintenance expense, Insurance, Entertainment expense, Advertising expense, Transportation expense, Service fees, Printing expense, Packaging expense, Samples, R&D, Waste disposal, Bad debt expense

Historical average ratios of variable costs related to labor costs applied to estimate selling, general and administrative expenses are as follows:

	2008	2009	2010	Average (*)
Employee benefits	17.5%	21.3%	22.7%	20.5%
Utilities	8.8%	9.3%	9.1%	9.1%
Supplies	5.2%	3.8%	7.9%	5.6%
Vehicle maintenance	7.6%	4.4%	3.9%	5.3%
Training	0.3%	0.0%	0.9%	0.4%

Historical average ratio of variable costs to sales was applied to estimate selling, general and administrative expenses as follows:

	2008	2009	2010	Average
Travel	0.4%	0.2%	0.2%	0.3%
Communications	0.3%	0.2%	0.1%	0.2%
Taxes and dues	0.3%	0.1%	0.1%	0.2%
Repairs and maintenance	0.3%	0.2%	0.2%	0.3%
Insurance	0.1%	0.0%	0.1%	0.1%
Entertainment	0.3%	0.1%	0.1%	0.2%
Advertising	0.1%	0.0%	0.0%	0.0%
Bad debt expense	0.2%	0.1%	0.0%	0.1%
Transportation	0.9%	0.5%	0.8%	0.8%
Service fees	3.3%	2.1%	1.5%	2.3%
Publication	0.1%	0.1%	0.0%	0.0%
Packaging	0.1%	0.0%	0.0%	0.1%
Samples	0.9%	0.3%	0.8%	0.6%
Research	0.2%	0.5%	0.3%	0.3%
Disposal	0.1%	0.1%	0.1%	0.1%

4) Estimation of labor cost

Labor cost (including salaries, bonuses and retirement benefits) was calculated by considering the estimated number of employees and estimated salary per capita. Estimates are summarized as follows:

	2011 June–Dec.	**2012**	**2013**	**2014**	**2015**
	(in millions of Korean Won)				
Labor cost					
Manufacturing costs	3,724	6,604	6,935	7,281	7,645
Selling, general and administrative expenses	2,085	3,489	3,767	4,118	4,381
Total	5,809	10,093	10,702	11,399	12,026

1. The estimated number of employees

The number of employees was estimated as follows:

	2011 June–Dec.	**2012**	**2013**	**2014**	**2015**
Manufacturing costs *(*1)*	150	150	150	150	150
Selling, general and administrative expenses *(*2)*	69	71	73	76	77
Total	219	221	223	226	227

*(*1)* The Company concluded that minimum number of manufacturing costs personnel shall be 150 after restructuring in 2008–2009 and continues to maintain 150 employees.

Even if the number of employees may decrease due to production shrinks in the future, the Company concluded that at least 150 of production employees are needed since the Company produces a variety of products in small quantities.

*(*2)* The number of sales and managerial personnel required was calculated by dividing future sales by average sales per capita over the past three years.

	2008	2009	2010	Average
	(in millions of Korean Won)			
Sales	62,737	59,337	70,840	
Sales and managerial personnel	75	65	63	
Sales per capita	836	913	1,124	1,006

Computed weighted averages reflected the effect of restructuring in 2008–2009 is as follows:

	2011 June–Dec.	2012	2013	2014	2015
	(in millions of Korean Won)				
Estimated sales	46,088	73,090	75,054	77,070	79,141
Sales per capita	1,006	1,006	1,006	1,006	1,006
Number of people required	69	71	73	76	77

2. Estimated salary per capita

Salary per capita was estimated by assuming 5% growth rate in accordance with the Company's business plan as of 2010.

	2011	2012	2013	2014	2015
	(in millions of Korean Won)				
Manufacturing costs	42	44	46	49	51
Selling, general and administrative expenses	47	49	52	54	57

5) CAPEX investment and Depreciation and amortization

CAPEX investment, depreciation and amortization were estimated by reflecting the alternative Investment level and depreciation schedule of existing assets.

	2011 June–Dec.	2012	2013	2014	2015
	(in millions of Korean Won)				
CAPEX	850	1,609	1,609	1,609	1,609
Depreciation and Amortization					
Manufacturing expenses	580	1,146	1,146	1,146	1,146
Selling, general and administrative expenses	270	463	463	463	463

Due to the nature of the business, there is no large-scale capital investment and the utilization of existing facilities is less than 70 percent. Since there were only minor changes in property, plant, equipment and intangible assets for past 3 years, it was assumed that there will not be any new investment. Reinvestment was assumed to occur at the same level as ongoing depreciation and amortization such that current capacities can be maintained.

6) Estimated working capital

Working capital was estimated by applying turnover ratio in 2010 to reflect the recent operating characteristics of capital. Each year end balance of working capital and the changes in Working Capital are as follows:

	May 2011	2011	2012	2013	2014	2015
	(in millions of Korean Won)					
Trade accounts receivable	11,304	11,221	11,567	11,878	12,197	12,524
Inventories	12,449	11,117	11,460	11,768	12,084	12,409
Trade accounts payable	9,086	10,214	10,552	10,867	11,192	11,528
Net working capital	14,667	12,124	12,475	12,779	13,089	13,405
Changes in Working Capital		(2,543)	351	304	310	316

7) *Income tax rate*

An income tax rate of 24.2%, including residence tax, was applied for 2010, however 22% will be applied for all years after 2011.

8) *Discount rate*

In order to compute the present value of cash flows, it was necessary to determine an appropriate WACC (weighted average cost of capital), which is weighted average of capital expense and debt capital expense against total capital and interest liabilities. WACC was computed in accordance with optimal capital structure, which was calculated by considering capital expense and debt capital expense.

WACC is computed by using following equation.

WACC = Kd*(1-T)*D/(D+E)
Kd: Cost of debt
Ke: Cost of equity
E: Market value of the firm's equity
D: Market value of the firm's debt
T: Corporate tax rate

1. Cost of equity

Cost of equity for Target Business division is computed by using (CAPM: Capital Asset Pricing Model).

CAPM is defined as adding risk free return and risk premium.

Ke is computed by using following equation.

Ke = Rf + ß*(Rm-Rf)
Ke: Cost of equity
Rf: Risk free return
ß: Structured risk
(Rm-Rf): Degree of market return exceeding risk free return, Risk premium

– Risk free return:

Government bond maturity return rate of 3.97% as of June 28, 2011, was applied.

– Risk Premium

Risk premium is difference between market return and risk free return. 9.13% (Bloomberg) as of June 28, 2011, was applied.

– Beta:

Target Business Division's ß(0.662) value is computed by using optimal debt ratio (30.56%) and the values of six similar firms' leverage ß converted to zero debt enterprise's unleveraged ß (0.496).

– Optimal capital structure

Optimal capital structure is a capital structure of the Target Business Division and debt value is addition of short and long term borrowing interest. Capital is computed by applying sales revenue.

– Inherent Risk

Non-list risk is not considered since the Company is publicly listed.

Cost of capital computed by using above method was 10.01%.

2. Cost of debt

Borrowing interest rate, which is a possible rate applicable for working capital borrowing, 9.38% is applied.

3. Weighted average cost of capital

WACC computed by using above method is 9.19%.

9) Other

Selected similar firm in conformity with market valuation method to compare with the result concluded from DCF method.

	Min	**Max**
	(in millions of Korean Won)	
Sales to stock ratio	25,127	103,865
If EV/EBITDA ratio applied	54,625	170,776

(*) As of 2010

The Target Business Division value ranges from 25.127 billion–170.76 billion when sales to stock price and EV/EBITDA ratios are applied. Therefore, meaningful values weren't computed.

III. CONCLUSION ON REASONABLENESS OF THE BUSINESS DIVISION FOR TRANSFER

We conducted valuation on adequacy of price for transferring part of application business division (the "Target Business Division") including mobile coating business, home appliance business and automotive coating business.

We used DCF method to compute the enterprise value of the Target Business Division and conducted valuation based on the information and business plan provided by the Company.

Based on our DCF valuation as of May 31, the Target Business Division price ranges from KRW40.0 billion–60.2 billion.

We conducted valuation and cash flow estimation based on the information provided by the Company. We maintained independence during the review of the information prepared by the Company. Therefore, in case there are changes to the information provided to us, estimate of earning for Target Business Division, growth rate, inflation rate or macroeconomic, the review result may differ and the difference may be material.

Our report is prepared for as supplementary and required information for submission and registration related to the transfer and it may not be used for other purpose.

(1) LETTER FROM TC CAPITAL ASIA ON THE VALUATION REPORT ON THE SSCP COATINGS BUSINESS

The following is the text of a letter received from TC Capital Asia, the IFA, for the purpose of incorporation in this circular.

TC Capital Asia Limited
天財資本亞洲有限公司

16 September 2011

The Directors
Schramm Holding AG

Dear Sirs,

We refer to the Korean Transfer Agreement entered into between SSCP and AkzoNobel Korea. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the circular (the "**Circular**") of Schramm Holding AG (the "**Company**") dated 16 September 2011.

We refer to the valuation report dated 16 August 2011 (the "**Valuation Report**") set out in Appendix I to the Circular, issued by Samil PricewaterhouseCoopers ("**Korea PwC**"), an independent valuer, in respect of the SSCP Coatings Business. PwC Korea is a firm of professional accountants in Korea which provides business advisory services. We have reviewed the Valuation Report and discussed with the management of SSCP and personnel of Korea PwC the basis and assumptions upon which the Valuation Report including the underlying cash flow projection of the SSCP Coatings Business has been made. We have also discussed with Korea PwC their qualifications and experience. We have also considered the letter dated 16 September 2011 addressed to yourself from Daehyun Accounting Corp., certified public accountants in Korea regarding the accounting policies and calculations upon which the cash flow projection of SSCP Coatings Business has been made. On the basis of the information comprising the Valuation Report, we are of the opinion that the Valuation Report including the underlying cash flow projection of SSCP Coatings Business prepared by Korea PwC has been made after due care and consideration and is satisfied that Korea PwC has the qualifications and experience to undertake the valuation.

The Valuation Report issued by Korea PwC has been set out in Appendix I to the Circular, for which Korea PwC as the valuer is solely responsible.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited

Edward Wu
Managing Director

(2) LETTER FROM DAEHYUN ACCOUNTING CORP. ON THE PROFIT FORECAST

The following is the text of a letter received from Daehyun Accounting Corp., Certified Public Accountants, South Korea, for the purpose of incorporation in this circular.

16 September 2011

The Directors
Schramm Holding AG

Dear Sirs,

Reference is made to the business valuation report (the "**Valuation**") dated 16 August 2011 as set out in Appendix I to the circular of the Company dated 16 September 2011 (the "**Circular**") in respect of the appraisal of the fair value of the coatings business division (the "**SSCP Coatings Business**") of SSCP Co., Ltd. ("**SSCP**"), as at 31 May 2011. The Valuation which is determined based on the discounted cash flows is regarded as a profit forecast under Rule 10 of the Takeovers Code (the "**Profit Forecast**").

We have performed the procedures stated below with respect to the profit forecast (the "**Profit Forecast**") of the SSCP Coatings Business for the seven months ending 31 December 2011 and the four years ending 31 December 2015 (the "**Forecast Period**") which is set out in the circular of Schramm Holding AG dated 16 September 2011 (the "**Circular**"). Terms used herein shall have the same meanings as those defined in the Circular, unless otherwise defined.

The Profit Forecast, for which the directors of SSCP are solely responsible, has been prepared by Samil PricewaterhouseCoopers and the directors of SSCP on the unaudited accounts for the five months ended 31 May 2011 and a forecast of the results of SSCP Coatings Business for the Forecast Period. For the purpose of issuing this letter, we have conducted our work in accordance with the Korean Generally Accepted Accounting Principle (the "**K-GAAP**") as follows:

a) Checked whether the Profit Forecast under review was based on forecasts regularly prepared for the purpose of management purposes, or whether it has been separately and specifically prepared for immediate purpose;

b) Checked whether the degree of accuracy and reliability of the forecasts previously achieved, and the frequency and thoroughness with which estimates were revised;

c) Checked whether the Profit Forecast represented the management's best estimate of results which they reasonably believed can and will be achieved as distinct from targets which the management had set as desirable;

d) Checked the extent to which the Profit Forecast results for expired periods are supported by reliable interim accounts;

e) Reviewed the details of procedures followed to generate the Profit Forecast and the extent to which it was built up from detailed Profit Forecast of activity and cash flow;

f) Reviewed the extent to which profits were derived from activities having a proven and consistent trend and those of a more irregular, volatile or unproven nature;

g) Checked how the Profit Forecast took account of any material extraordinary items and prior year adjustments, their nature, and how they were presented;

h) Checked whether adequate provision was made for foreseeable losses and contingencies and how the Profit Forecast took account of factors which may cause it to be subject to a high degree of risk, or which may invalidate the assumptions;

i) Checked whether working capital appears adequate for requirements; normally this would require the availability of properly prepared cash-flow forecasts; and where short-term or long-term finance is to be relied on, whether the necessary arrangements have been made and confirmed;

j) Checked whether the Profit Forecast have been prepared and presented on acceptable bases consistent with the accounting principles and practices adopted by SSCP in previous years, and if not, whether the fact and effects of any material change of basis were made clear; and

k) Checked the arithmetical accuracy of the Profit Forecast and the supporting information and whether forecast balance sheets and statements of changes in financial position have been prepared — these help to highlight arithmetical inaccuracies and inconsistent assumptions.

Based on information and documents made available to us and so far as the calculations and accounting policies are concerned, in our opinion, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by Samil PricewaterhouseCoopers and the directors of SSCP, and is prepared on a basis consistent in all material respects with the accounting policies adopted by SSCP.

Yours faithfully,

Daehyun Accounting Corp.