Tintbright AG

January 10, 2014

Basic Report / Listing

Analysts

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Evaluation Result	Value of the Equity
NOT RATED	**€152.00 mln**

Fabric - bright and functional

Tintbright AG, the German holding of two companies active in the textile manufacturing industry in China, intends a listing in the Prime Standard of the Deutsche Boerse on January 27, 2014. The primary goals of the listing are to advance its reputation among business partners as well as its standing vis-à-vis the local government. In addition the Company aims at developing a sustainable access to the capital market which is not easy to achieve for SMEs in China. In light of the reluctant sentiment towards Chinese enterprises listed in Germany, the Company does not seek for capital, yet. This rationale is substantiated by the strong liquidity position of €43 mln (as of end of 3Q13) which enables the financing of the next strategic step, i.e. the envisaged extension of the production capacity, entirely through internal resources.

While competition in the textile industry sector is fierce, it is the integration of upstream and downstream processes, i.e. weaving and refining (dyeing, printing, functional processing) that increases the value creation depth. The resulting synergies in tandem with a diversified product portfolio lead to a superior competitive positioning of Tintbright (and in fact other companies implementing this one-stop-shop concept).

The Company enjoys a broad customer and supplier base which reduces its dependency from individual business partners.

The Company has been highly profitable and has generated double digit margins for the last three years (2010-2012). Thereby, Tintbright largely outperformed its competitors with net profit margins in the range of 22.4%, 16.8%, and 15.6%, respectively.

Management and the major shareholder are willing to conclude a dividend payment of at least 15% of net profit each year, starting from 2013.

Our fundamental analysis returns a fair value of the equity of €152.00 mln. Based on the capital market valuation of our "sentiment peer group", we expect a short to mid-term "trading target" of the equity of €68.79 mln.

Key data / Earnings

Year	Sales (€ mln)	EBITDA (€ mln)	EBIT (€ mln)	EBT (€ mln)	Net Profit (€ mln)	EPS* (€)	DPS* (€)	EBIT-Margin	Net-Margin
2010a	96.3	31.3	29.7	29.1	21.6	14.4	1.8	30.8%	22.4%
2011a	105.7	26.3	24.8	24.0	17.7	11.8	8.2	23.4%	16.8%
2012a	122.7	30.3	28.7	27.6	19.1	12.7	0.0	23.3%	15.6%
2013e	132.4	31.8	30.0	29.1	21.8	14.5	2.2	22.7%	16.5%
2014e	142.7	34.0	31.4	31.3	23.5	11.7	1.8	22.0%	16.5%
2015e	155.6	36.8	34.3	34.6	25.9	13.0	1.9	22.0%	16.7%
2016e	161.4	36.8	34.3	34.7	26.0	13.0	2.0	21.3%	16.1%

Source: BankM Research, Tintbright AG
* 2010-13 adjusted for the number of shares after capital increase by contribution in kind, i.e. 1.5 mln; 2014 ff. 2.0 mln shares after capital increase in cash

Sector	Textile
WKN	A1PG7W
ISIN	DE000A1PG7W8
Bloomberg/Reuters	TBR
Accounting standard	IFRS
Financial year	Dec 31
Financial reporting FY / 2013	April 2014
Marktsegment	Regulated Market
Transparency standard	Prime Standard

Financial ratios at Fair Value	**2013e**	**2014e**	**2015e**
EV/Sales	0.9	0.9	0.8
EV/EBITDA	3.9	3.6	3.3
EV/EBIT	4.1	3.9	3.6
P/E	7.0	6.5	5.9
Price/Bookvalue	2.2	1.7	1.4
Price/FCF	14.7	11.7	5.7
ROE (in %)	38.0	29.9	25.9
Dividend yield (in %)	2.2	2.3	2.6

Listing data	
Number of shares (in ths)	2,000
Free float (in %)	at least 15%
Lead manager	BankM - biw AG
Issue volume	not applicable
International Roadshow	Jan 20 - 22, 2014
Subscription period	not applicable
First listing	January 27th, 2014
IPO lock-up	18 month

Source: Tintbright AG

Content

Investment Criteria

Tintbright AG is the German holding of the two Chinese companies, namely Dragon PRC, a manufacturer of grey fabrics (weaving segment), and Sanrong PRC (dyeing and printing segment). With its business strategy of a “One stop-solution” the Company - through its comprehensive production process - is able to offer a broad portfolio of fabrics, i.e. raw cloth as well as refined textile (dyeing, printing, functional processing).

The inherent synergies and cost reductions strengthen Tintbright’s position within its market. Through its value-added products and comprehensive manufacturing processes, the Company is able to respond to the increasing demand by its downstream customers.

Following, we highlight the investment criteria which we consider relevant for the investor:

- Sales are driven by an increasing disposable income resulting from a strong GDP growth; consumers are more and more demanding value-added, refined textile products
- Tintbright largely outperforms its competitors regarding margins
- The collaboration with the “Shanghai Textile Research Institute” secures a constant channel of innovation, patent development and exploitation
- The facilities of the production plant comply with all environmental ISO norms. A collaboration with the Huaqiao University ensures sustainable achievement of all environmental related topics
- Tintbright enjoys a stable basis of ca. 550 customers, 95% of which are long-term clients; top 5 only contribute ca. 30% in 2011 and 2012, reflecting a limited bulk risk
- Experienced management with strong expertise in the textile industry
- Market entry barriers such as high investments, legal/environmental issues and industry knowledge have already been passed
- By operating in the Fujian province, which is one of the most important textile industry zones in China, Tintbright benefits from the proximity to its customers and suppliers creating a favorable environment
- Tintbright offers its workers accommodation facilities and thereby secures a strong identification of the labor force with the company. The vicinity of the workforce to the production offers flexibility, which pays out in times of production peaks
- The Company is willing to pay a cash dividend of at least 15% of net income each year

Listing

Tintbright AG, the Germany-based Holding of the Group (see chapter "Company Structure"), will enter the Prime Standard of the Frankfurt Stock Exchange. The listing is a strategic step to advance the Company´s awareness towards its customers and the capital market.

Qualified lock-up of 18 mths. by the major shareholder

The group in its current structure was established in the course of a capital increase by way of a contribution in kind pursuant to which all the shares in Dragon HK and Sanrong HK were transferred to the Company against issuance of 1.5 mln new shares. At the beginning of 2014, the major shareholder subscribed to 500k new shares resulting in a total number of shares of 2.0 mln. The major shareholder, Mr. ZHAO Tianzhun, committed himself, not to sell his shares without the permission of biw AG - BankM within 18 months beginning with the listing date.

Currently, Mr. ZHAO Tianzhun, holds 100% of the stock. He has agreed to transfer 25.80% of the share capital to additional shareholders as consideration for contributions and services rendered to the Company. The shareholder structure after transfer of the shares is as follows:

Shareholder Structure

Shareholders	No. of Shares (in thsd.)	% of Total
Xiaxin Holding (Europe) Trust	99.8	4.99%
Surmount Investments Group Ltd.	133.0	6.65%
Fu Yuen Holding (Europe) Trust	73.2	3.66%
Mr. HUNG Chun Tung	100.0	5.00%
Mr. CHAN Siu Wai	110.0	5.50%
Mr. ZHAO Tianzhun	1,484.0	74.20%
Total shares	**2,000.0**	**100.00%**

Source: Tintbright AG

Company Description and Analysis

Executive Summary

Competitive advantage emerging from one-stop-concept

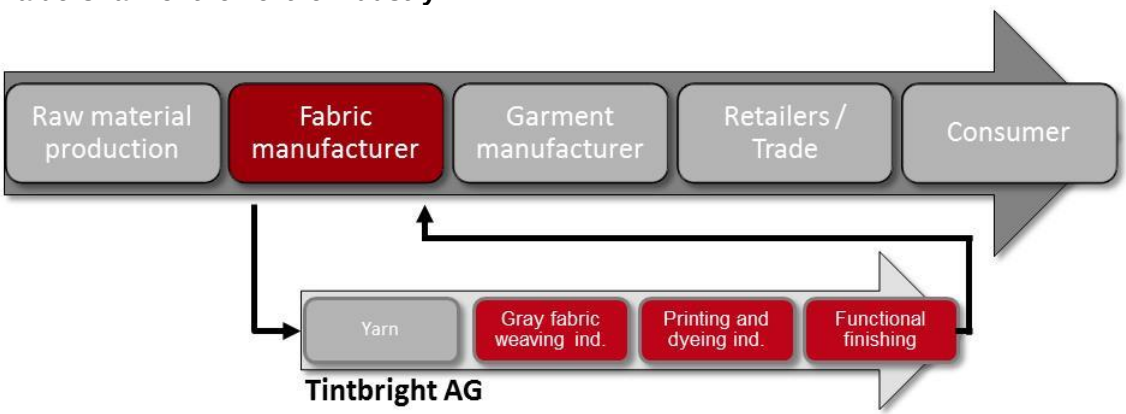
Tintbright AG is the German holding of two Chinese companies namely Dragon PRC, which focuses on weaving and Sanrong PRC, which focuses on dyeing, printing and finishing. The two companies are located within Fujian province, one of the melting pots of China's textile industry. Tintbright is able to differentiate itself from most of its competitors by executing a simple but effective concept of a "One-stop-solution". This concept is based on the idea that the different working steps within the production of fabrics, which are usually executed by different companies, are provided from just one manufacturer. The realization of this business strategy improves the quality of the products due to a more stringent quality control and the merging process flows. The resulting synergies, e.g. lower

administration and transportation costs, improve the positioning vis-à-vis Tintbright´s customers.

The Company distributes its products via a broad and established network of distributors and manufacturers. With ca. 550 clients the Company limits its exposure towards bulk risk.

In order to strengthen its operating margins the Company strives to develop and to launch innovative products on a regular basis, thereby enabling the Company to respond to the increasing demand for functional fabrics.

Value Chain of the Textile Industry



Source: BankM Research

Products, Manufacturing and Development

- For the discussion of the manufacturing process we made use of the technical due diligence report from the HCR Investigation Report (Huicong Research, Oct 10, 2012) commissioned by BankM -

Tintbright AG through its two subsidiaries Dragon PRC and Sanrong PRC is engaged in the production and processing of grey fabrics. Specifically, the Company produces woven chemical and cotton fabrics which are refined by means of dyeing, printing and applying value-added functional features, such as water-resistance and anti-static effects. Besides the refining of in-house produced grey cloth, the Company offers this production step as a service to third parties.

Synergies to the advantage of all parties

Through the integration of the two production processes under one umbrella, which is rather untypical, Tintbright presents itself as a one-stop solution enterprise for its customers. The resulting synergies entail cost and time savings as well as reduced risks in quality control, which are to the advantage of all parties: competitive pricing policy on part of Tintbright with resulting benefits (lower costs, reduced delivery times and reliability) for downstream customers, who - according to the Company - adopt more and more to the one-stop concept.

In order to avoid production and delivery bottlenecks, Tintbright provides sufficient raw materials to allow three weeks of production. The Company sources its raw material from ca. 60 suppliers, the top 5 of which account for 37.7% of total procurement in 2012. As shown below, the dependency and thus the bulk risk has been gradually reduced within the last three years.

Share of top 5 suppliers

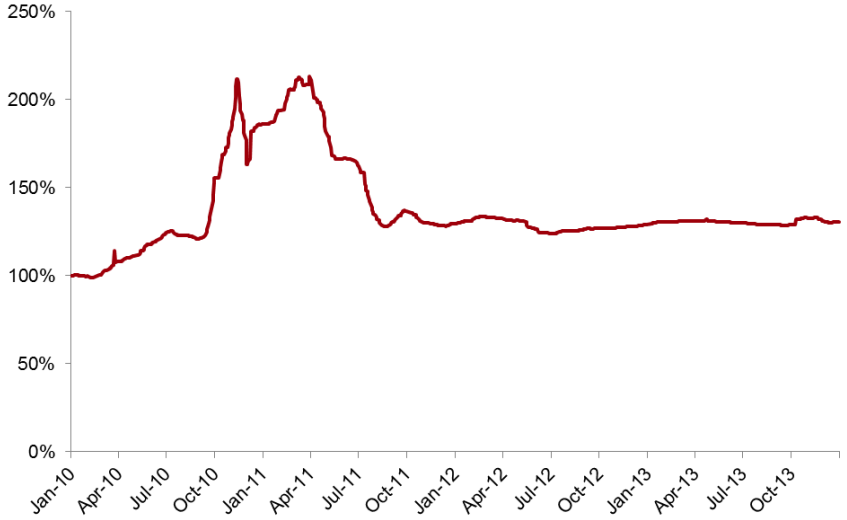
	2010	2011	2012
Top 5 suppliers	51.4%	39.7%	37.7%

Source: Tintbright AG

During the past two years, volatility of the world cotton price was low and remained almost stable at a relative level of ca. 123 - 130%. However the period between Sep 2010 and Jul 2011 saw extreme amplitudes due to lost harvests, catastrophic tidal flood in Pakistan and export embargo on India, ranking number two in global cotton production. Since cotton is at the very beginning of the whole textile industry´s value chain, significant movements in prices will inevitably and directly impact Tintbright´s margins.

Exposure towards raw material prices

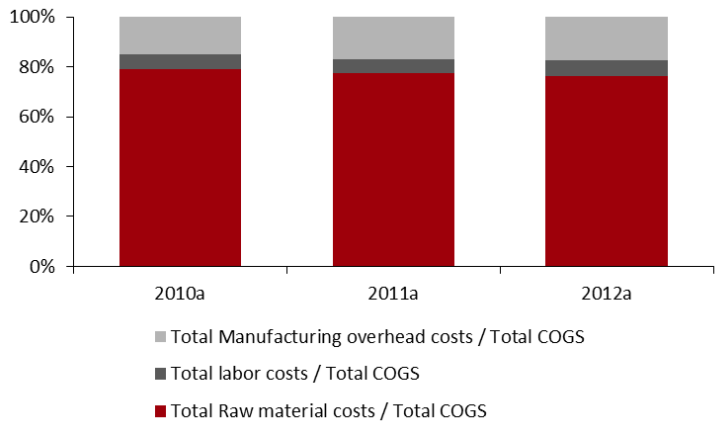
Cotton Price Index (Cotton Index 328)



Source: Bloomberg

With a contribution of ca. 75%, raw materials represent the largest fraction of production costs, followed by overhead and labor costs. The dominant proportion of raw material costs reflects the sensitivity towards the above-mentioned dependency on cotton price development.

Composition of total production costs



Source: BankM Research, Tintbright AG

For the Chinese industry in general and for the textile industry with its significant water consumption in particular, waste water treatment is a pivotal issue leading to barriers of entry into the sector. Tintbright has overcome this barrier and its waste water system is being monitored by the Jinjiang environmental monitoring station twice a year. Tintbright has passed every examination to date.

Succesfully passed stringent environmental regulation

Weaving

The Company has a yearly capacity of 46 – 53 mln meters [depending of the fabric type; ca. twice the amount of the average Chinese competitor (20 - 25 mln meters)] within the weaving production segment, translating into a utilization rate of 94.8%. Facing the consolidation course of the industry, partly induced by practice of local government, the Company is well positioned in our opinion. Technologically, Tintbright has no advantage over its competitors regarding the weaving section. The existing equipment is already depreciated by 70% and it is estimated that it can be used for another three years. It is not planned to extend the production capacity within this segment within the next two years due to budgeting reasons.

Weaving; Source: BankM Research

Refining

Tintbright has a yearly printing and dyeing capacity of up to 201 mln meters (depending on the fabric type and printing/dyeing mechanism) translating into a capacity utilization of 78.4%. Tintbright can print both automatically and manually by bedplate printing lines. The equipment is already depreciated by ca. 60% and it is estimated that it can be used for another five years. In 2013, the Company started to invest into a new production facility for printing & dyeing, expanding the segment´s capacity by 7.7%. Compared to the weaving segment, the refining segment generates significant higher gross profit margins due to the value-added features of the products.

Capacitiy extension of the higher-margin segment

Ongoing research on novel (functional) fabrics and processing types becomes more important as the industry is maturing. Tintbright has set up collaboration with the “Shanghai Textile Research Institute” which already has led to the invention and exclusive exploitation of one core patent, expiring in 2018. In addition, the Company has received the exclusive right from its general manager to use six utility model patents until 2022 without any charges.

Manual Printing; Source: BankM Research

Selling and Marketing

Tintbright sells its products to distributors and manufacturers within the textile processing industry. The Company enjoys a broad customer base which reduces its dependency from individual business partners and minimizes bulk risk. For instance, the share of the top five customers has gradually declined from 40.5% to 29.6% during 2010 - 2012.

Strong customer base → limited bulk risk

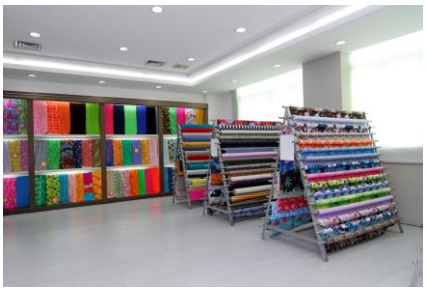
Share of top 5 customers

	2010	2011	2012
Top 5 customers	40.5%	30.4%	29.6%

Source: Tintbright AG

As of September 2013, Tintbright sells its products to more than 550 customers, 500 of which are repeat customers, reflecting clients´ contentment regarding quality and price.

Keeping a close watch on the market



Showroom; Source: BankM Research

Currently, the sales and marketing team consists of 26 employees who supervise dedicated regions within China and who are in charge of gaining new clients and of cultivating existing accounts. The Company actively seeks for feedback from its clients as a measure of post-selling quality control and of anticipating trends and timely responding to specific customer demands. The quality of the relationship is intensified by regular invitations of customers to the production sites.

The Company also regularly commissions surveys in order to keep pace with current market developments. In addition, the launch of fabric with novel, innovative features (functional fabric) has been contributing to the reputation as an innovative manufacturer.

It is planned to set up new sales offices in major garment manufacturing provinces to increase visibility and market share.

Company Structure

The following illustration shows the Company's corporate structure. Tintbright AG is the German holding of two companies, Thinkgreat Holdings Ltd. and Dragon Way International Ltd., registered in Hong Kong, which in turn are the holding companies of the two Chinese operating entities Sanrong Printing and Weaving Co. Ltd., and Jinjiang and Fujian Tianhui Weaving Co. Ltd. This is the typical structure of Chinese companies listed on the German stock exchange. The legally compliant structure with a sub-holding in Hong Kong or Singapore formally implements a comprehensive control of the German AG over the Chinese operating company. Moreover, the German holding has to comply with the rules and regulations of the Deutsche Börse. In practice, we see at least three issues that may arise to investors and increase the risk of an investment:

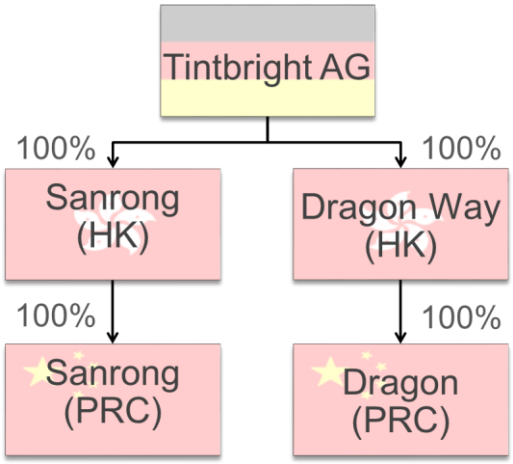
Typical holding structure with inherent risks

- The German holding does not directly generate cash flows but rather receives payments from the China/Hong Kong entities. Hence, there is the possibility of a default of the German AG although the China/Hong Kong entities are solvent. Another prevalent issue is that dividend payments have to be transferred out of China which requires a 10% tax payment to the Chinese authorities. This is one reason why the China-based companies are very reluctant to pay cash dividends.

- It is common that the chairman of the supervisory board is of German nationality and also resides in Germany. It is therefore more difficult for the chairman to execute his supervisory duties. In addition, the board of directors often has a weak standing towards the Chinese management if the founder (and CEO) holds the majority of the shares outstanding.

- In case of a fraud or bankruptcy, it has not yet been proven that (non-Chinese) investors get access to assets located in China. Thus a recovery of previous investments is uncertain and the achievement of direct control over the operating entity is at least very tedious at current date.

Holding structure of Tintbright



Source: Tintbright AG, BankM Research

Company History

Dragon PRC and Sanrong PRC were incorporated in 1995 and 1998, respectively. Sanrong PRC sets its first strategically leading milestone in 2006 by the collaboration agreement with the "Shanghai Textile Research Institute" with the motivation of conducting research on new fabrics and materials. Followed by many awards for both companies every year, Sanrong PRC expanded and upgraded its water treatment system in 2008 in order to comply with environmental requirements. 2009 was characterized by the invention and patenting of a new breathable functional fiber, a technical fiber resistant to water, fire, oil and dirt as well as a fiber confering a cooling effect. Another success-leading fiber was invented in 2011 with non-memory, wrinkle-free fabrics. Further, the Company was granted six patents in 2012; in the same year, the German holding Tintbright AG was incorporated.

Organization and Management

High internal control standards established

In order to evaluate the organizational and administrative structure, we have to keep in mind that Tintbright operates within an emerging economy where certain standards to which we are accustomed to are not yet in place. One example is the low ownership of bank accounts among the employees so that wages are often paid in cash. Also the daily paperwork and documentation often does not meet latest standards. In our view this explains the hierarchic organizational structure within the Company where the founder/CEO is in full control of the decision making processes. It is necessary to introduce a system of checks and balances to improve internal coordination and reporting as well as to better diversify responsibilities. During the preparation of the listing, the Company has worked on incorporating the instruments required for adequate level of transparency, accounting and reporting. While we are confident that the Company will meet German regulatory requirements, we cannot exclude that it will stumble over minor hurdles like some other Chinese companies listed in Germany.

Management Board

The management board consists of four members:

Mr. ZHAO Tianzhun is the chairman of the management board (Vorstandsvorsitzender) of the Company.

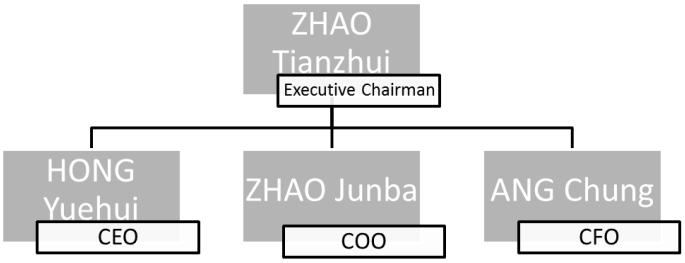
Mr. ZHAO Tianzhun has over 23 years of experience in the textile industry. From 1973 to 1985, he operated his own Clothing Business. From 1985 to 1995 he was engaged as a production manager at Shuang Bing Clothing Manufacturer. Between 1990 and 1995 he was chairman of Jinjiang Si Qi Le Clothing and Chemical Fiber Co. Ltd. In 1995 Mr. ZHAO Tianzhun established his own business with Dragon PRC.

Mr. HONG Yuehui is the CEO (Chief Executive Officer) of Tintbright and is responsible for the operational activities. After being employed at several fabric trading companies over a time period of 17 years, he has served the Company as a general manager since 1998. He is a member of different political and industry-related committees and received the honorary certificate of "Trustworthy and Outstanding Entrepreneur of PRC".

Mr. ANG Chung is the CFO (Chief Financial Officer) of Tintbright and is responsible for the groups finance department. He worked at three different companies in auditing and accounting departments before he joined the Company in 2011. He is member of the British based Association of Chartered Certified Accountants and the Malaysian Institute of Accountants. Mr. Ang is the only English-speaking member on the management board.

Mr. ZHAO Junba is the Company's chief operating officer ("COO") and is responsible for the operations of TINTBRIGHT. In 2000, Mr. ZHAO Junba graduated from Huaqiao University with a Degree in Administration. In 2011, he obtained a Master of Business Adminstration (MBA) form Beijing University. Mr. ZHAO Junba joined Dragon PRC as Sales and Marketing Manager from year 2001 until 2003 and started to lead the whole marketing department mainly in charge of whole Quanzhou city area and later on of whole area of Fujian province.

Below we provide a scheme of the management Board:



Source: Tintbright AG

Market and Economic Environment

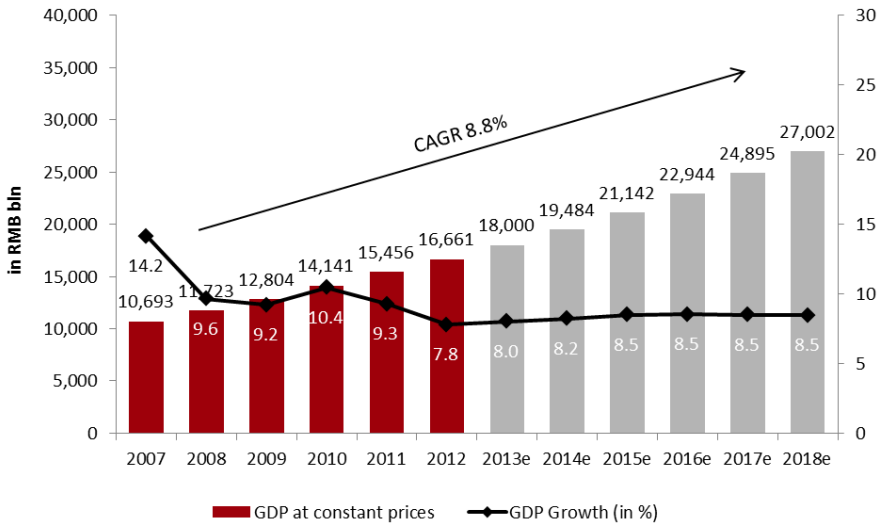
Chinese Economic Overview

China has experienced a sustained economic growth in the past thirty years which is attributable to the Chinese economic reform started in December 1978. Since the introduction of the reform, GDP has increased on average by ca. 10% per year. In 2010 China outpaced Japan as the world's second-largest economy; according to Goldman Sachs the country will surpass the U.S. as the world's largest economy by 2027.

All this reflects China's increasing dominant role in the global economy. While most of the world's major economies were heavily affected by the global recession during the financial crisis, China kept growing and by this means supported other, particularly commodity-exporting, countries.

The figure below shows the historical and forecasted annual GDP growth rate of China:

GDP development and growth



Source: IMF World Economic Outlook Database April 2013, BankM Research

In the long term, China will likely not be able to achieve the strong growth rates of the previous years. A study by McKinsey ("Insights China macroeconomic update", April 2012) reaches the result that Chinese growth rates are going to decline successively, from yearly 7% in the late 2010's to just 5% at the end of 2030.

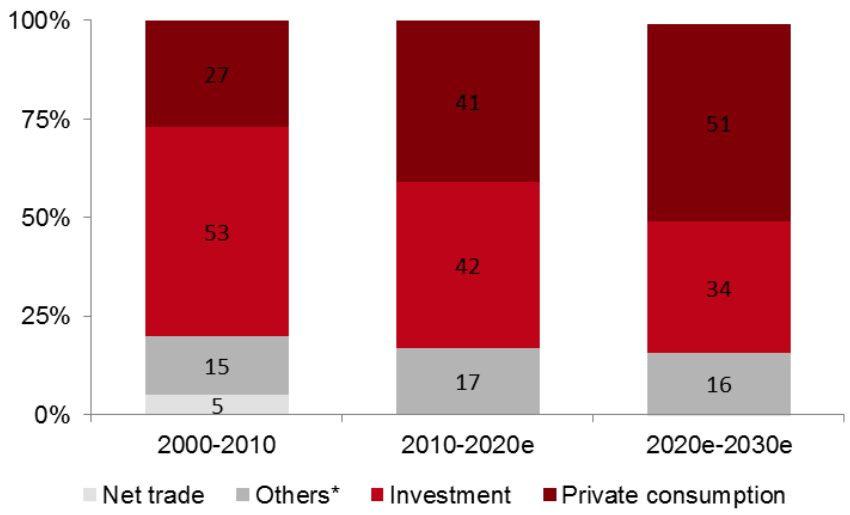
Consumption drives GDP

In the past, the major part of the GDP Growth has been Investment driven. This is about to change as the private consumption is becoming the new force behind the Chinese GDP growth rate. McKinsey ("What´s next for China", April 2012) suggests that in the next five years, the consumer's contribution to GDP growth will stop its long-term decline and begin to grow and gradually accelerate.

The GDP growth decomposition in 2020E-2030E reveals that 51% will consist of private consumption which is almost twice the amount than in 2000-2010 where

private consumption had a stake of 27%. By then, the Chinese consumer market will be one of the biggest consumer markets in the world, which generates various growth opportunities to consumption categories.

China's Real GDP growth decomposition in %

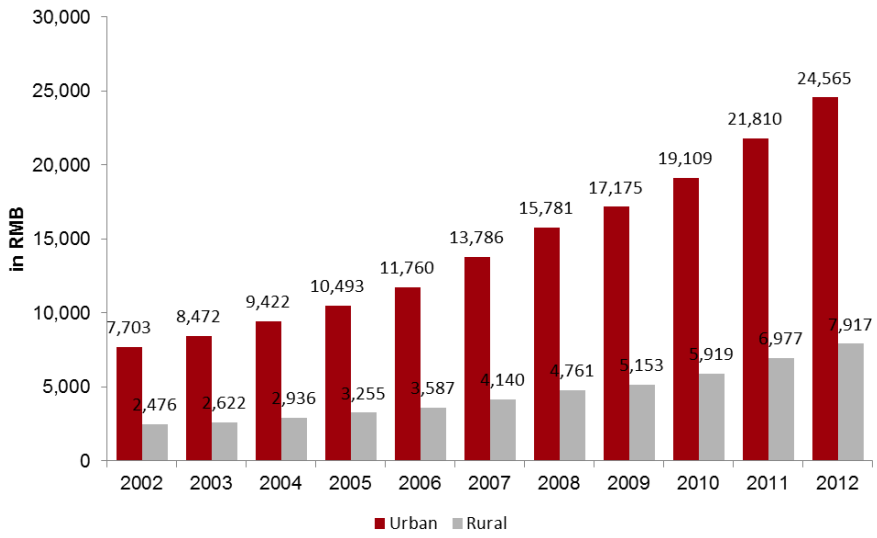


Source: Global Insights; McKinsey Insights global macroeconomic model update (April 2012)

Private consumption grows with increasing disposable income and urbanization rate

The main factor behind the rise of private consumption is the household income growth, which is caused by rising wages resulting from government policies and structural changes in the labor market. More precisely, policymakers intend to increase minimum and reference wages. Next to the intervention in the minimum wages, steps to open financial markets and increase in competition give a boost to the economy which creates more and better paid jobs. Finally this development will lead to a growing income. The main driver of the income growth is still coming from the urban areas and especially from the big cities, but the rural areas and the smaller cities are catching up, as it can be seen below.

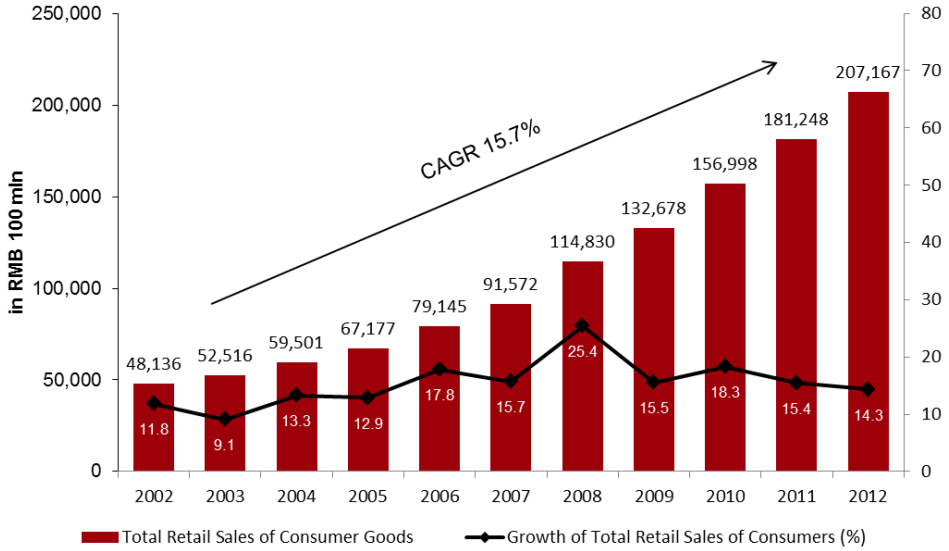
Annual per capita disposable income of urban and rural households



Source: National Bureau of Statistic of China (China statistical Yearbook 2012)

The growing income generates new opportunities and chances for retailers. At higher income levels, the pattern of consumption changes, Chinese consumers move beyond survival needs and are purchasing often for esteem. At this stage the consumption is based on quality of life and is quickly adopting the same characteristics that motivate Western consumers (e.g. buying based on quality rather than price, choosing status symbols etc.).

Total Retail Sales of Consumer Goods in China



Source: National Bureau of Statistic of China (China statistical Yearbook)

The numbers are expected to grow and China is likely to overtake Japan and become the world's second-largest consumer market within the next three years.

Development of Private Consumption

Private consumption and living standard advances due to strong economy

The private consumption of the Chinese has changed drastically during the past decade. Through the uprising of China´s economy and the increase in income, Chinese consumers have moved beyond satisfying the basic needs and are willing to spend on lifestyle-related goods. The living standard of a citizen in Shanghai for example is, on average, on the level of a citizen in Europe or the USA. This development also takes its roots in the rise of the Chinese affluent class (households with an annual disposable income between $20,000 and $1,000,000), which is becoming a bigger part in the Chinese society and is going to play an important role in China's future.

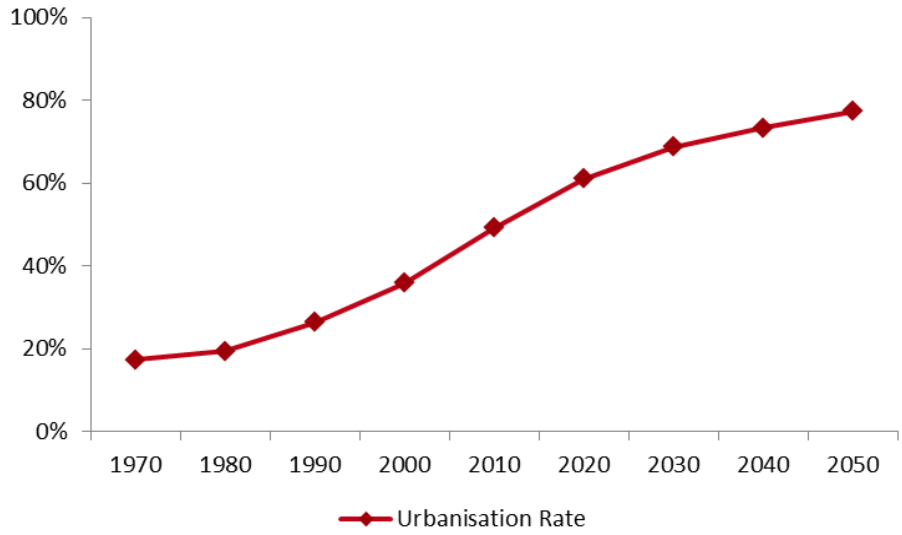
A study by Boston Consulting Group - The Age of the Affluent (2012) - expects the Chinese affluent class to rise up to 280 mln by the end of 2020, which makes them drive 40% of the consumption growth in China. Affluent consumers are important for the consumption industry not only because they will make up a big stake in the future, but also because they are enthusiastic about shopping, particularly for the very best they can afford. Compared to the other groups they are less sensitive to price increases or negative changes in economic conditions through their greater financial security.

Urbanization continuously increases

Out of a total of 1.3 bln people, 681 mln of the Chinese live in rural areas. The current urbanization rate (%-age of the population that lives in urban areas) is

51%, well below that of developed countries such as Germany (74%) or USA (82%). Since China's adoption of economic reforms in 1978 the country experiences a mass migration to the cities located in the East and it is expected that the urbanization level will reach 77% by 2050 (according to United Nations):

Urban Population (as % of total)



Source: UN Population Division Estimates

The urbanization and the growth were mainly driven by the big cities and especially through the mega cities in the past. This is about to change in the future. According to McKinsey Insights China, the smaller cities with current urban populations of less than 1.5 mln will make the largest contribution to growth in the next two decades. These cities will represent the single largest growth cohort and contribute 40% of total China urban GDP Growth through 2030.

Textile market

- The following discussion is based on insights from non-public studies provided by Respect Market Research (Market Research August 2012; commissioned by the Company), Huicong Research (technical due diligence report October 2012; commissioned by BankM) and ACMR-IBISWorld (October 2013) -

Textile industry is a key sector in China´s economy

The textile industry belongs to the most important sectors in China. With an output of ca. RMB 3,286 bln in 2011, it accounted for ca. 7.0% of the Chinese total GDP. The industry showed double digit annualized revenue growth rates of 14.6% between 2008 and 2012, despite the demand shock caused by the financial crisis in Europe and the United States. A rebound of the exports in the years following the crisis and a strong domestic demand have overcompensated the lower growth rates in 2007/2008. However, the export segment has significantly fallen in importance and only accounted for ca. 15.6% in 2012 (down from 21.5% in 2007). The Chinese ministry of industry and information technology has forecasted a growth rate of 8% on average between 2012 and 2017 which is in line with forecasts from independent research institutes.

Highly fragmented industry entails pressure on margins - consolidation is likely

Due to the historically favorable business conditions, the industry is characterized by a large number of small and medium sized enterprises (the biggest four enterprises have a market share of less than 5%). In the past, textile manufacturers profited on the one hand from increasing demand from the domestic and foreign downstream industries (such as the strongly growing apparel sector), on the other hand from low regulatory standards, abundant and therefore cheap labor forces and relatively low production technology. Consequently, the number of enterprises just in the cotton fabric and yarn manufacturing industry has increased by more than 40% and output in meter has even been more than quadrupled for the last ten years.

This development led to a situation where the industry, especially in the segment for low-and mid-quality products, has experienced first signs of overcapacity and pressure on selling prices. In addition, margins have been under the gun due to higher wage rates caused by a shortage of a skilled workforce in the traditional strongholds of the textile industry at the East coast of China (Shandong, Jiangsu, Zhejiang and Fujian). Last but not least, environmental problems, e.g. water pollution from chemically loaded wastewater, have raised the attention of the public authorities.

The companies within the industry have started to react to these trends by relocating the production facilities to cheaper regions such as middle and western China or to low-cost countries such as Vietnam or Indonesia. The central authorities have introduced stricter regulations regarding environmental topics to accelerate the convergence towards international standards and improve water quality and working conditions. In some provinces regulators have practically stopped the issuance of licenses for new printing and dyeing companies. In addition, the development of innovative products and manufacturing processes is in the focus of the current five year plan. It is expected that qualitative features of the products and brand recognition are going to catch up with the price level as major basis of decisionmaking. To keep the increasing impact of additional research and marketing expenses manageable, the industry is supposed to consolidate in the future whereby smaller companies are likely to merge with each other or drop out of the market.

SWOT Analysis

Strenghts

- Efficient one-stop-shop business model with historically strong growth and profitability
- High environmental standards realized
- Experienced management team
- Barriers to entry already passed
- Strong customer base and location advantage
- Rich patent portfolio, high degree of innovation
- Good reputation and standing within the industry

Weaknesses

- Partly outdated machinery; regular investments in production lines in order to be able to keep pace with competition
- Dependency on raw material prices; increases might not be able to be passed on due to price sensitivity and/or competition
- Production capacity in the weaving segment is fully utilized, thus limiting growth potential
- Currently, the weaving segment produces only low to mid end fineness fabric with a relatively intense competition

Opportunities

- Strong growing economy in China
- Rise of middle class with 7% more disposable income in 2015
- Stop of issuing new licenses for new market entrants, due to e.g. limited granting of land use rights due to surplus capacity in Fujian province
- Closing of old companies due to environmental and technological regulations
- Extension of selling activities in other provinces and/or through additional channels

Threats

- Mature market, continuous innovation is mandatory, lack of innovation will inevitably lead to loss of market share
- Unexpected events in the social, political, economic, ecological and regulatory environment, e.g. even stricter environmental regulations which renders the Company´s operations uneconomic
- Heavy competition in the industry
- Lower wages in Bangladesh, Vietnam and India (50-80% of China wages) may entail substantial shift of production to these countries; India's government supports strongly garment segment

Financial Analysis and Discussion

In this chapter we discuss Tintbright AG's operating results, cash flow statement as well as balance sheet for the audited years 2010 - 2012 and present a short term forecast until 2016. The forecasts are based on the analysis of the relevant markets and in-depth discussion with the Company's management regarding operating targets as well as corporate strategy.

Profit and Loss Account

During the last three audited fiscal years, revenues increased from €96.3 mln in 2010 to €122.7 mln in 2012, translating into a growth of 9.8% and 16.1%, respectively. The significant rise in sales revenues in 2012 is largely due to the appreciation of the RMB by ca. 11%; the currency adjusted revenue growth amounted to 4.7%. Gross profit margin came down from 33% in 2010 to ca. 26% in 2011 and 2012 due to price reductions, which became necessary to antagonize increasing competition. Further price pressure on raw materials arising from adverse market conditions such as lost harvests, catastrophic tidal flood in Pakistan and export embargo on India had a significant impact on gross margins. EBIT margin came down from 30.8% in 2010 to 23% in the following years due to the increase in social and housing fund related expenses. Net profit margins came down accordingly from 22.4% to 15.6%.

The nine month results for 2013 are in line with our forecast for the full fiscal year, taking into consideration that Q4 usually is the strongest quarter.

Profit and Loss Account

Fiscal Year 31.12 (IFRS) in € k	2010a	2011a	2012a	2013e	2014e	2015e	2016e	CAGR 2012 -16	9M2012	9M2013
Total Sales	**96,314**	**105,714**	**122,734**	**132,379**	**142,749**	**155,614**	**161,386**		**84,752**	**91,425**
Growth rate (in %)	*n.a.*	*9.8*	*16.1*	*7.9*	*7.8*	*9.0*	*3.7*	*7.1*	*n.a.*	*7.9*
Cost of sales	64,570	78,021	90,134	98,107	106,153	116,095	121,784		62,463	67,233
Gross Profit	**31,744**	**27,693**	**32,600**	**34,272**	**36,596**	**39,520**	**39,602**		**22,289**	**24,192**
Growth rate (in %)	*n.a.*	*-12.8*	*17.7*	*5.1*	*6.8*	*8.0*	*0.2*	*5.0*	*n.a.*	*8.5*
Selling and marketing expenses	711	826	988	1,066	1,149	1,253	1,299		673	784
General and administration expenses	1,382	2,117	2,954	3,186	4,000	4,000	4,000		1,864	1,874
Other income	26	11	0	0	0	0	0		0	0
EBIT	**29,677**	**24,761**	**28,658**	**30,020**	**31,447**	**34,267**	**34,303**		**19,752**	**21,534**
Growth rate (in %)	*n.a.*	*-16.6*	*15.7*	*4.8*	*4.8*	*9.0*	*0.1*	*4.6*	*n.a.*	*9.0*
Net Financial Result (inc.+/exp.-)	-616	-763	-1,054	-961	-135	287	425		-837	-486
EBT	**29,061**	**23,998**	**27,604**	**29,060**	**31,312**	**34,554**	**34,727**		**18,915**	**21,048**
Growth rate (in %)	*n.a.*	*-17.4*	*15.0*	*5.3*	*7.8*	*10.4*	*0.5*	*5.9*	*n.a.*	*11.3*
Taxes on Income (Exp.+/Inc.-)	7,476	6,253	8,517	7,265	7,828	8,639	8,682		4,802	5,358
t/o deferred taxes (Exp.+/Inc.-)	0	0	0	410	0	0	0		0	0
Net profit	**21,585**	**17,745**	**19,087**	**21,795**	**23,484**	**25,916**	**26,046**		**14,113**	**15,690**
Growth rate (in %)	*n.a.*	*-17.8*	*7.6*	*14.2*	*7.8*	*10.4*	*0.5*	*8.1*	*n.a.*	*11.2*
For information purposes										
Depreciation and amortization	*1,634*	*1,526*	*1,645*	*1,802*	*2,514*	*2,514*	*2,495*		*1,067*	*0*
EBITDA	*31,311*	*26,287*	*30,303*	*31,822*	*33,962*	*36,781*	*36,798*		*20,819*	*21,534*
Growth rate (in %)	*n.a.*	*-16.0*	*15.3*	*5.0*	*6.7*	*8.3*	*0.0*	*5.0*	*n.a.*	*3.4*
No. of shares (Ø outstanding)*	1,500	1,500	1,500	1,500	2,000	2,000	2,000		1,500	1,500
Net profit / share (EPS)*	14.39	11.83	12.72	14.53	11.74	12.96	13.02		9.41	10.46

* 2010-13 adjusted for the number of shares after capital increase by contribution in kind, i.e. 1.5 mln
Source: BankM Research, Tintbright AG

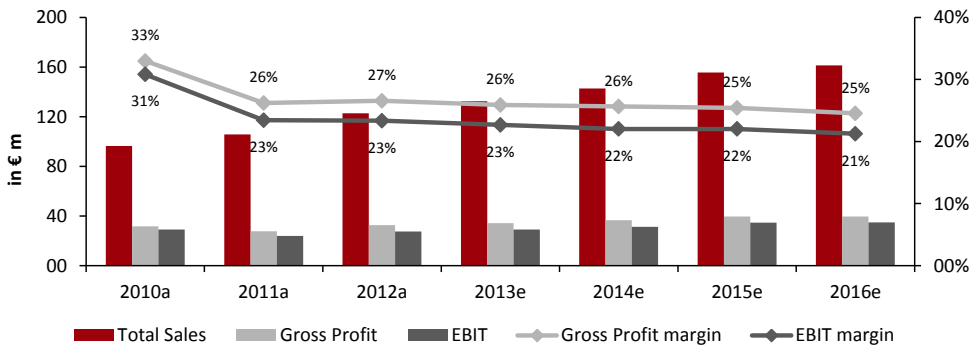
P&L Margins

Margins (in %)	2010a	2011a	2012a	2013e	2014e	2015e	2016e		9M2012	9M2013
Gross Profit margin	33.0	26.2	26.6	25.9	25.6	25.4	24.5		26.3	26.5
EBITDA margin	32.5	24.9	24.7	24.0	23.8	23.6	22.8		24.6	23.6
EBIT margin	30.8	23.4	23.3	22.7	22.0	22.0	21.3		23.3	23.6
EBT margin	30.2	22.7	22.5	22.0	21.9	22.2	21.5		22.3	23.0
Net Profit margin	22.4	16.8	15.6	16.5	16.5	16.7	16.1		16.7	17.2

Source: BankM Research, Tintbright AG

Below we show the historical and forecasted development of operating figures and margins:

Revenues, gross profit and margins (actual and forecast)



Source: BankM Research, Tintbright AG

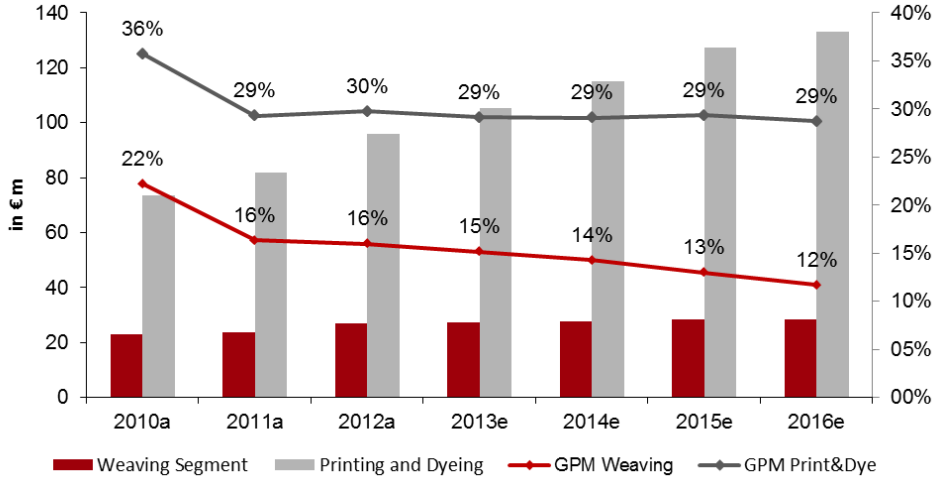
Segment discussion

The printing & dyeing segment contributes ca. four times more to the total revenue compared to the weaving segment. At the same time, gross profit margin in the printing & dyeing segment is significantly higher due to the value-added features of the segment´s products.

Given the current high capacity utilization rate and the price pressure for the woven products, growth in this segment has been limited. Significant momentum will only arise once management will have decided to extend the segment´s production capacity.

Currently, the Company is investing into a new production facility for the printing & dyeing segment motivated by the higher margins of the products (29% and 30% for 2011 and 2012) compared to the weaving segment (16% for 2011 and 2012). The start of production of the new facility is planned in 4Q14.

Revenues and margins by segments (actual and forecast)



Source: BankM Research, Tintbright AG; GPM Weaving: gross profit margin of the Weaving segment, GPM Print&Dye: gross profit margin of the Printing and Dyeing segment

Cash Flow Statement

For the audited fiscal years 2010 - 2012, the Company was able to generate strong operating cash flows as a result of the positive earnings performance. Operating cash flow increased from €23.3 mln in 2010 to €34.4 mln in 2012 (+47.7%). The cutback in 2011 owes to the pressure on margins resulting from the adverse market conditions as discussed above.

In 2011, the Company started to invest into a new production facility to extend the capacity of the higher-margin printing and dyeing segment by 7.7%. The production is scheduled to begin in 4Q14. The total investment amounts to approx. €14.5 mln with the major part, i.e. €11.3 mln being invested in 2014.

In our model, cash flow from operations in FY 2013 will come down to €11.55 mln largely due to an increase in working capital which we - in our forecast - calculate via efficiency ratios (DIO, DRO, DPO). Total cash flow turns negative to €-2.04 mln owing to the redemption of withholding tax which arose in the context of dividend payments during the previous years.

Management declared that it is willing to pay a dividend of at least 15% starting with 2013 (to be paid in 2014).

Cash Flow Statement

Fiscal Year 31.12 (IFRS) in € k	2010a	2011a	2012a	2013e	2014e	2015e	2016e	CAGR 2012 -2016	9M2012	9M2013
EBT	**29,061**	**23,998**	**27,604**	**29,060**	**31,312**	**34,554**	**34,727**		**18,915**	**21,048**
Growth rate (in %)	*n.a.*	*-17.4*	*15.0*	*5.3*	*7.8*	*10.4*	*0.5*	*4.7*	*n.a.*	*11.3*
+ Depreciation and amortization	1,634	1,526	1,645	1,802	2,514	2,514	2,495		1,248	1,029
- income taxes paid	6,858	7,234	6,077	7,806	7,687	8,436	8,671		3,985	5,356
= Cash Earnings	**23,837**	**18,290**	**23,172**	**23,056**	**26,139**	**28,632**	**28,552**		**16,178**	**16,721**
Growth rate (in %)	*n.a.*	*-23.3*	*26.7*	*-0.5*	*13.4*	*9.5*	*-0.3*	*4.3*	*n.a.*	*3.4*
+ Other non-cash items	617	763	1,054	410	0	0	0		837	486
- Chg. in net working capital	1,145	-396	-10,818	11,912	1,763	2,192	862		-14,246	12,814
= Operating Cash Flow	**23,309**	**19,449**	**35,044**	**11,554**	**24,376**	**26,441**	**27,690**		**31,261**	**4,393**
Growth rate (in %)	*n.a.*	*-16.6*	*80.2*	*-67.0*	*111.0*	*8.5*	*4.7*	*-4.6*	*n.a.*	*-85.9*
- Capex	64	1,161	635	1,220	11,341	0	0		351	367
= Free Cash Flow	**23,245**	**18,288**	**34,409**	**10,334**	**13,034**	**26,441**	**27,690**		**30,910**	**4,026**
Growth rate (in %)	*n.a.*	*-21.3*	*88.2*	*-70.0*	*26.1*	*102.9*	*4.7*	*-4.3*	*n.a.*	*-87.0*
+ Other net items	-1,039	-2,918	-3,581	0	0	0	0		-6,690	4,744
- Dividends (previous year)	0	2,766	12,339	0	3,269	3,523	3,887		12,365	0
- withholding tax (release of liability)	0	0	0	0	5,664	0	0		0	0
- Advance to a shareholder	5,842	2,390	0	0	0	0	0		0	-1,634
+ Transaction with shareholder	0	0	-17,499	4,007	0	0	0		-1,506	0
+ Increase in share capital	0	0	50	0	500	0	0		50	0
+ Bank loans	-1,460	5,680	-123	-10,715	-5,720	0	0		-123	-8,036
= Incr. in Cash (+)/Decr. in Cash (-)	**14,904**	**15,894**	**917**	**3,626**	**-1,119**	**22,918**	**23,802**		**10,276**	**2,368**

Source: BankM Research, Tintbright AG

Balance Sheet

In 2014, we anticipate that the Company will redeem its withholding tax liability in full and will repay part of its short term bank loans. Consistently, equity ratio increases from 67% in 2013 to 79% in 2014 and will gradually improve to 83% in 2016. In the context of the listing, the number of shares was increased from 50k to 1.5 mln by contribution in kind; at the beginning of 2014, the major shareholder subscribed to 500k new shares resulting in a total number of shares of 2 mln. Based on discussion with management, all bank loans will be redeemed in 2014 and it is planned not to borrow in the short-term.

Balance Sheet

Fiscal Year 31.12 (IFRS) in € k	2010a	2011a	2012a	2013e	2014e	2015e	2016e		9M2012	9M2013
Assets										
Tangible assets	13,622	13,139	11,427	12,810	21,665	19,179	16,711		11,427	12,780
Intangible assets (Land use rights)	1,177	1,222	1,180	1,152	1,124	1,096	1,068		1,180	1,163
Deferred tax	299	400	410	0	0	0	0		410	399
Other fixed assets & Prepayments	348	1,637	1,937	0	0	0	0		1,937	0
Total Fixed Assets	**15,446**	**16,398**	**14,954**	**13,962**	**22,789**	**20,275**	**17,779**		**14,954**	**14,342**
Inventories	2,593	7,507	4,521	6,451	6,980	7,634	8,008		4,521	10,418
Accounts receivable	25,713	27,986	27,761	32,641	35,198	38,371	39,794		27,761	31,118
Cash and other equivalents	21,216	42,532	45,332	48,958	47,839	70,757	94,559		45,332	42,989
Amount due from a shareholder	0	0	4,007	0	0	0	0		4,007	2,410
Other current assets	30	78	21	0	0	0	0		21	22
Total Current Assets	**49,552**	**78,103**	**81,642**	**88,051**	**90,017**	**116,761**	**142,361**		**81,642**	**86,957**
Balance Sheet Total	**64,998**	**94,501**	**96,596**	**102,012**	**112,806**	**137,036**	**160,140**		**96,596**	**101,299**
Shareholder's Equity / Liabilities										
Subscribed capital	7,661	7,661	50	50	2,000	2,000	2,000		50	50
Retained earnings and other reserves	22,611	33,455	45,875	67,408	87,018	109,411	131,570		45,875	61,646
Non-controlling interest	0	0	584	846	0	0	0		584	769
Shareholders Equity	**30,272**	**41,116**	**46,509**	**68,304**	**89,018**	**111,411**	**133,570**		**46,509**	**62,465**
Long Term Liabilities	**180**	**242**	**1,381**	**1,381**	**1,381**	**1,381**	**1,381**		**1,381**	**0**
t/o Deferred tax	*180*	*242*	*1,381*	*1,381*	*1,381*	*1,381*	*1,381*		*1,381*	*0*
Short Term Liabilities (< 1 year)	**34,546**	**53,143**	**48,706**	**32,328**	**22,407**	**24,244**	**25,190**		**48,706**	**38,834**
t/o Acc. payable	*8,503*	*15,187*	*20,663*	*16,127*	*17,450*	*19,084*	*20,019*		*20,663*	*17,874*
t/o Amount due to a shareholder	*8,349*	*13,186*	*0*	*0*	*0*	*0*	*0*		*0*	*0*
t/o Bank loans	*9,937*	*16,759*	*16,435*	*5,720*	*0*	*0*	*0*		*16,435*	*8,570*
t/o Short term tax liabilities	*5,569*	*5,761*	*8,021*	*7,480*	*1,957*	*2,160*	*2,170*		*2,357*	*2,354*
t/o Other current liabilities	*2,188*	*2,250*	*3,587*	*3,000*	*3,000*	*3,000*	*3,000*		*9,251*	*10,036*
Total Liabilities	**34,726**	**53,385**	**50,087**	**33,709**	**23,788**	**25,625**	**26,571**		**50,087**	**38,834**
Balance Sheet Total	**64,998**	**94,501**	**96,596**	**102,012**	**112,806**	**137,036**	**160,140**		**96,596**	**101,299**

Source: BankM Research, Tintbright AG

Balance Sheet Ratios

In % of Balance Sheet Total	2010a	2011a	2012a	2013e	2014e	2015e	2016e		9M2012	9M2013
Total Fixed Assets	23.8	17.4	15.5	13.7	20.2	14.8	11.1		15.5	14.2
Total Current Assets	76.2	82.6	84.5	86.3	79.8	85.2	88.9		84.5	85.8
Inventories	4.0	7.9	4.7	6.3	6.2	5.6	5.0		4.7	10.3
Trade receivables	39.6	29.6	28.7	32.0	31.2	28.0	24.8		28.7	30.7
Total liquid funds	32.6	45.0	46.9	48.0	42.4	51.6	59.0		46.9	42.4
Shareholder's Equity	46.6	43.5	48.1	67.0	78.9	81.3	83.4		48.1	61.7
Long Term Liabilites	0.3	0.3	1.4	1.4	1.2	1.0	0.9		1.4	0.0
Short Term Liabilities	53.1	56.2	50.4	31.7	19.9	17.7	15.7		50.4	38.3
Total Liabilities	53.4	56.5	51.9	33.0	21.1	18.7	16.6		51.9	38.3

Source: BankM Research, Tintbright AG

Valuation

In order to calculate a fair value for Tintbright AG, we applied two methods which allow for mutual validation and thus sensitize for the plausibility of each of the derived values:

1. Analysis of Free Cash Flows (DCF analysis)
2. Multiple analysis by means of peer group comparison

The derived values will be equally weighted.

DCF Model

For the analysis of Free Cash Flows we have applied a 3-stage model:

Phase I	2013 – 2016 (short-term planning)
Phase II	2017 – 2020 (mid-term prognosis)
Phase III	Terminal Value

The forecasting of future cash flows used in our model is based on the following sources:

- Prospectus of the company
- Discussions with Tintbright AG´s Executive Directors and Management
- Analysis of the relevant markets
- On-site visit of the facility in October, 2012
- "Cotton Fabric and Yarn Manufacturing in China", IBISWorld Industry Report 1711, October 2013
- "Research Report on China Chemical Fabric Weaving, Printing and Dyeing, and Functional Fabric Industry", Respect Marketing Research Inc., August 2012
- Technical Due Diligence Report from Huicong Research, Oct 10, 2012 commissioned by BankM

Time-weighted discounting of Free Cash Flows is a central element within the DCF valuation. Currently, fundamental quantitative analysis is faced with methodical problems in calculating a risk premium by means of a market portfolio proxy (a broadly diversified index). Geometric returns over longer periods (CAGR over 5 – 10 years) are still not suitable due to their sharp decline in recent years. For example, on the MSCI World and S&P 500 indices show a 10y-performance, expressed as CAGR, of 6.87% and 7.02%, respectively. Moreover, during the preceding two years, the MSCI World and the S&P 500 indices have gained 21.90% and 23.83%, respectively (index data as of January 9, 2014). In light of these returns and considering the historically low risk free returns, we feel comfortable with a market risk premium of 6%.

We routinely pay specific attention to the calculation of the Beta. We have tried to calculate a suitable beta by regressing the synthetic index made up of our peer group companies against the MSCI World and S&P 500 as proxies for the market

portfolio. The result was dissatisfying with regards to statistical significance. We therefore decided to choose Damodaran´s Beta for the apparel industry as a surrogate for the textile industry.

Regarding further risks, we account for the current country specific risk for China with 0.95% (*Damodaran, Country Default Spreads and Risk Premiums, Jan 2014*).

As a last step, we adjust our cost of equity by a company specific premium of 2% in order to account for the small company size.

DCF-Model

						Forecast				
		Phase 1					Phase 2			Terminal
	2012a	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	Value
in € ths.	Basis	1	2	3	4	5	6	7	8	
Growth	16.1%	7.9%	7.8%	9.0%	3.7%	1.6%	1.3%	1.2%	1.0%	1.0%
Revenues	122,734	132,379	142,749	155,614	161,386	163,944	166,070	168,107	169,728	171,426
EBIT	28,658	30,020	31,447	34,267	34,303	32,754	31,632	30,468	29,161	15,600
- Tax	8,517	7,505	7,862	8,567	8,576	8,188	7,908	7,617	7,290	3,900
+ Depreciation and amortization	1,645	1,802	2,514	2,514	2,495	2,455	2,453	1,609	1,067	0
- Change in net working capital	-10,818	11,912	1,763	2,192	862	273	184	166	88	0
- Capex	635	1,220	11,341	0	0	0	0	0	0	0
= Free Cash Flow	31,969	11,185	12,995	26,023	27,360	26,747	25,993	24,294	22,850	11,700
Terminal Value										117,409
Discount factor	n.a.	0.90	0.80	0.72	0.65	0.58	0.52	0.47	0.42	0.42
NPV of Free Cash Flows	n.a.	10,028	10,444	18,750	17,673	15,489	13,494	11,307	9,534	
NPV of Terminal Value										48,989

Valuation		Proportion of EV
Result of Future Cash Flows	106,720	69%
+ Result of Terminal Value	48,989	31%
= Value of the Entity	155,709	
+ Cash (as of 31.12.2012)	45,332	
- Net Debt (as 31.12.2012)	16,435	
= Value of Equity	184,606	
Current No. of Shares (in ths)	2,000	
Price per Share	92.30	

Source: BankM Research

Sensitivity Analysis

	in € ths.	Discount rate of Terminal Value						
		8.00%	9.00%	10.00%	**10.97%**	11.00%	12.00%	13.00%
Growth in Terminal Value	-1.00%	188,785	183,468	179,118	175,610	175,493	172,425	169,796
	0.00%	196,035	189,322	183,951	179,698	179,557	175,896	172,797
	1.00%	205,357	196,639	189,859	**184,606**	184,435	179,997	176,298
	2.00%	217,785	206,047	197,243	190,610	190,396	184,918	180,436
	3.00%	235,186	218,591	206,738	198,121	197,848	190,933	185,401

	in € ths.	EBIT Margin in Terminal Value						
		7.00%	8.00%	9.00%	**9.10%**	10.00%	11.00%	12.00%
Growth in Terminal Value	-1.00%	166,380	170,775	175,170	175,610	179,565	183,960	188,354
	0.00%	169,525	174,369	179,213	179,698	184,057	188,901	193,745
	1.00%	173,301	178,684	184,068	**184,606**	189,451	194,835	200,218
	2.00%	177,919	183,962	190,006	190,610	196,049	202,092	208,135
	3.00%	183,697	190,566	197,434	198,121	204,303	211,171	218,040

Source: BankM Research

Model Assumptions

	Phase I	Phase II	
Riskfree Return	1.92%	1.92%	
10 Year Government Bond (GER)			
Sector Beta (Damodaran)	1.11	1.11	
Beta in Terminal Value = 1			
Market Risk Premium	6.00%	6.00%	
Country Risk Premium	0.95%	0.95%	
Damodaran			
Company Specific Risk	2.00%	2.00%	
Sum of different risk factors			
Cost of Equity	**11.55%**	**11.55%**	
Target Weight	*100%*	*100%*	
Cost of Debt	**7.50%**	**7.50%**	
Target Weight	*0%*	*0%*	
Tax Shield	*25%*	*25%*	**TV**
WACC	**11.55%**	**11.55%**	**10.97%**
Growth Rate Terminal Value			**1.0%**

Source: BankM Research

Our DCF Analysis returns a value of the equity of €184.61 mln.

Peer Group Analysis

For the purpose of our multiple analysis, we have compiled a Peer group consisting of textile manufacturing companies (Sector peer group) and a peer group of Chinese companies listed in the Prime Standard of Deutsche Boerse (Sentiment peer group). While the first peer group reflects the valuation of Tintbright relative to its direct competitors and sector peers, the second peer group captures the current sentiment of investors towards Chinese companies listed on the German stock exchange.

In the course of our research for suitable sector-specific peer group companies, we identified 27 publicly listed, international companies. However, only for seven of them, operating forecasts in the Bloomberg data base are available.

We weight both peer groups equally to calculate our valuation summary. Source for the company descriptions is Capital IQ.

Sector peer group description

- Source: Capital IQ –

Texhong Textile Group Ltd. is an investment holding company. The Company is a cotton textile manufacturer in the People's Republic of China. It is principally engaged in the manufacture and distribution of yarn, grey fabrics and garment fabrics. It also focuses on manufacturing core-spun cotton textile products. the Company operates 11 manufacturing plants in the People's Republic of China and a production base in Vietnam with total production capacity of over 1,000,000 spindles and 900 air-jet looms. The company is listed on the Hong Kong stock exchange.

Weiqiao Textile Co. Ltd. is engaged in the production, sale and distribution of cotton yarn, grey fabric and denim. During the year ended December 31, 2011, the Company's production volume of cotton yarn, grey fabric and denim were approximately 618,000 tons, 1,165 million meters and 102 million meters respectively. With over 2,000 types of cotton textile products and 365-day restless operation, Weiqiao is also one of the dominant players in the global cotton textile market. All of its production bases are located in Shandong Province of China, with a total gross floor area of approximately 2,650,418 square meters.

Shenzhou International Group Holdings Ltd. engages in manufacturing, processing, and selling knitwear products in China on an OEM basis. It offers casual wear, sportswear, and lingerie. The company produces its products for the adidas, uniqlo, puma, mizuno, nike, fila, spalding, and champion brands. It is also involved in the import and export of commodities; clothing detection; print and sale of knitwear products; retail business. Shenzhou International Group Holdings Limited was incorporated in 2005 and is headquartered in Ningbo, the People's Republic of China. Shenzhou International Group Holdings Limited is a subsidiary of Keep Glory Limited.

Zhejiang Hangmin Co. Ltd., together with its subsidiaries, engages in the production and sale of textiles, and printing and dyeing related raw materials. Its printing and dyeing products include dyed fabric, yarn-dyed, jacquard fabric, calico, and trousering It sells and exports its products in China and internationally. The company was founded in 1998 and is based in Hangzhou, China. While focusing on its core business, the company also provides thermal power, weaving and dye products for comprehensive services.

Ruentex Industries Ltd. engages in textile manufacturing, retailing, marketing, and trading businesses. The company produces woven cotton, filament, silk, and linen fabrics. It also involves in trading garments; developing home decorative and filament fabrics, and finished products; and retailing apparel, underwear, and bags for men and. In addition, the company provides OEM and ODM services for various brands and chain stores. Ruentex Industries is based in Taipei, Taiwan.

Alok Industries Ltd. manufactures and sells textile products in India. It provides compact yarn, dyed yarn, blended yarn, and organic cotton; apparel fabrics comprising knitted and woven fashion-wear and yarn-dyed fabrics, as well as technical textiles for industrial, aerospace, military, marine, medical, construction, transportation, and technology applications; and home textiles. It serves primarily manufacturers, exporters, importers, and retailers. Alok Industries Limited was founded in 1986 and is based in Mumbai, India.

Huafu Top Dyed Melange Yarn Co., Ltd. manufactures and supplies yarn products in China. It offers mélange yarn, which is used in underwear textiles, casual wear, sportswear, shirts, business suites, socks, and various sorts of cloth products, as well as bed linens, towels, decorative fabrics, and other home fabric products. The company also provides raw-white, dyed, semi-worsted, and open-end spinning yarn products. In addition, it offers color books, including color book display and flipbook for spring/summer and fall/winter seasons. The company also exports its products to Europe, the United States, Japan, Korea, Hong Kong,

Macau, Southeast Asia, etc. Huafu Top Dyed Melange Yarn Co., Ltd was founded in 1993 and is based in Huaibei, China.

Compared to the selected sector peer group companies, Tintbright´s operations largely outperform margins on all levels. Although the competitors generate much higher sales revenues, they are not operating as efficiently as Tintbright.

Margin comparison

Company	2011			2012			2013e			2014e			2015e		
	GPM	OPM	NPM	GPM	OPM	NPM	GPM	OPM	NPM	GPM	OPM	NPM	GPM	OPM	NPM
Texhong Textile Group Ltd	8.1	3.2	0.9	15.3	9.6	6.6	19.8	12.5	10.8	18.8	11.4	9.4	19.0	11.5	9.5
Weiqiao Textile Co	1.8	1.1	1.6	6.8	8.5	3.2	8.0	8.4	3.9	7.5	7.4	3.2	-	-	-
Zhejiang Hangmin Co Ltd	21.0	15.2	10.9	22.6	15.8	11.2	22.0	14.6	10.9	23.2	15.9	11.9	24.3	17.0	12.7
Shenzhou International Group H	28.8	23.5	18.8	28.5	22.3	18.1	28.8	22.2	18.0	29.1	22.6	18.2	29.5	22.7	18.9
Ruentex Industries Ltd	22.6	2.2	50.3	20.6	0.6	68.6	-	-	85.3	-	-	-	-	-	-
Alok Industries Ltd	-	19.2	4.7	-	16.7	1.0	-	-	3.5	-	-	-	-	-	5.0
Huafu Top Dyed Melange Yarn Co	19.5	11.2	8.0	10.4	2.0	1.6	14.9	3.0	3.1	15.6	4.0	3.9	16.1	4.7	4.3
Tintbright AG	**26.2**	**23.4**	**16.8**	**26.6**	**23.3**	**15.6**	**25.9**	**22.7**	**16.5**	**25.6**	**22.0**	**16.4**	**25.4**	**22.0**	**16.7**

Source: BankM Research, Bloomberg; GPM: gross profit margin, OPM: operating margin; NPM: net profit margin

Peer Group Analysis (Sector Peer Group)

	Mkt Cap	EV	Revenues			EBITDA			Net Profit			Book Value per share		
Peer Group	prev. Day	prev. Day	2013e	2014e	2015e	2013e	2014e	2015e	2013e	2014e	2015e	2013e	2014e	2015e
in € mln														
Texhong Textile Group Ltd	802.78	1,172.46	1,085.91	1,520.52	1,818.28	174.17	229.25	275.14	115.04	145.07	174.79	0.44	Data not available	
Weiqiao Textile Co	527.78	808.29	1,844.24	1,844.24	-	-	-	-	72.25	58.21	-	1.64		
Zhejiang Hangmin Co Ltd	419.03	423.75	354.00	387.73	424.70	-	-	-	38.53	45.98	54.02	0.60		
Shenzhou International Group H	3,918.35	3,667.15	1,231.67	1,424.80	1,663.75	321.15	375.73	431.90	226.09	264.60	310.51	0.91		
Ruentex Industries Ltd	1,722.54	1,966.39	130.60	-	-	-	-	-	109.71	117.40	161.40	-		
Alok Industries Ltd	138.98	1,952.67	1,904.99	-	1,827.16	457.20	-	459.53	66.58	-	90.53	0.36		
Huafu Top Dyed Melange Yarn Co	455.49	810.02	799.83	893.88	991.90	89.04	96.50	112.64	25.08	35.46	42.92	0.46		
Tintbright AG	**n.a.**	**n.a.**	**132.38**	**142.75**	**155.61**	**31.82**	**33.96**	**36.78**	**21.79**	**23.48**	**25.92**	**45.54**	**44.51**	**55.71**

If EV prev. day is not available, the EV current day is displayed without further notice

	Mkt Cap	EV	EV/Revenues			EV/EBITDA			P/E			P/B		
Peer Group	prev. Day	prev. Day	2013e	2014e	2015e	2013e	2014e	2015e	2013e	2014e	2015e	2013e	2014e	2015e
Multiples														
Texhong Textile Group Ltd	802.78	1,172.46	1.08	0.77	0.64	6.73	5.11	4.26	6.98	5.53	4.59	2.20	1.73	1.37
Weiqiao Textile Co	802.78	1,172.46	0.44	0.44	-	-	-	-	7.31	9.07	-	0.26	0.26	-
Zhejiang Hangmin Co Ltd	419.03	423.75	1.20	1.09	1.00	-	-	-	10.87	9.11	7.76	1.07	1.36	1.15
Shenzhou International Group H	802.78	1,172.46	2.98	2.57	2.20	11.42	9.76	8.49	17.33	14.81	12.62	2.94	2.60	2.27
Ruentex Industries Ltd	1,722.54	1,966.39	15.06	-	-	-	-	-	15.70	14.67	10.67	-	-	-
Alok Industries Ltd	802.78	1,172.46	1.03	-	1.07	4.27	-	4.25	2.09	-	1.54	0.33	-	0.24
Huafu Top Dyed Melange Yarn Co	455.49	810.02	1.01	0.91	0.82	9.10	8.39	7.19	18.16	12.85	10.61	1.16	1.07	0.98
Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2013 may still be estimates														
Median	**802.78**	**1,172.46**	**1.08**	**0.91**	**1.00**	**7.91**	**8.39**	**5.73**	**10.87**	**10.98**	**9.18**	**1.11**	**1.36**	**1.15**
Mean (for information purposes)	829.74	1,127.14	3.26	1.16	1.15	7.88	7.76	6.05	11.21	11.01	7.96	1.33	1.40	1.20
Tintbright AG	**n.a.**	**n.a.**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.13**	**1.16**	**1.07**

Enterprise Value Tintbright AG	**142.93**	**129.36**	**155.27**	**251.86**	**285.09**	**210.62**	**237.01**	**257.86**	**238.02**	**50.74**	**60.52**	**64.13**
-Net debt	**-34.42**	**-34.42**	**-34.42**	**-34.42**	**-34.42**	**-34.42**						
Value of the Equity	**177.35**	**163.78**	**189.69**	**286.28**	**319.51**	**245.04**	**237.01**	**257.86**	**238.02**	**50.74**	**60.52**	**64.13**

Year	2014e	2015e
Implicit Value of the Equity (€mln)	**200.42**	**184.22**

	2014e	2015e
Equity value based on EV/Revenues (€ mln)	163.78	189.69
Equity value based on EV/EBITDA (€ mln)	319.51	245.04
Equity value based on P/E (€ mln)	257.86	238.02
Equity value based on P/B (€ mln)	60.52	64.13
Mean	200.42	184.22

Source: Bloomberg, BankM Research

Sentiment peer group

Below we show the multiple analysis of the Chinese companies listed on the Prime Standard of the Deutsche Boerse.

Peer Group Analysis (China sentiment peer group)

	Mkt Cap	EV	Revenues			EBITDA			Net Profit			Book value per share		
Peer Group	prev. Day	prev. Day	2013e	2014e	2015e	2013e	2014e	2015e	2013e	2014e	2015e	2013e	2014e	2015e
in € mln														
Asian Bamboo AG	19.39	35.66	70.00	77.00	-	31.90	34.80	-	14.70	18.40	-	-	-	-
China Specialty Glass AG	43.90	-27.61	159.00	204.00	-	64.70	83.60	-	48.20	62.60	-	-	-	-
FAST Casualwear AG	19.24	30.83	-	-	-	-	-	-	-	-	-	-	-	-
Firstextile AG	118.00	97.92	209.67	252.67	329.67	48.53	62.00	80.43	34.83	40.33	53.43	11.16	-	-
Haikui Seafood AG	49.32	6.35	107.00	139.50	161.00	19.10	18.35	20.65	12.31	10.88	10.95	15.85	16.01	17.00
Joyou AG	319.49	313.60	356.00	383.00	413.00	61.40	68.00	75.05	29.37	36.83	41.90	15.42	-	-
Ming Le Sports AG	74.90	-9.80	-	-	-	-	-	-	-	-	-	-	-	-
Powerland AG	29.27	44.89	219.00	262.00	308.00	48.40	64.20	-	28.40	36.90	48.00	11.57	-	-
Ultrasonic AG	105.66	36.54	163.00	186.00	210.00	44.10	46.50	52.40	31.90	33.10	37.20	-	14.60	16.70
United Power Technology AG	38.13	6.23	106.00	106.00	108.00	21.10	21.10	21.00	13.20	13.00	12.80	8.89	-	-
VanCamel AG	54.90	8.32	176.00	184.00	198.00	48.10	45.30	48.70	36.00	33.90	36.50	-	7.94	10.03
Vtion Wireless Technology AG	50.73	-77.43	60.00	60.00	60.00	5.70	5.50	5.20	4.60	4.40	4.10	9.40	-	-
Youbisheng Green Paper AG	41.99	0.83	95.50	98.30	101.00	25.80	26.30	27.50	17.90	18.30	19.20	-	9.81	11.69
Zhongde Waste Technology AG	63.44	28.26	14.80	63.00	52.30	-2.30	2.60	1.50	-4.90	0.20	-1.20	8.60	-	-
Tint Bright AG	**n.a.**	**n.a.**	**132.38**	**142.75**	**155.61**	**31.82**	**33.96**	**36.78**	**21.79**	**23.48**	**25.92**	**45.54**	**44.51**	**55.71**

If EV prev. day is not available, the EV current day is displayed without further notice

	Mkt Cap	EV	EV/Revenues			EV/EBITDA			P/E			P/B		
Peer Group	prev. Day	prev. Day	2013e	2014e	2015e	2013e	2014e	2015e	2013e	2014e	2015e	2013e	2014e	2015e
Multiples														
Asian Bamboo AG	19.39	35.66	1.29	0.46	-	2.82	1.02	-	5.51	1.05	-	-	-	-
China Specialty Glass AG	43.90	-27.61	0.01	neg.	-	0.03	neg.	-	0.92	0.70	-	-	-	-
FAST Casualwear AG	19.24	30.83	-	-	-	-	-	-	-	-	-	-	-	-
Firstextile AG	118.00	97.92	0.56	0.39	0.30	2.41	1.58	1.22	3.93	2.93	2.21	0.92	0.72	0.56
Haikui Seafood AG	49.32	6.35	0.41	0.05	0.04	2.27	0.35	0.31	7.01	4.53	4.50	0.33	0.30	0.29
Joyou AG	319.49	313.60	0.57	0.82	0.76	3.30	4.61	4.18	7.57	8.67	7.62	0.81	0.73	0.68
Ming Le Sports AG	74.90	-9.80	-	-	-	-	-	-	-	-	-	-	-	-
Powerland AG	29.27	44.89	0.26	0.17	0.15	1.20	0.70	-	3.83	0.79	0.61	0.17	0.15	-
Ultrasonic AG	105.66	36.54	0.32	0.20	0.17	1.19	0.79	0.70	3.81	3.19	2.84	-	-	-
United Power Technology AG	38.13	6.23	0.20	0.06	0.06	0.99	0.30	0.30	3.87	2.93	2.98	0.34	0.31	0.29
VanCamel AG	54.90	8.32	-	0.05	0.04	-	0.18	0.17	-	1.62	1.50	-	-	-
Vtion Wireless Technology AG	50.73	-77.43	-	neg.	neg.	-	neg.	neg.	13.11	11.53	12.37	0.37	0.36	0.35
Youbisheng Green Paper AG	41.99	0.83	0.16	0.01	0.01	0.58	0.03	0.03	3.14	2.29	2.19	-	-	-
Zhongde Waste Technology AG	63.44	28.26	-	0.45	0.54	-	10.87	18.84	neg.	317.20	neg.	0.57	0.57	0.58
Median	**50.03**	**18.29**	**0.32**	**0.18**	**0.15**	**1.20**	**0.74**	**0.50**	**3.90**	**2.93**	**2.84**	**0.37**	**0.36**	**0.46**
Mean (for information purposes)	73.45	35.33	0.42	0.26	0.23	1.64	2.04	3.22	5.27	29.79	4.09	0.50	0.45	0.46
Tint Bright AG	**n.a.**	**n.a.**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2013 may still be estimates

Enterprise Value Tintbright			**42.65**	**26.25**	**22.68**	**38.13**	**25.22**	**18.49**	**84.96**	**68.79**	**73.61**	**16.95**	**16.06**	**25.54**
-Net debt			**-8.57**	**-8.57**	**-8.57**	**-8.57**	**-8.57**	**-8.57**						
Value of the Equity			**51.22**	**34.82**	**31.25**	**46.70**	**33.79**	**27.06**	**84.96**	**68.79**	**73.61**	**16.95**	**16.06**	**25.54**

Year	2014e	2015e
Implicit Value of the Equity (€mln)	**38.37**	**39.36**

	2014e	**2015e**
Equity value based on EV/Revenues (€ mln)	34.82	31.25
Equity value based on EV/EBITDA (€ mln)	33.79	27.06
Equity value based on P/E (€ mln)	68.79	73.61
Equity value based on P/B (€ mln)	16.06	25.54
Mean	38.37	39.36

Source: Bloomberg, BankM Research

Equally weighting the results of both peer groups (€200.42 mln and €38.37 mln) returns a market value of the equity of €119.39 mln.

Valuation Summary

Our DCF analysis returns a value of the equity of €184.61 mln. The peer group analysis results in a value of €119.39 based on 2014e. Equally weighted, this results in an arithmetic mean of €152.00 mln, implying an implicit P/E of 6.5.

Considering the current median P/E of the other Chinese companies listed in the Prime Standard of ca. 2.9, we expect that the share price of Tintbright is going to converge towards this P/E in the short to mid-term translating into a “trading target” of the equity of €68.79 mln.

Fair Value of the equity: €152.00 mln; P/E at Fair Value: 6.5

Important information, disclosures and disclaimer

A. Important information

Equity investments generally involve high risks. Investors may lose some or all of the money invested. Potential investors should take into account that share prices may fall and rise and that income from an investment may fluctuate considerably. Past performance is no guarantee for future results. Investors make their decisions at their own risk.

B. Disclosures according to Section 34b of the German Securities Trading Act (WpHG) and the Ordinance on the Analysis of Financial Instruments (FinAnV):

I. Information about author, company held accountable, regulatory authority:

Responsible for the content of this document: biw Bank für Investments und Wertpapiere AG, Willich, Germany.

Authors: Dr. Roger Becker, CEFA, and David Szabadvari, Analysts. We acknowledge the qualified support of David Sanft during his internship.

Regulatory authority for biw Bank für Investments und Wertpapiere AG is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

Issuer of the analysed instruments is Tintbright AG.

Notice according to sec. 4 §. 4 N° 4 FinAnV (previous publications regarding the issuer within the last 12 months):

No previous publications. Initiation of coverage.

II. Additional Information:

1. Sources of information:

Main sources of information for the compilation of this document are publications in national and international media and information services (e.g. Reuters, VWD, Bloomberg, dpa-AFX, ACMR-IBIS World and others), financial newspapers and magazines (e.g. Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Economist and others), specialist media, published statistics, rating agencies as well as publications by peer group companies and the company itself. Furthermore talks with the management of the issuer have been held. This document was made available to the issuer before publication to ensure the accuracy of the information provided. This resulted in no textual changes.

2. Summary of the valuation principles and methods used to prepare this document:

BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG uses a 3-tier absolute rating model. The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of up to 12 months.

BUY: The calculated fair value of the company's stock is at least 15 % higher than the current market price at the time of the compilation of this document.

NEUTRAL: The calculated fair value of the company's stock lies between –15% and +15 % of the current market price at the time of the compilation of this document.

SELL: The calculated fair value of the company's stock is at least 15 % lower than the current market price at the time of the compilation of this document.

The following valuation methods are being used: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, historical valuation approaches, discount models (DCF, DDM), break-up value and sum-of-the-parts-approaches, asset-based evaluation methods or a combination of the above. The used valuation models depend on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Additionally, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Rendered evaluation results and fair values derived from the models might therefore change respectively. The evaluation results in general relate to a 12-month horizon. However, evaluation results are subject to changing market conditions and represent only the situation at a given point of time. The evaluation results and fair value prices may in fact be achieved more quickly or slowly than expected by the analysts. Also, the evaluation results and fair value prices might need to be revised upward or downward.

3. Date of first publication of this document:

January 10, 2014

4. Date and time of prices of the instruments quoted in this document:

Closing prices of January 9, 2014

5. Updates:

A specific date or time for an update of this document has not been set. The information given in this document reflects the author's judgement on the date of this publication and is subject to change without notice; it may be incomplete or condensed and it may not contain all material information concerning the company covered. It is in the sole responsibility of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG to decide on a potential update of this document.

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