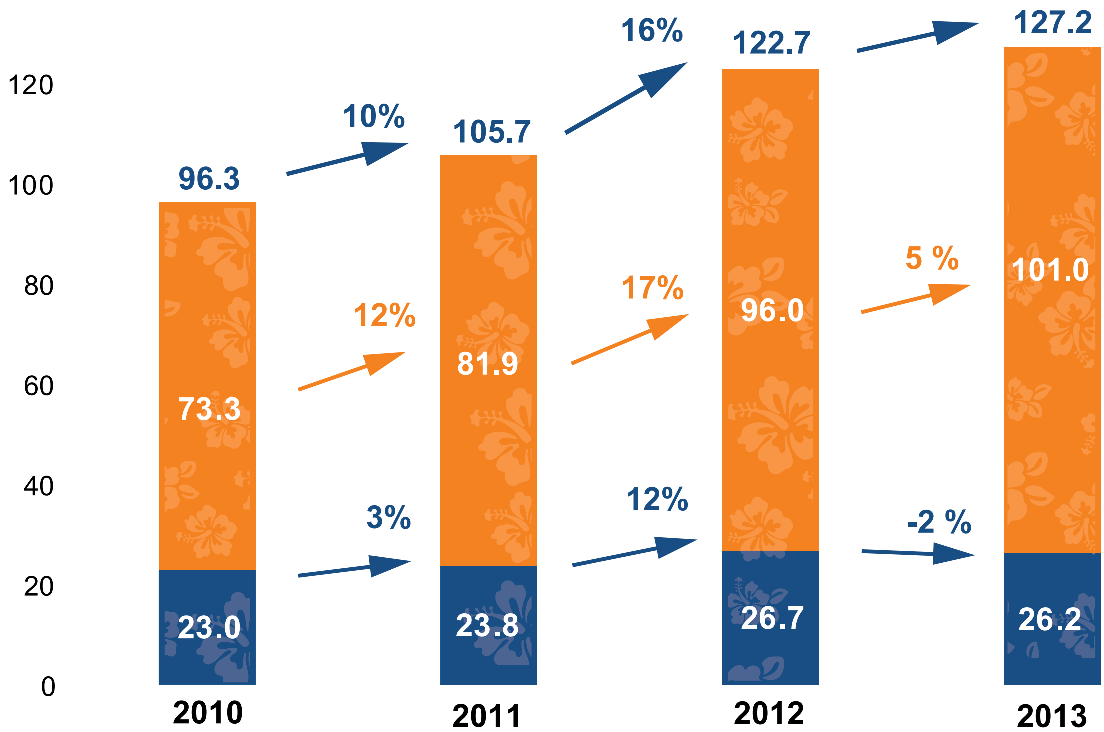
TINTBRIGHT AG

ANNUAL REPORT 2013

Annual Report 2013

	2012	2013	yoy
Revenue (in kEUR)	122,734	127,220	3.7 %
EBITDA	30,275	31,304	7.1 %
EBITDA margin	24.7 %	24.6 %	-
EBIT	28,658	29,979	8.6 %
EBIT margin	23.3 %	23.76%	-
EBT	27,604	29,406	6.5 %
EBT margin	22.5 %	23.1 %	-
Profit after tax	19,087	21,848	14.5 %
Net profit margin	15.6 %	17.2 %	-
Earnings per share (basic and deluted in EUR)	9.54*	10.92*	15.5 %
Total assets (in kEUR)	96,596	99,744	3.3 %
Equity (in kEUR)	46,509	67,763	45.7 %
Equity ratio	48.1	68.0	-
Cash and bank balances (in kEUR)	45,332	49,777	9.8 %
Cash flow from operating activities (in kEUR)	41,121	14,012	-65.9 %
Number of employees	1,189	1,154	-2.9 %

* Based on the 2,000,000 shares as of the listing date on 27 January 2014



Sales trend in EUR million: Processing | Weaving

TINTBRIGHT AG

ANNUAL REPORT 2013

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FOREWORD

Dear shareholders,

The Chinese textile industry has developed steadily since 2001. A sustained increase in output, high growth rates and constant technical progress have turned the sector into one of the world leaders in the production, processing and finishing of fabrics. In the process “Made in China” has become synonymous with cheap massproduced goods. However, that is currently changing as a result of government initiatives that encourage textile producers to focus on higher quality fabrics with functional properties, drive forward technological development and environmental protection, and extend the applications for their products. Consumer behaviour is also changing. Demand for brands is rising and consumers are becoming more aware of the quality and functionality of products.

Within this overall situation, three specific trends can be identified: The market for (functional) finishing of fabrics is growing, environmental protection is becoming far more important, and customers are increasingly demanding integrated services and individualized products. As one of the few Chinese textile producers that positioned itself early on as a one-stop service-provider, we should benefit from this process. Since we have already stepped up manufacturing of high-margin products with innovative properties, Tintbright offers customers a wider range of functional fabrics than most competitors. We also identified the need for environmental protection early on and have been investing in environment-friendly production processes and equipment for many years.

These competitive advantages mean that we successfully escaped the considerable pressure on margins in China’s traditional textile industry in 2013. We were able to hold margins stable and achieved moderate revenue growth. To give you some figures, we grew revenue 3.7 % to EUR 127.2 million and increased the pretax margin slightly to over 23 %.

Our customers, especially clothing manufacturers, are increasingly recognizing our innovative capability and the time savings generated by our role as a one-stop service-provider. By taking care of the entire process from the manufacture or procurement of fabrics through dyeing, printing, and functional finishing to meet customers' individual specifications to quality assurance, we can reduce lead times in the manufacture of fabrics and reduce production costs. In this way, we generate higher margins than service-providers that only cover parts of the value chain. We will therefore be endeavouring to use our one-stop services to serve garment manufacturers even more directly in the future.

We intend to continue to move in this direction in 2014, especially by investing in further expansion of processing capacity to enable us to meet customers’ requirements even better and create space for further growth. At the start of this year, we therefore constructed a new building with production space of around 2,240 m^2 and 34 new fabric dyeing units at the site used by our subsidiary Sanrong Printing Weaving Co., Ltd. This will increase production capacity in this area by 37 % to more than 218.9 million meters a year. Thanks to a more efficient production process, costs on the new production line will be slightly below the cost of fabric dyeing in the past, so we assume that margins will rise slightly. The new production capacity should come into operation in mid-May, before we embark on the next step, extending production capacity for fabric printing, which should also be completed in 2014.

Investing in expansion of production capacity is a very important step for Tintbright's future growth. In the fabric dyeing sector it is very important to be able to guarantee delivery of large volumes at extremely high quality. We are therefore confident that in future we will be able to achieve even higher growth and expect to lift revenue by around 10 % in 2014.

The stock market listing in January raises our reputation and makes Tintbright one of the few listed companies in the Chinese textile industry, which should help set us apart from our competitors. We also hope that being listed on the Frankfurt Stock Exchange will raise awareness of the company and enhance our reputation with business partners, investors and the local government. We are therefore particularly pleased by the positive performance of both our operating business and our share, which has achieved an increase in value of more then 30 % since we went public. An increase in the share price was very important to us when we came to the market to ensure that our first German shareholders gained a favourable impression of our shares. In the intermediate term, the stock exchange listing will help us raise added value and, above all, the proportion of revenue generated by innovative, high-margin products.

We intend that our shareholders should also benefit from our successful business performance. When the company went public we gave an undertaking that at the General Shareholders' Meeting in 2014 we would propose a dividend payment of at least 15 % of the Group's net income for 2013. To fulfil this promise, the Management Board and Supervisory Board will propose that the company should pay a dividend of EUR 1.64 per share. This should be seen as the basis for the company's longterm dividend policy.

In the future, we will continue our dedicated hard work to ensure a positive business performance for the company and its shareholders. We are convinced that the company can continue to position itself successfully on the market through its growth strategy and that it can achieve the targets we have set. I would like to thank you most sincerely for your support of our strategy and your confidence in our work.

Jinjiang City, April 2014

Yours,

Tianzhun Zhao,
Chairman of the Management Board

COMPANY PROFILE

”The market for finishing of fabrics is growing and customers are increasingly demanding integrated services and individualized products. As one of the few Chinese textile producers that positioned itself early on as a one-stop service-provider, we should benefit from this process. Since we have already stepped up manufacturing of high-margin products with innovative properties, Tintbright offers customers a wider range of functional fabrics than most competitors.”

Tianzhun Zhao, Chairman of the Management Board

At a Glance

By manufacturing synthetic and cotton yarn into woven grey cloth, Tintbright produces different kinds of valuable fabrics which are sold either directly or processed to finished fabrics in the second business segment. The second segment comprises customized printing and dyeing as well as post-processing treatments such as the integration of UV-protection, breathability or water resistance.

Whereas companies operating in the Chinese textile industry traditionally focus on a single section of the industrial chain, Tintbright is one of very few Chinese textile companies that takes a comprehensive and integrated approach. This business model enables Tintbright to offer to its customers added value by providing individual one-stop solutions starting with the production of the fabric up to the functional finishing. The customized final goods are sold to textile manufacturers and trading companies. Tintbright thereby increasingly focuses on high-margin products with innovative features, already offering a large variety of functional fabrics. This important competitive advantage arises from an efficient research and development division which, in collaboration with the Shanghai Textile Research Institute, developed several functional fabrics within the last years.

Thus, together with the high proportion of value added, Tintbright has been able to compensate for the continued margin pressure in the Chinese textile manufacturing market: While demand for valuable functional fabrics constantly increases in China, driven by rising incomes and growing quality claims, increasing environmental protection requirements as well as rising labour costs put pressure on traditional, mainly smaller textile manufacturers. Building an efficient water treatment system and offering customized one-stop solutions, Tintbright early on adapted to the changing market environment, now benefitting from the ongoing consolidation process. The company applies to international quality as well as environmental standards and aims to further expand its position as integrated supplier within the Chinese textile industry.

Vertical integration and a broad product offering are crucial in strengthening the market position of the company. This is also reflected in the high rate of returning customers. Tintbright maintains longstanding relationships to more than 75% of buyers. The diverse customer base of over 550 accounts, including well-known Chinese brand names such as K-Boxing, Anta or SeptWolves, makes the company independent of any specific customer. This competitive strength is supported by the strategic location of Tintbright's operating facilities in Jinjiang City as Fujian Province is one of the centres of the Chinese textile industry, being home to many well-known brand manufacturers. The close proximity to garment manufacturers, fabric traders and other textile companies also enables the company to respond promptly to changes in market trends.

To guarantee a high product quality, Tintbright has implemented stringent quality control measures. For example, Tintbright has set up a quality control program, including quality control procedures for sourcing and procurement, incoming quality assurance, in-process quality assurance, outgoing quality assurance, after-sales services and customer support and safety assurance. Tintbright has obtained ISO 9001:2008 certification for its quality management system.

Achievements

2012

- Incorporation of Tintbright AG

2011

- Sanrong PRC is awarded "Fujian Brand Service Enterprise"
- Construction start of an improved water treatment system
- Sanrong PRC launches a non-memory wrinkle free functional fabric

2008

- Upgrade of the water treatment system
- Sanrong PRC is awarded "Outstanding Innovation Award" and "Outstanding Design Award"
- Sanrong PRC is awarded "Top Ten in China Dyeing and Printing Industry"

2007

- Extension of one-stop solutions by adding a new dyeing service
- Dragon PRC is awarded "Good Quality Management Enterprise in Fujian"
- Completion of a water treatment plant with a capacity to treat 6,000 cubic meters of waste water per day

1998

- Start of Processing as Sanrong PRC is incorporated

1995

- Start of the weaving segment as Dragon PRC is incorporated

2013

- Completion of a new factory building for fabric processing and finishing

2014

- Listing on the Prime Standard of the Frankfurt Stock Exchange
- Capacity expansion for fabric manufacturing and processing

2009

- Sanrong PRC launches a breath-able functional fabric
- Dragon PRC is awarded “Excellent Quality Management Unit in Fujian Province”

2010

- Sanrong PRC launches two different functional fabrics
- Dragon PRC is awarded “Fujian Famous Brand Products”

2002

- Sanrong PRC is awarded “Ad-vanced Enterprise in Quanzhou City”

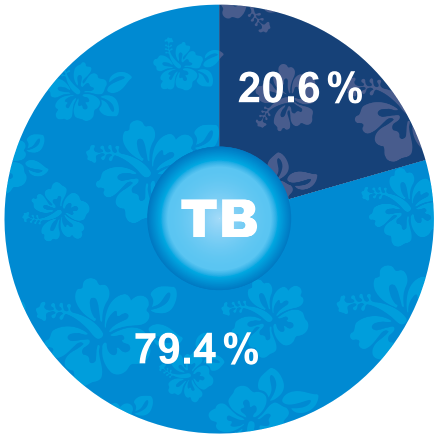
2006

- Sanrong PRC enters into a techni-cal collaboration agreement with Shanghai Textile Research Institute
- Dragon PRC is awarded “Top 300 Industrial Enterprises in Fujian”
- Dragon PRC is awarded “Famous Trademark in China”

Products

Tintbright Group is engaged in the production and processing of fabrics at its two operating subsidiaries, both of which are based in the People's Republic of China. Tintbright rapidly identified the trend in the textile industry towards one-stop solutions and offers vertically integrated, customized product solutions, tailored to its customers' requirements. Products are divided into mainly two categories: Weaving and Processing. The produced woven gray fabrics are sold either directly to customers or processed internally into premium functional textiles by printing, dyeing and post-processing. The finished fabrics are high-end leisure fabrics which are sold to textile manufacturers and local trading companies.

Percentage of sales in FY 2013:
Weaving: 20.6%
Processing: 79.4%



Weaving

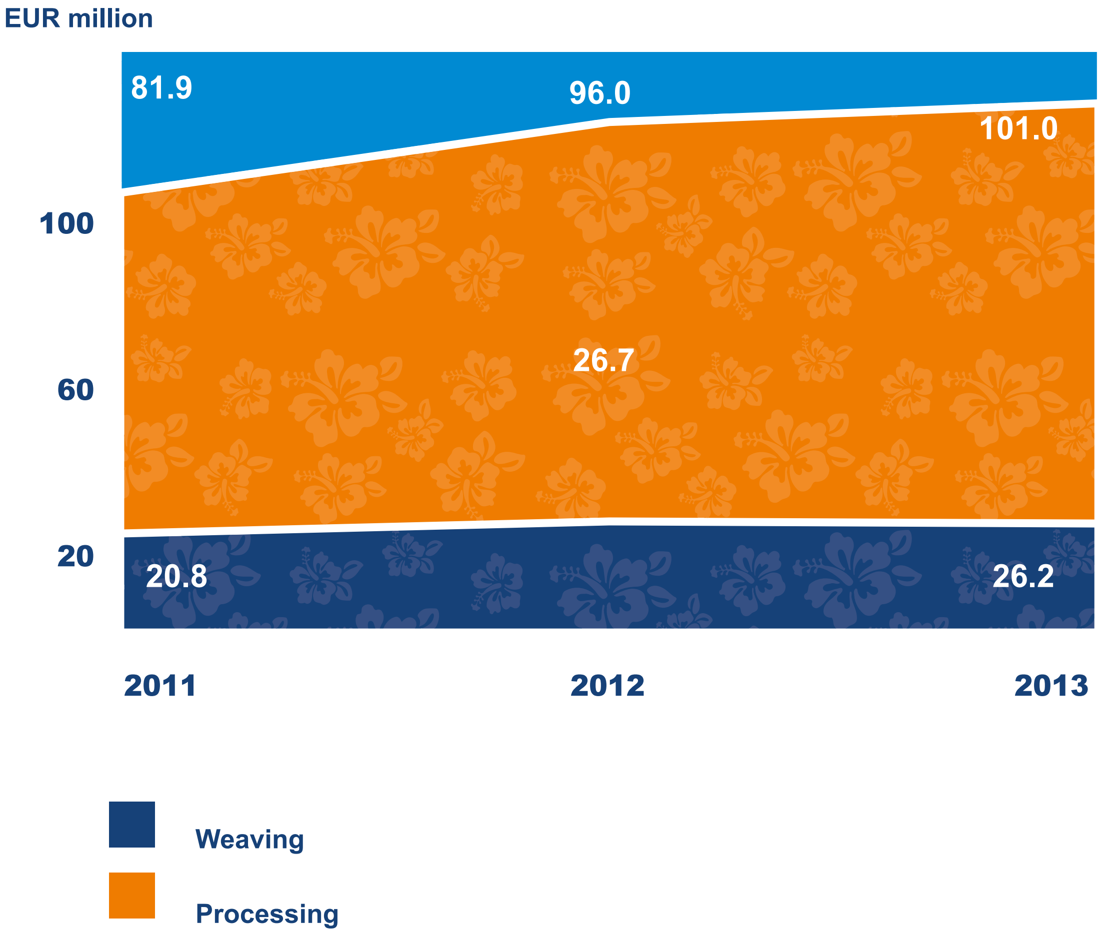
Tintbright's Weaving segment weaves synthetic and cotton yarn into woven gray fabric. Tintbright either further processes these fabrics or sells them directly to its customers. Manufacturing is performed entirely by Fujian Tianhui Weaving Co. Ltd. The production site is located at Caohupu Industrial Park, Jinjing Town, Jinjiang City, Fujian Province, PRC. There are about 400 weaving machines in three production buildings with a total production area of 31,000 m^2. Total production capacity is 54.0 million meters per year. Currently about 17 % of the woven fabrics are processed internally while 83 % are sold to textile manufacturers or local trading companies. Intragroup revenue in the Weaving segment amounts to about 17 % of total sales. Intragroup revenue takes account of fabrics woven to meet customer orders that are subsequently dyed, printed or given a functional finish in the company. External sales with such fabrics are reflected in the Processing segment.

Processing

In the Processing segment, Tintbright processes woven and other fabrics into premium textile material by washing, bleaching, printing, dyeing and various post-processing treatments to increase the functionality of the fabrics. The post-processing treatments involve applying special properties such as water resistance, oil resistance, soil resistance, UV protection and anti-static or anti-bacterial properties. Currently, most of the woven fabrics are provided directly by customers, the remainder is purchased from third parties or comes from Tintbright's own production. The company intends to significantly increase the amount coming from internal production in the future. The finished fabrics are high-end leisure fabrics which are sold to textile manufacturers and local trading companies. All production is carried out by

Jinjiang Sanrong Printing and Weaving Co. Ltd. The production site is located at Gaohu Industrial Park, Yinglin Town, Jinjiang City, Fujian Province, PRC. The three buildings with total production space of 33,300 m^2 have maximum dyeing capacity of 159.7 million meters and maximum printing capacity of 41.6 million meters.

Sales trend



TO THE SHAREHOLDERS

“The successful listing further strengthens our competitive position as integrated supplier of innovative and customized one-stop solutions in the Chinese textile market. Our customers are increasingly recognising and utilising the related time-savings and innovative capability.“

Tianzhun Zhao, Chairman of the Management Board

Management Board

Tianzhun Zhao

Chairman of the Management Board

Founding Dragon PRC in 1995, Tianzhun Zhao laid the foundation of todays Tintbright group. He is chairman of the management board and possesses more than 25 years of experience in the textile industry.

From 1973 to 1985, Tianzhun Zhao operated his own Clothing Business. From 1985 to 1995 he was engaged as a production manager at Shuang Bing Clothing Manufacturer while between 1990 and 1995 he was chairman of Jinjiang Si Qi Le Clothing and Chemical Fiber Co. Ltd.

Yuehui Hong

Member of the Management Board/CEO

As CEO of the company, Yuehui Hong is responsible for the operative strategy of Tintbright AG. Exercising this function since 1998, Yuehui Hong is highly experienced, drawing on nearly 30 years of industry knowledge. From April 2006 to May 2007, he attended the Executive Seminars on Business Administration in the Business College of Huaqiao University. Before joining Tintbright in 1998, he worked for several fabric trading companies.

Mr. Hong is currently a member of the President's Group of People's Congress of Yinglin Town as well as nominal chairman of the Quanzhou Sino-foreign Entrepreneurs Association and deputy director of the Printing Technology Professional Committee of National Dyeing and Printing Association. In September 2006, he was awarded the honorary certificate of Trustworthy and Outstanding Entrepreneur of PRC.

Ang Chung

Member of the Management Board/CFO

Working for Tintbright since 2011, Ang Chung is responsible for the accounting and financing department of the company. He has more than 13 years experience in the finance sector.

In 1998, Mr. Chung graduated from Systematic College in Malaysia with a Degree in Accountancy. He then joined YT Yee & Co. as an auditor. From 2000 to 2006, he worked for Stantani Sdn. Bhd. as an accountant. Between 2006 and 2011, Mr. Ang worked as finance manager at Jiangsu IAQ Engineering Co. Ltd. ("IAQ").

Ang Chung is a member of the Association of Chartered Certified Accountants ("ACCA") in the United Kingdom since 2002 and member of the Malaysian Institute of Accountants since 2004.

Junba Zhao

Member of the Management Board/COO

As COO of the company, Junba Zhao is heading the operative division of Tintbright AG. He graduated from Huaqiao University with a Degree in Administration in 2000 and obtained a Master of Business Administration (MBA) from Beijing University in 2011.

Starting at Tintbright as a marketing manager in 2001, he possesses longstanding experience in sales and marketing activities.

Junba Zhao joined Dragon PRC as Sales and Marketing Manager in 2001 and started to lead the marketing department at the beginning mainly in charge of Quanzhou city area and later on of the whole area of Fujian province. In 2004, he was promoted to an assistant general manager, covering the whole administration department, including human resources, purchase, marketing and production. In 2006, Junba Zhao was appointed general manager and reformed the operation system of the company, especially improving the operational flow of each department and upgrading the internal networking system.

Supervisory Board

Dr. Johannes Mauser

Chairman of the Supervisory Board

Dr. Mauser is an independent lawyer based in Stuttgart. Before that he worked for Graner Lawyers in Stuttgart and held positions at Baden-Württembergische Bank AG in Stuttgart, Investmentbank Concord Effekten AG (Concord Corporate Finance GmbH) in Frankfurt, Centre of Technology Stuttgart-Pfaffenwald GmbH, L-EA Garantiefonds and L-MezzaFin at the L-Bank (Landeskreditbank Baden-Württemberg -Förderbank), CANCOM IT Systeme Aktiengesellschaft and H2K Minerals GmbH.

Dr. Mauser also is Chairman of the Supervisory Board of Ultrasonic AG and was a member of the Supervisory Boards of Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH and Eckert & Ziegler Strahlen- und Medizintechnik AG.

Dr. Qing Zhang

Deputy Chairman of the Supervisory Board

Being vice president of the Shanghai Textile Research Institute since 2002, Dr. Zhang possesses outstanding industry knowledge. From 1996 to 1999, he was associate professor and department director of the China Textile University, before working for the Shanghai New Techtextiles Co. Ltd. as a vice general manager and general engineer until the beginning of 2002.

Dr. Zhang graduated from China Textile University with a bachelor in dyeing & finishing engineering in 1988. In 1993, he received his master degree in applied chemistry before receiving his PhD in textile material from China Textile University & Hongkong Polytechnic University in 1996.

Jiong Bian

Member of the Supervisory Board

Mr. Bian is CFO of China Flowers Group and has longstanding experience in the financial sector.

From 1991 to 1992, he worked at the treasure and marketing division of the Sanwa Bank Ltd. Shanghai Branch, before joining the American Express International Inc. Shanghai Office where he was responsible for the Global Cooperate Card Service until 1994. The next two years he worked as an analyst for the J.M. Sassoon & Co. (Pte) Ltd., before going to Tong Yang Securities Co. Ltd. for another two years. From 1999 till 2004 he was Division Manager of Cooperate Finance of Jinsin Trust and Investment Co. Ltd. and between 2005 and 2007, he was CFO of Jiangshu Huadu Copper Ltd. From 2008 till 2011 he worked for VISCARDI AG, Investment Bank.

Mr. Bian graduated from Shanghai University of Finance and Economics with a Bachelor of Economics, Major of Finance in 1990. In the same year, he received a certification of floor trader at Shanghai Stock Exchange. He received certification of Brokerage, Underwriting and Consulting from the CSRC in 2001.

Report of the Supervisory Board

Dear shareholders,

Fiscal 2013 was dominated by preparations for the listing on the Frankfurt Stock Exchange. As part of these preparations, the Supervisory Board in its present composition was appointed on 15 June 2013. The listing took place in January 2014.

The Tintbright Group is still undergoing dynamic growth, with sales up 3.7 % (based on figures for the operating entity).

Cooperation with the Management Board

The Management Board provided regular, timely and comprehensive written and oral reports on the company's business and financial situation and its development. In this context, the Supervisory Board discussed fundamental issues of corporate and business policy, corporate strategy, the financial and earnings position of the company and business issues of relevance to the company with the Management Board.

The Chairman of the Supervisory Board and the Management Board discussed and agreed on all questions and issues of material importance at regular intervals, even outside the Supervisory Board meetings.

The legal structure of the Tintbright group of companies, comprising a listed German parent company, two intermediate holding companies in Hong Kong and two operating subsidiaries in China, was essentially implemented in the second half of 2012, in preparation for the stock exchange listing. The stock exchange listing did not, however, take place during the reporting period. The legal structure places requirements on the Supervisory Board and Management Board because of the geographical distances involved and differences in language and culture. So far, open and frequent exchange between the Management Board and Supervisory Board has helped foster mutual trust and understanding.

In addition, the Management Board is committed to meeting the high requirements placed on listed companies and to strengthening shareholders' trust in Tintbright AG through good corporate governance.

The Supervisory Board's most important tasks in the reporting period were creating the final basis for the company to go public, ensuring that the Management Board was aware of the especial obligations involved in a stock exchange listing, discussing the importance and benefits of a risk management system, and discussing the planning submitted to it.

The Management Board ensured a constant, timely and extensive flow of information to the Supervisory Board both verbally and in writing. The Management Board provided the Supervisory Board with a detailed outline and justification of all business activities and actions for which it is required by law, the articles of association or the rules of procedure to consult the Supervisory Board and obtained the necessary approval.

In 2013, the Supervisory Board was therefore able to perform the advisory and supervisory functions imposed on it by the law, the articles of association and the rules of procedure and advised and supervised the Management Board in the interests of the company and its shareholders. The benchmarks for its supervisory functions were the lawfulness, correctness, cost-effectiveness and expediency of the management of the company and the Group.

Supervisory Board Meetings and Resolutions

The Supervisory Board in its present composition held 2 meetings in 2013. One meeting involved the physical presence of members, the other took the form of a conference call. In addition, decisions were taken by written circulation of documents where necessary. All Supervisory Board members attened all meetings, either in person or through a conference call.

The Supervisory Board has not established any committees as it only comprises three people. All issues are therefore discussed by the full Supervisory Board. The dates of the meetings and the main issues discussed are outlined below:

26 July 2013: The Supervisory Board held a meeting via a conference call at which it (i) elected the Chairman and Deputy Chairman of the Supervisory Board; (ii) adopted rules of procedure for the Supervisory Board and (iii) received a report on the status of preparations for the stock exchange listing.

14 December 2013: The members attended a meeting in Shanghai, at which they discussed various issues. In particular, the Group's CFO, Mr. Chung, reported on the business performance of the Tintbright Group. In addition, a written resolution was adopted on the conclusion of the agreement on the capital contribution in conjunction with a capital increase at Tintbright AG and the associated transfer of the 10 % stake in Dragon Way International Limited, Hong Kong. Further, the planning for the Group and its strategic focus were discussed and approved.

Composition of the Supervisory Board

Based on a resolution adopted by the General meeting on 14 June 2013, Dr. Johannes Mauser, Dr. ZHANG Qing and BIAN Jiong were appointed to the Supervisory Board effective 15 June 2013. The appointment was for the period until the end of the General Meeting that adopts a resolution ratifying the actions of the Supervisory Board for the year ending December 31, 2013. The previous Supervisory Board members Thomas Weidlich, Philipp Dietz and Katja Neumüller stepped down from the Supervisory Board with effect from midnight on June 14, 2013.

2013 Financial Statements and Consolidated Financial Statements

The auditor firm Warth + Klein Grant Thornton AG, Frankfurt am Main, Germany, was appointed by the General Meeting on 14 January 2013 as the auditor for the financial statements of Tintbright AG and the consolidated financial statements for the Group for fiscal 2013.

The annual financial statements of Tintbright AG as of 31 December 2013, prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements as of 31 December 2013, prepared in accordance with the IFRS/IAS, and the management report for the Group, including the book-keeping were audited by the appointed auditor, which has granted an unqualified opinion. The focus of the audit was the internal control system. In keeping with the statutory provisions, the audit included risk management for the Group.

The Supervisory Board received regular progress reports from the auditors on the audit and acknowledged and approved the audit reports. The annual financial statements for Tintbright AG, the consolidated annual financial statements for the Tintbright Group, the management report for the Tintbright Group and the audit reports by Warth + Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft were submitted to all members of the Supervisory Board and were discussed in detail in the presence of the auditor at the meeting of the Supervisory Board on 24 April 2014. The auditor reported on the main findings of the audit. In particular, the auditor provided information on the net assets, financial condition and results of operations of Tintbright AG and the Tintbright Group and was available to the Supervisory Board to provide additional information.

The Supervisory Board has examined the annual financial statements of Tintbright AG, consolidated financial statements and management report for the Tintbright Group for 2013 submitted by the Management Board in detail and has no objections to raise on the basis of this examination. The Supervisory Board examined and acknowledged the auditor's report. The annual financial statements for Tintbright AG prepared by the Management Board were approved by the Supervisory Board on 28 April 2014 and are thus ratified. The Supervisory Board also approved the consolidated financial statements and the management report for the Tintbright Group, especially the assessment of the company's future development. After careful consideration, the Supervisory Board supports the Management Board's proposal for the distribution of the profit as it became convinced that, with due regard to the legitimate interests of the shareholders, the provision for the company is preserved.

Corporate Governance

The Supervisory Board also deliberated on issues relating to corporate governance and discussed the suggestions and recommendations made in the German Corporate Governance Code. The Management Board and Supervisory Board have issued a joint declaration of conformity in accordance with sec. 161 of the German Stock Corporation Act (AktG). This is published in the Corporate Governance Report and can also be viewed on the company's website. The recommendations of the German Corporate Governance Code have been observed, with the exception of those points listed in the declaration of compliance. The Supervisory Board is not aware of any conflicts of interest within the Supervisory Board.

Further details of corporate governance can be found in the joint report on corporate governance by the Management Board and Supervisory Board.

Related Parties

Since there is no control agreement with the majority shareholder, the Management Board of Tintbright AG was required to prepare a report on transactions with related parties in accordance with sec. 312 of the German Stock Corporation Act (AktG). This report, which was submitted to the Supervisory Board for examination, covers the relations between the majority shareholder Mr. Tianzhun Zhao and the Tintbright group of companies. The Management Board declares, in accordance with sec. 312 paragraph 3 of the German Stock Corporation Act (AktG), that the company received an appropriate consideration for the legal transactions set out in the report on relations with related parties under the circumstances known at the time when the transactions were undertaken, in particular for the agreement on the transfer of 10 % of the shares in Dragon Way International Limited, Hong Kong. No reportable measures were undertaken in 2013. The auditor has examined the report of the Management Board and drawn up a report on this, which was submitted to the Supervisory Board. The auditor has issued the following unqualified opinion:

"On the basis of our dutiful audit and assessment, we confirm that
- the statements contained in the report are correct
- the consideration provided by the company in respect of the transactions listed in the report was not unreasonably high."

The Supervisory Board has examined the report prepared by the Management Board on relations with related parties and the associated report prepared by the auditor, in accordance with sec. 314 of the German Stock Corporation Act (AktG) and declares that, on the basis of its examination, it has no objections to raise to the declaration made by the Management Board at the end of its report on relations with related party and that it agrees with the outcome of the examination by the auditor.

Cologne, 28 April 2014

On behalf of the Supervisory Board:

Dr. Johannes Mauser
Chairman of the Supervisory Board

Tintbright Stock

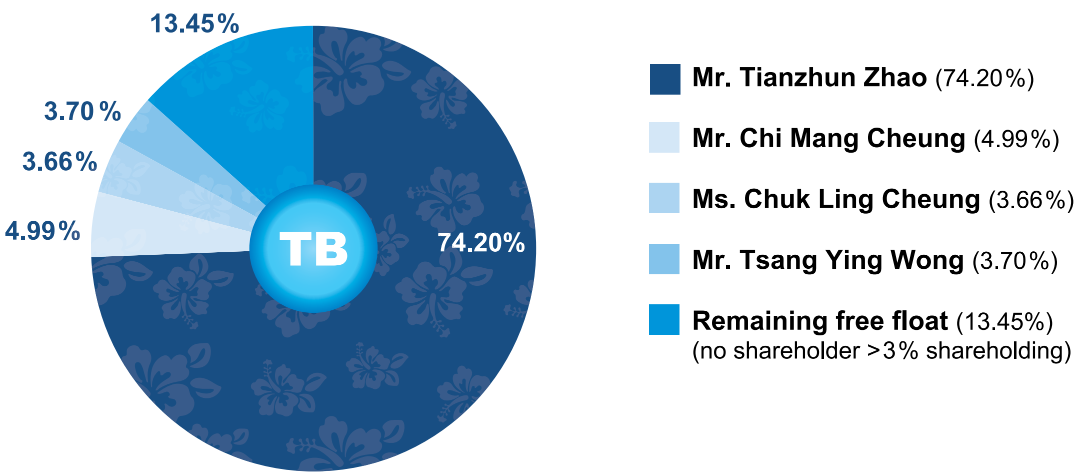
Key share data	
ISIN	DE000A1PG7W8
WKN	A1PG7W
Stock exchange symbol	TBR
No. of shares	2,000,000 (at the listing)
Share capital	EUR 2,000,000 (at the listing)
Stock exchange	Frankfurt Stock Exchange (XETRA®, Frankfurt)
Segment	Regulated market, Prime Standard
Other exchanges	Xetra, Frankfurt, Düsseldorf, Berlin
Indices	Classic All Share, DAXsector All Consumer, DAXsector Consumer, DAXsub-sector All Clothing & Footwear, DAXsubsector Clothing & Footwear, Prime All Share
Designated sponsor	BankM
Research coverage	BankM

Shareholder Structure

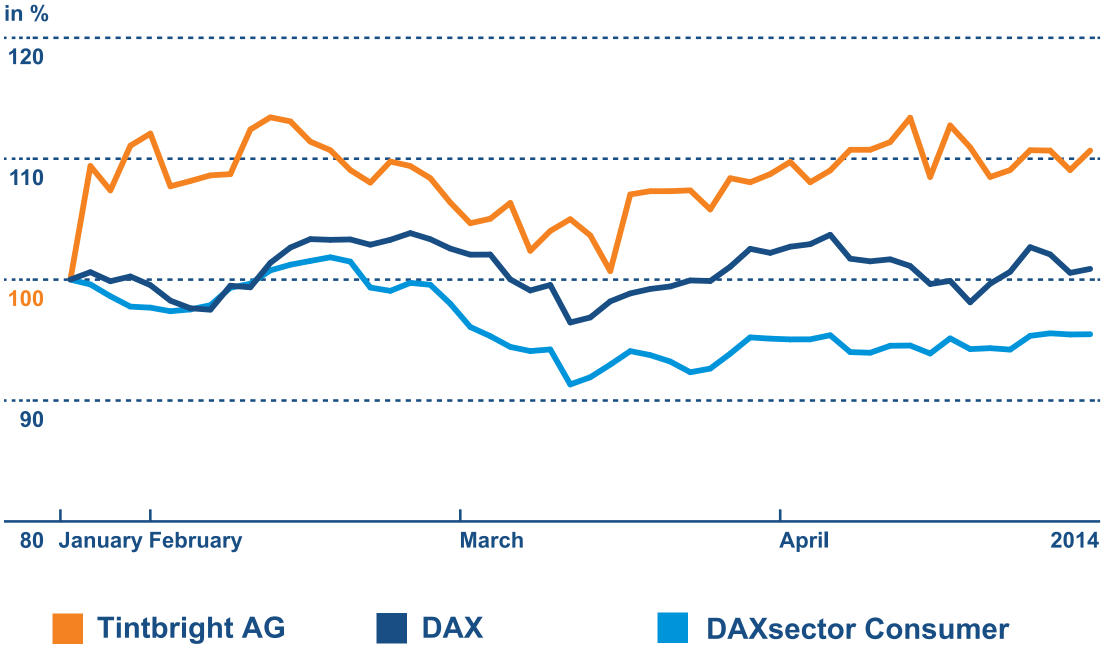
Major shareholders with a shareholding of >3 % as of 31 March 2014

Shareholder	No. of shares	Shareholding
Mr. Tianzhun Zhao	1,484,000	74.20 %
Mr. Chi Mang Cheung	99,800	4.99 %
Mr. Tsang Ying Wong	74,000	3.70 %
Ms. Chuk Ling Cheung	73,200	3.66 %
Remaining free float (no shareholding > 3 %)	269,000	13.45 %
Total	**2,000,000**	**100.00 %**

Shareholder structure as of 31 March 2014



Performance Chart Tintbright Stock



Stock Exchange Listing, Share Price Performance, Investor Relations

Shares in Tintbright AG were listed in the Prime Standard on Frankfurt Stock Exchange on 27 January 2014. In view of the high strategic significance of this listing for the company, it was realized as a "Safe IPO" without a public offering. The free float when the company was admitted to trading was around 13.5 %. The first quoted share price was EUR 12.20. The company's shares have been traded consistently in XETRA®, Deutsche Börse AG's electronic trading system, since the listing. As designated sponsor, BankM assures the liquidity of the share by ensuring that there are always bid/offer prices. Since it is listed in the Prime Standard on the Frankfurt Stock Exchange, Tintbright AG meets the highest transparency requirements for listed companies in Germany. In compliance with these requirements, all major information is published in English and German and made available on the company's website at www.tintbright.de, where investors can find a wide variety of information on the company, its business model and the share. All mandatory disclosures are accessible on the Investor Relations pages.

Initially, Tintbright expects the stock exchange listing to raise awareness of the company and enhance its reputation with business partners, investors and the local government. On a midterm view, the company wants to extend value-added and, in particular, raise the proportion of revenue generated by innovative, high-margin products. High operating cash flows and a sound liquidity position ensure that it can achieve its future growth targets regardless of stock market sentiment. Looking forward, Tintbright sees the capital market as an additional means of financing strategic goals such as extending its distribution network and raising R&D capacity.

Shares in Tintbright have performed extremely well since the start of trading. They came to the market with an initial quote of EUR 12.20, rose to EUR 14.90 on the first trading day and to EUR 16.90 on 11 February. The shares then stabilized in a range of EUR 15.00 and EUR 17.00 and stood at EUR 16.49 at the close of XETRA® trading on 28 April 2014, giving a performance of 35.2 % since going public.

The Management Board of Tintbright AG attaches great importance to open communication with present and potential investors and to a transparent information policy. The primary task of Investor Relations is therefore to provide extensive information for all market participants in order to strengthen trust in the company and its shares and achieve a further reduction in capital costs to the benefit of all stakeholders. In view of this, the Management Board conducted a roadshow before the company went public and held many one-on-one sessions with potential investors. Tintbright intends to take part in the German Equity Forum in Frankfurt am Main in November 2014. Further visits to institutional investors in Germany and abroad are also planned. In addition, Tintbright offers interested investors opportunities to visit its sites and production facilities and talk to the management in China. In May 2014, it will be holding a reverse roadshow of this type, giving European investors an opportunity to gain a better insight into the company and local conditions.

To ensure that investors share appropriately in the company's successful performance, Tintbright regularly paid dividends in the past and intends to continue this policy in the future – depending on its operating performance, financial condition, financing requirements, the statutory, tax and regulatory environment and other factors. In connection with the stock exchange listing, it gave an undertaking that it would propose a dividend at the General Shareholders' Meeting which will be held in Frankfurt am Main, Germany, probably on 11 August 2014. In accordance with this, the Management Board and Supervisory Board will be proposing a resolution to pay a dividend of EUR 1.64 per share. This should be seen as the basis for the company's longterm dividend policy.

Corporate Governance Report

To comply with Paragraph 3.10 of the German Corporate Governance Code, the Management Board and the Supervisory Board are required to report on corporate governance in the company once a year in the annual report. The corporate governance report of Tintbright AG also includes the declaration on corporate management required by Sec. 289a of the German Commercial Code (HGB). The declaration on corporate management pursuant to Sec. 289a of the German Commercial Code applies to the date of admittance of the company's shares to be traded at the regulated market of the Frankfurt Stock Exchange on 24 January 2014 and comprises the declaration of conformity pursuant to Sec. 161 of the German Stock Corporation Act (AktG), relevant information on corporate governance practices as well as a description of the operating principles of the Management Board and the Supervisory Board.

The corporate governance report is also readily available on the internet at www.tintbright.de under Investor Relations / Corporate Governance.

Information pursuant to Sec. 289 para. 2 No. 1 HGB (Declaration of Conformity 2014)

Pursuant to Sec. 161 AktG, the Management Board and the Supervisory Board of an exchange-listed stock corporation are required to annually declare to what extent the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been complied and are being complied with or which of the Code's recommendations have not been or are not being applied. When the company's shares were admitted to trading on 24 January 2014, the Management Board and the Supervisory Board of Tintbright AG for the first time submitted the declaration of conformity and declared that the current recommendations of the "Government Commission on the German Corporate Governance Code" in its version dated 13 May 2013 have been complied with since the initial public offering and will be complied with in the future.

Deviations from the Code's recommendations:

- **Paragraph 3.8 Sec. 3** of the Code recommends agreeing a specified deductible in any D&O (directors' and officers' liability insurance) policy to be taken out for Supervisory Board members. In the company's opinion, the attitude of members of the Supervisory Board towards responsible acting and compliance with German law will not be supported by the agreement of such specified deductible. In addition to that, a deductible would reduce the attractiveness of Supervisory Board membership and, with regard to competition, thus reduce the company's chances of recruiting qualified candidates for the Supervisory Board. In this regard, the Code's recommendation has not been and is not to be followed.
- **Paragraph 4.1.5** of the Code recommends taking diversity into consideration when filling management positions and, in particular, to aim for an appropriate consideration of women. Tintbright AG respects the aspect of diversity. However, its focus is on the professional qualification of the candidates (men and women).
- According to **Paragraph 4.2.2**, the full Supervisory Board determines the total compensation of the individual Management Board members and shall resolve and regularly review the Management Board compensation system. Pursuant to **Paragraph 4.2.3** of the Code, monetary compensation elements shall comprise fixed and variable components that are related to demanding and relevant comparison parameters. The Supervisory Board must make sure that variable compensation elements are in general based on a multi-year assessment. Both positive and negative developments should be taken into account when determining variable compensation components. All compensation elements must be appropriate, both individually and in total, and in particular must not encourage taking unreasonable

risks. A retrospective modification of performance targets shall be ruled out. Tintbright AG deviates from this recommendation as the members of the Management Board are not entitled to remuneration for their service as members of the Management Board. The members of the Management Board only receive remuneration for their services as directors and / or officers of the company's subsidiaries. Furthermore, they do not receive any variable monetary compensation.

- Tintbright AG deviates from the recommendations set forth in **Paragraph 5.1.2** of the Code. Decisions on suitable candidates for appointment as members of the Management Board are taken on a purely objective basis and focus on the professional qualification of the candidates in accordance with the German legislation on diversity. The Supervisory Board sees no reason for rigid age limits and will take all personnel decisions individually and based on appropriate considerations.
- Due to the company's size, the Supervisory Board of Tintbright AG only consists of three members and does not form any committees. Since it is a legal requirement that any decision-taking committee must also have at least three members, the establishment of committees is neither necessary nor expedient. Thus, the company deviates from the recommendations set forth in **Paragraph 5.3** of the Code.
- Pursuant to **Paragraph 5.4.1 para. 2** of the Code, the Supervisory Board shall set specific objectives with regard to its composition that take into account the company-specific situation, the international scope of the company's business, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to **Paragraph 5.4.2** of the Code, a set age limit for members of the Supervisory Board as well as diversity. Those specific objectives shall in particular provide for an appropriate representation of women. Pursuant to **Paragraph 5.4.1 para. 3** of the Code, proposals issued by the members of the Supervisory Board to the responsible corporate electoral bodies shall take those objectives into account and the objective target shall be reported on in the Corporate Governance Report. In the interest of the company, the Supervisory Board will in each individual case solely base its nomination proposals to the Shareholders' Meeting on the skills, abilities and professional expertise but not on gender or rigid age limits. Therefore, fixed targets to be attained at a fixed point in time are not provided for. In this regard, the company deviates from **Paragraph 5.4.1 para. 2 and 3** of the Code.
- Pursuant to **Paragraph 5.4.5** of the Code, members of the Supervisory Board shall autonomously undertake training and educational measures required for their individual tasks and shall in this regard be appropriately supported by the company. Due to the fact that the requirements of the term "angemessen" (appropriate) are not clear, the company declares its deviation from this recommendation for reasons of caution.
- The consolidated financial statements will not be made publicly available within 90 days from the end of the financial year and the interim reports will probably not be made publicly available within 45 days from the end of the reporting period, thus being in deviation from **Paragraph 7.1.2** of the Code. In view of the requirement to include foreign companies into the consolidated financial statements and the interim report, the company cannot guarantee being able to meet the deadlines recommended by the Code. The consolidated financial statements will, however, be made available within four months from the end of the financial year and the interim reports will be made available within the statutory deadlines.

The Declaration of Conformity of Tintbright AG is available on the company's website at www.tintbright.de under Investor Relations / Corporate Governance.

How the Management Board and the Supervisory Board work

The dual management system of Tintbright AG, comprising a Management Board and a Supervisory Board, both of which have separate competencies, is a basic principle of the German Stock Corporation

Act. Within the context of responsible corporate management, the Management Board and the Supervisory Board work together closely and trustfully in management and oversight tasks for the benefit of the company.

The way in which the Management Board and the Supervisory Board of Tintbright AG operate is based on the applicable laws, the articles of association of Tintbright AG, the decisions taken by the Annual General Meeting of Tintbright AG, the rules of procedure for the Supervisory Board, the rules of procedure for the Management Board and the many recommendations set out in the German Corporate Governance Code.

In conformance with the German Stock Corporation Act, the Supervisory Board appoints the members of the Management Board. The Supervisory Board advises and oversees the Management Board in the management of the company and decides pursuant to sec. 7 of the articles of incorporation on the number of members of the Management Board (according to the articles of incorporation, the Management Board comprises one or more members). The Supervisory Board can appoint one member of the Management Board as chairperson of the Management Board. Sections 4 and 5 of the articles of association governing the level and allocation of the capital stock stipulate that, inter alia, the authorization to undertake and the execution of capital transactions is dependent on the approval of the Supervisory Board. Restricted exclusion of subscription rights in certain circumstances also requires the approval of the Supervisory Board. The representation rules set out in Sec. 9 of the articles of association provide that, notwithstanding the joint representation arrangements, the Supervisory Board can authorize any member of the Management Board to represent the company alone and can waive the constraints imposed by sec. 181 of the German Civil Code (BGB). Mr. ZHAO Tianzhun has been exempted from the restrictions set out in Sec. 181 sentence 1 2nd alt. of the German Civil Code (BGB). Sec. 112 AktG remains unaffected.

According to Sec. 11 para. 1 of the articles of association, the Supervisory Board consists of three members. All members of the Supervisory Board are elected by the Annual General Meeting. In accordance with Sec. 8 of the articles of association, the Supervisory Board provided rules of procedure for the Management Board. Under the rules of procedure, the Management Board is required to work together constructively and trustfully with the company's other governance bodies for the good of the company. The members of the Management Board are jointly responsible for the overall management of the company. The members of the Management Board work together in a cooperative way and constantly keep each other informed of important activities and events in their areas of responsibility. Each member is required to seek a resolution of the entire Management Board on issues relating to other areas of responsibility regarding which he/she has serious reservations, where such reservation cannot be eliminated by discussion with the responsible Management Board member. The Management Board takes decisions on all matters requiring a resolution by law, the articles of incorporation or the rules of procedure. In addition, there are rules on representation, a description of the tasks of the Chairman of the Management Board, the mode of convening meetings of the Management Board, how meetings are to be conducted, the permitted methods of adopting resolutions, the required majorities and the documentation of meetings and resolutions. The rules of procedure also contain a list of the business mattes requiring the approval of the Supervisory Board.

The Management Board is responsible for managing the company, for its strategic focus, its budget planning and for determining and overseeing the company's operating segments. It is also responsible for ensuring that the company has an appropriate risk management and control system. Systematic risk management as part of a value-driven corporate management is to ensure timely identification, analysis and evaluation of risks and optimization of risk positions.

The Supervisory Board has adopted rules of procedure for its own work. These rules stress the duty of the Supervisory Board to work constructively with the other governance bodies in the performance of its duties, for the good of the company. They also contain details of electing the chairperson and the deputy chairperson, the method of convening meetings, how these meetings are to be conducted, the permitted methods of adopting resolutions and the documentation of meetings and resolutions. The Supervisory Boards decides whether the members of the Management Board should attend meetings of the Supervisory Boards. Regularly, the entire Management Board or one member of the Management Board attends meetings of the Supervisory Board. Furthermore, the rules stipulate that in case of appointment or dismissal of members of the Management Board, the Supervisory shall, together with the Management Board, take care of long-term succession planning.

The Management Board and the Supervisory Board maintain constant exchange of information and ideas. The Management Board and the Supervisory board are jointly responsible for ensuring that the Supervisory Board receives sufficient information. The Management Board provides the Supervisory board with full and timely information on the development of the company, its current state, current risks and the development of those risks. It provides written and oral reports on individual items on the agenda and on draft resolutions and answers questions asked by the members of the Supervisory Board. The strategy worked out by the Management Board is discussed and coordinated with the Supervisory Board. Progress in implementing strategic planning and possible deviations from the plans are reported to the Supervisory Board. Major decisions by the Management Board have to be approved by the Supervisory Board. The Management Board also informs the Supervisory Board of the management of risks and opportunities in the group.

The Supervisory Board oversees the work of the Management Board and is directly involved in decisions of fundamental importance to the company. On a regular basis, the Supervisory Board receives written reports on the Group's financial position, assets and results of operations. A detailed explanation of any discrepancy between the planned and the actual business development is to be given to the Supervisory Board. Further, the Chairman of the Supervisory Board is informed directly and on a regular basis of the current situation, important business events and significant upcoming decisions.

The work of the Supervisory Board is outlined every year in the Report of the Supervisory Board, which is commented on by the Chairman of the Supervisory Board at the Annual General Meeting.

The company's three member Supervisory Board has not established any committees as this is not deemed necessary of expedient; all relevant issues are handled by the full Supervisory Board. This applies in particular to the examination of the quarterly and annual financial statements and personnel issues relating to the members of the Management Board.

There is a D&O insurance policy for the members of the Management Board and the Supervisory Board. A deductible has been agreed with the members of the Management Board.

Information on important corporate management practices

Ensuring a sustained rise in the value of the company is the guiding principle for the members of the Management Board and the Supervisory Board of Tintbright AG. Securing the confidence of investors and other stakeholders in effective and transparent management is a matter of prime significance. The aim of Tintbright AG's investor relations activities is to achieve the level of transparency expected by the capital markets and to give shareholders a true and fair view on the company. In keeping with the principle of fair disclosure, all shareholders and major target groups are treated equally in terms of the provision of information. The underlying rule is providing the company's owners with timely and reliable information on major events at their company. Transparency also constitutes an opportunity to gain new investors from Germany and other countries. The Management Board and the Supervisory Board therefore constantly strive to optimise communication to ensure a sustained and appropriate valuation of the company's stock.

The company's website at www.tintbright.de additionally provides further information on the group, its business model and its products.

Information on risk management

A responsible approach to corporate risk is part of good corporate governance. Tintbright AG is in the course of establishing a systematic risk management system which shall also operate as Tintbright AG's early risk detection system. The Management Board regularly notifies the Supervisory Board of existing risks, their development and the preventive actions taken.

Further details on risk management can be found in the opportunity and risk report included in Tintbright's combined management report for 2013. The combined management report also contains the reports on the accounting-related internal control and risk management system required by the German Accounting Law Modernization Act (BilMoG). Monitoring the observance of compliance directives is to be defined as an important element of risk management in the Tintbright Group. That is to include providing continuous information for employees on fundamental legal principles and the corresponding requirements for internal and external communication. All relevant persons working for the company who have legitimate access to insider information are entered in a register of insiders and are informed of their obligations under insider law.

Remuneration

For the 2013 fiscal year, the members of the Management Board of Tintbright AG did neither receive fixed nor variable remuneration from Tintbright AG for their work as Management Board members. All remuneration received by Management Board members were paid by affiliated companies for their work at these companies. Contrary to the recommendations in the German Corporate Governance Code, to simplify matters, no variable remuneration was paid. As of December 31, 2013, there were no warrants and no valid warrant program so that no member of the Supervisory Board or the Management Board currently holds warrants or conversion rights on shares of Tintbright AG.

Further details of the remuneration system for members of the governance bodies can be found in section [5] of the management report (Remuneration systems).

The Supervisory Board of Tintbright AG receives fixed remuneration that will be voted on by the Annual General Meeting that ratifies the actions of the Management Board and Supervisory Board for the 2013 fiscal year. The company's articles of incorporation state that the Annual General Meeting may decide on the level of such remuneration. Moreover, no variable remuneration has currently been agreed for the Supervisory Board. However, articles of incorporation do not rule out this type of remuneration, so it could be decided on by the Annual General Meeting.

Securities held by members of the Management Board and Supervisory Board / Directors' Dealings

As Chairman of the Management Board and founder of the company, Mr. ZHAO Tianzhun holds around 74.2 % of the company's shares (1.484.000 shares). The other members of the Management Board and the members of the Supervisory Board at that time did not held any shares in the company. The company does not hold any treasury stock.

In accordance with Sec. 15a of the German Securities Trading Act (WpHG), the members of the Management Board and the Supervisory Board have a legal obligation to disclose the purchase and sale of securities in Tintbright AG, insofar as the value of the transactions undertaken by the member and related parties reaches or exceeds EUR 5,000 in a calendar year. Since the decision to admit the company's shares to trading was taken on 24 January 2014, the following transactions in shares in Tintbright AG subject to sec. 15a WpHG were undertaken by members of the Management Board and Supervisory Board of Tintbright AG subject to these disclosure requirements:

Shareholder	Governance body	Number of shares
Dr. Johannes Mauser	Supervisory Board	500

All transactions are disclosed on the company's website at www.tintbright.de Investor Relations/ Corporate Governance/Directors' Dealings as soon as they are undertaken. When the company's shares were admitted to trading on 24 January 2014, shareholdings by members of governance bodies were as follows:

ZHAO Tianzhun – 1,484,000 shares

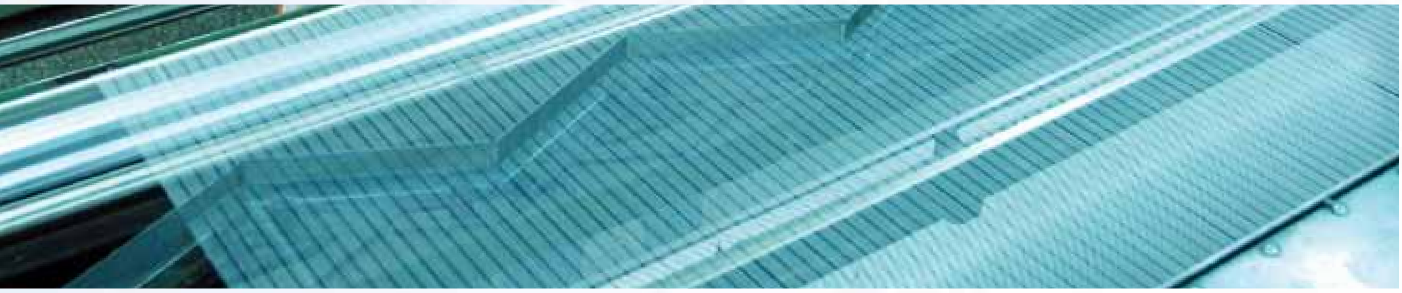
No member of the Supervisory Board or Management Board currently holds warrants or conversion rights to shares of Tintbright AG.

Cologne, 28 April 2014

The Supervisory Board The Management Board

MANAGEMENT REPORT OF THE TINTBRIGHT GROUP

for the period from 1 January to 31 December 2013



Preliminary Remarks

The following comments refer to the consolidated business performance of the companies in the Tintbright Group for the period from 1 January to 31 December 2013. The Group's holding company, Tintbright AG, was established on 18 July 2012 and went public with a stock market listing on Frankfurt Stock Exchange on 27 January 2014.

As the holding company, Tintbright AG's earnings, asset and financial situation is dependent on the business of its PRC-based operating subsidiary. The Tintbright AG group of companies was legally established by transferring the shares in Dragon HK to Tintbright AG on 4 September 2012 and transferring the shares in Sanrong HK to Tintbright AG on 24 August 2012. Since all shares in Tintbright were held by Mr. Tianzhun Zhao in the reporting period and he transferred the majority of his shares in the Group companies to the newly established entity Tintbright AG during 2012 (business transactions under joint control pursuant to IFRS 3), the financial reporting is based on the fictitious assumption that the Tintbright Group existed at the start of fiscal 2012 and the assets and liabilities had already been transferred to the Group.

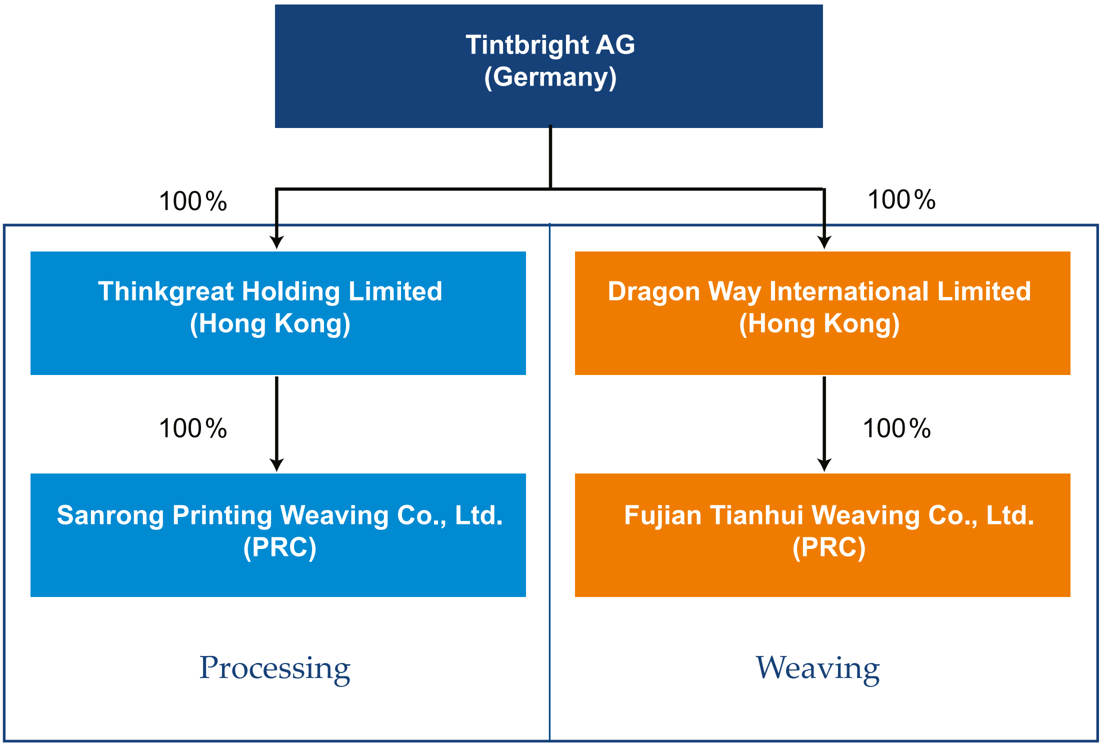
The consolidated financial statements for the Tintbright Group as of 31 December 2013 therefore contain comparative date for fiscal 2012. The consolidated financial statements as of 31 December 2013 have been prepared in conformance with the International Financial Reporting Standards (IFRS) and interpretations, as applicable for use in the European Union. The consolidated financial statements are based on a number of assumptions that are outlined in detail in the notes to the consolidated financial statements (accounting policies and valuation methods). The management report of the Tintbright Group has been prepared in accordance with the statutory requirements and should be read in conjunction with the consolidated financial statements for the Group. Figures presented in the Group's management report may be subject to rounding differences. Data in the tables are given in thousands of euros (kEUR), except where otherwise indicated. The segment report contains the two segments Weaving and Processing.

In addition, the management report contains forward-looking statements, i.e. statements based on specific assumptions and the current plans, estimates and forecasts derived from those assumptions. Forward-looking statements are only valid at the time at which they are made. The Management Board of Tintbright AG has no obligation to revise and/or publish a revision of the forward-looking statements underlying this document in the event of new information. Forward-looking statements are always exposed to risks and uncertainties. The Management Board of Tintbright AG hereby points out that a large number of factors could lead to substantial differences in attainment of these objectives. The principal factors are outlined in detail in the section headed "Risk report".

1. The Tintbright Group

1.1 Group structure

The structure of the Group as of 31 December 2013 was as follows:



Tintbright AG (the "Company") was established on 18 July 2012 with capital of EUR 50,000, with its registered office in Cologne, Germany, as the registered German holding company of the Tintbright Group ("the Group"), a group of Chinese companies.

Thinkgreat Holdings Ltd., Hong Kong, (Sanrong HK) is a pure holding company, which holds 100 % of the shares in Sanrong Printing Weaving Co. Ltd., Jinjiang, PRC (Sanrong PRC). All shares in Sanrong HK and thus indirectly all shares in Sanrong PRC are held by Tintbright AG.

Dragon Way International Ltd., Hong Kong (Dragon HK) has issued 100 shares (equivalent to 10 % of the share capital) to Thinkgreat Investments Ltd., British Virgin Islands (BVI) and 900 shares (equivalent to 90 % of the share capital) to Tintbright AG. Dragon HK held all shares in Fujian Tianhui Weaving Co. Ltd, Fujian, PRC (Dragon PRC).

The sole shareholder in Thinkgreat Investments Ltd., British Virgin Islands (BVI) is Mr. Tianzhun Zhao.

On 14 December 2013, the company concluded an agreement with Mr. Tianzhun Zhao and Thinkgreat Investments Ltd. on the transfer of 10 % of the shares in Dragon Way International Limited, Hong Kong to the company by means of retrospective incorporation. This agreement was approved at the General Shareholders Meeting on 23 December 2013 and entered in the company's commercial register on 8 January 2014.

Tintbright's operational business is carried out exclusively by Sanrong PRC and Dragon PRC (together "Tintbright PRC"), which have the business addresses Caohupu Industrial Park, Jinjing City, Jinjiang City, Fujian Province, PRC and Gaohu Industrial Park, Yinglin City, Jinjiang City, Fujian Province, PRC. At a total production area of 31,000 m^2 at Caohupu Industrial park, the weaving segment is located, which employed an average of 397 people (2012: 395) in 2013, contributing 20.6 % of total revenue (2012: 21.8 %). At Gaohu Industrial Park, utilizing a total production space of 33,300 m^2, the processing segment is located, which employed an average of 762 people (2012: 784) and contributed 79.4 % of total revenue (2012: 78.2 %).

1.2 Business Activities

Since 1995, the Tintbright Group has been engaged in the production and processing of fabrics at its two operating subsidiaries, Dragon PRC and Sanrong PRC, both of which are based in the People's Republic of China (“PRC”). Their activities comprise weaving, printing, dyeing and post-processing treatments.

The weaving of gray fabric, printing and dyeing are intermediate steps in the textile chain. The fibre manufacturing and spinning industries are upstream industries, while the manufacture of clothing, home textiles and industrial fabrics are downstream sectors. Tintbright rapidly identified the trend in the textile industry towards one-stop solutions and offers vertically integrated, customized product solutions, tailored to its customers’ requirements.

Dragon PRC produces woven gray fabrics from cotton and man-made yarn. These are sold either directly to its customers or processed into finished fabrics by Sanrong PRC. Sanrong PRC processes woven and other fabrics produced by Dragon PRC as well as fabrics sourced from other companies or supplied directly by customers into premium functional textiles by printing, dyeing and post-processing. Post-processing involves the application of finishes that give the fabrics special properties such as water resistance, oil resistance, soil resistance, UV protection and anti-static or anti-bacterial properties. The finished fabrics are high-end leisure fabrics which are sold to textile manufacturers and local trading companies.

Tintbright’s operating facilities are located at Caohupu Industrial Park, Jinjing Town, Jinjiang City, Fujian Province, PRC, and Gaohu Industrial Park, Yinglin Town, Jinjiang City, Fujian Province, PRC. The administrative functions are housed in separate office buildings at the production sites. Tintbright has over 550 customers, most of which are also located in Fujian Province, which is one of the world’s most important textile centres and has reputation in particular as the location for Chinese brand-name producers. Tintbright’s customers include K-Boxing, Anta, XTep and SeptWolves.

1.2.1 Weaving

Tintbright’s Weaving segment weaves synthetic and cotton yarn into woven gray fabric. Tintbright either further processes these fabrics or sells them directly to its customers. Manufacturing is performed entirely by Fujian Tianhui Weaving Co. Ltd. The production site is located at Caohupu Industrial Park, Jinjing Town, Jinjiang City, Fujian Province, PRC. There are about 400 weaving machines in three production buildings with a total production area of 31,000 m^2. Total production capacity is 54.0 million meters per year. Currently about 17 % of the woven fabrics are processed internally while 83 % are sold to textile manufacturers or local trading companies. In fiscal 2013, the Weaving segment had an average of 397 employees (2012: 395), and contributed EUR 26.2 million to overall revenue. That corresponds to 20.6 % of revenue (2012: EUR 26.7 million; 21.8 %). Intragroup revenue increased by 1.9 % to EUR 5.3 million in 2013 (2012: EUR 5.2 million). Intragroup revenue in the Weaving segment therefore rose to 16.8 % of total sales (2012: 16.3 %). Intragroup revenue takes account of fabrics woven to meet customer orders that are subsequently dyed, printed or given a functional finish in the company. External sales with such fabrics are reflected in the Processing segment. The gross profit in the Weaving segment was EUR 4.2 million (2012: EUR 4.3 million), giving a gross profit margin of 16.1 % (2012: 16.0 %). The increase in revenue and earnings was therefore in line with the management's expectations.

1.2.2 Processing

In the Processing segment, Tintbright processes woven and other fabrics into premium textile material by washing, bleaching, printing, dyeing and various post-processing treatments to increase the functionality of the fabrics. The post-processing treatments involve applying special properties such as water resistance, oil resistance, soil resistance, UV protection and anti-static or anti-bacterial properties. Currently, most of the woven fabrics are provided directly by customers, the remainder is purchased from third parties or comes from Tintbright's own production. The company intends to significantly increase the amount coming from internal production in the future. The finished fabrics are high-end leisure fabrics which are sold to textile manufacturers and local trading companies. All production is carried out by Jinjiang Sanrong Printing and Weaving Co. Ltd. The production site is located at Gaohu Industrial Park, Yinglin Town, Jinjiang City, Fujian Province, PRC. The three buildings with total production space of 33,300 m^2 have maximum dyeing capacity of 159.7 million meters and maximum printing capacity of 41.6 million meters. In fiscal 2013, the Processing segment had an average of 762 employees (2012: 784) and contributed EUR 101.0 million to overall revenue. Its share of total revenue was therefore 79.4 % (2012: 78.2 %). The gross profit was EUR 29.6 million (2012: EUR 28.3 million), giving a gross profit margin of 29.3 % (2012: 29.5 %). The increase in revenue and earnings was therefore in line with the management's expectations.

1.3 Strategy and Vision

In response to increasing customer demand for high-quality, functional fabrics and to capitalize on new market opportunities, Tintbright is pursuing the following strategic objectives:

Focus on innovative products and services

Tintbright intends to continue to grow and develop as an integrated supplier to the textile industry in the PRC. The management believes that the integrated structures and the wide variety of the company's offerings are vital to customer retention. However, as Tintbright achieves the highest margins with innovative and proprietary functional textiles, it also aims to increase the share of those products and services within its product portfolio. It already offers a wider variety of functional fabrics than most of its Chinese competitors. This opens up opportunities, which are described in more detail in section 4.6 "Risks and opportunities".

Expansion of the research and development capability

Tintbright believes that constant innovation in the development of new products, finishes, functions and services that are well-received by consumers is vital to its continued success. Therefore, in line with the increasing focus on functional fabrics, the company intends to strengthen its research and development capability by recruiting new personnel to steadily expand its dedicated research and development team. It also plans to expand its research and development facilities by setting up a new laboratory and purchasing new equipment.

Expansion of the sales and distribution network

Tintbright has a diverse customer base of over 550 buyers, including well-known Chinese brand names such as K-Boxing, Anta and SeptWolves. Consequently, it is less reliant on any specific customer.

However, to further expand its sales potential, in the next two years the company plans to set up sales offices and a distribution network in Guangdong Province, which is a major garment manufacturing centre in the PRC, and in Shanghai.

1.4 Group Control and Central Control Parameters

The Tintbright Group has a clearly defined leadership and corporate structure. Key issues are decided by the Management Board of the holding and administration entity (Tintbright AG). The key decision makers operate out of the Group's operational headquarters in Jinjiang City where the Group's operating business is located.

Tintbright uses various performance indicators to monitor the development of the Group in line with corporate strategy. As a growth-oriented company, it regards profitable revenue growth as particularly important. All activities to raise revenue are measured against their potential to achieve a long-term increase in earnings before taxes (EBT) and the EBT margin. At segment level, the development of segment revenue and the gross profit margin is monitored.

1.5 Non-financial Performance Indicators

Quality assurance

The Management Board is of the opinion that efficient quality management is a key factor for Tintbright's growth and success. Consequently, Tintbright places great importance on quality management and is concerned to maintain its reputation as a manufacturer of high-quality products. A quality assurance team of 15 employees headed by CEO Yuehui Hong places great emphasis on consistent quality of products and services at all stages of the production and business process. Regular quality checks by Tintbright and its customers ensure that the products are high-quality. In addition, Tintbright has set up a quality control program, including quality control procedures for sourcing and procurement, incoming quality assurance, in-process quality assurance, outgoing quality assurance, after-sales service and customer support and safety assurance. The company's quality assurance program requires all employees to attend regular in-house training to ensure they are familiar with the latest corporate policy, corporate objectives and quality assurance processes. Tintbright has obtained ISO 9001:2008 certification for its quality management system.

Customer structure and customer satisfaction

The Management Board believes that ongoing customer retention is a key factor for Tintbright's continual growth and success. Consequently, a high rate of returning customers is particularly important, emphasizing the high quality of Tintbright's products and services. In fiscal 2013, the rate of returning customers amounted to 78 % (2012: 94 %). Due to the stable customer base, Tintbright is able to introduce new products into the market in a shorter time and gain quicker market acceptance and recognition. Furthermore, the positive track record increases customers confidence in Tintbright's products and services and helps to attract new customers. As a result, Tintbright by now has a diverse customer base of over 550 buyers. Tintbright is not reliant on any specific customer as its biggest customers account for a relatively low share of its business and this is decreasing constantly. In fiscal 2013, the share of the biggest five customers amounted to only 25.3 % (2012: 29,6 %) of total revenue and the share of the sole biggest customer shrank to 6.0 % (2012: 7,1 %).

Environmental Protection

Environmental laws and regulations recently have been tightened in the PRC. Tintbright anticipated this development early on, and has invested in environmental friendly production facilities for many years. Environmental protection is of particular importance for Tintbright. In 2007, it therefore completed the construction of a waste water treatment plant with an oxidation pool, which has a capacity to treat 6,000 cubic meters of waste water per day. After treatment, the recycled water is returned to the processing plants for reutilisation in the production process. In 2008, Tintbright invested in an upgrade of its waste water treatment system to improve the environmental friendliness of the process and the recovery ratio for reuse. Currently, about 95 % of waste water is reused in the production facilities, ensuring a stable supply of water to the production process. In 2011, Tintbright has embarked on construction of an improved waste water treatment system with the capacity to treat 6,000 cubic meters of waste water per day, which is expected to be finished in summer 2014. As evidence of its environmental management system, Tintbright gained ISO 14001:2004 accreditation in October 2012.

Talent management

To grow further in the future and continue to develop and successfully market new fabrics, Tintbright needs well-trained employees. Therefore, it does not use employees from staffing agencies and places great value on ongoing training of its employees. Employees are required to attend regular internal training programs, where they learn the skills, product knowledge and workflows required to perform their tasks. In addition, all employees attend in-house quality assurance seminars as part of the company's quality assurance program to ensure they are aware of the most recent corporate policies, objectives and processes. In addition, new factory workers are trained to operate the production machinery and equipment and have to successfully complete a test before they are hired. Most training is carried out in-house. At management level, regular opportunities are offered to attend external workshops at universities and other institutions.

Due to the training and development measures outlined above, Tintbright is not only able to keep employee turnover low, it regularly attracts qualified new employees. In the reporting period the overall headcount decreased from 1,189 as of 31 December 2012 to 1,154 as of 31 December 2013.

The employee split between the areas of the company is as follows:

	2013	2012
Senior Management	9	5
Administration	53	57
Purchasing	5	6
Finance	19	21
Sales	26	26
Quality Assurance	15	14
Production	954	988
Development	12	11
Logistics	61	61
Total	**1,154**	**1,189**

1.6 Research and Development

The Management Board strongly believes that constant development of innovative new textiles and functions is vital to Tintbright's continued success. As it increasingly focuses on innovative products containing functional properties, it has been able to compensate for the continued margin pressure in the Chinese textile manufacturing sector. The research and development department is supervised by the company's CEO, Mr. Zhao. He is assisted by 12 staff members comprising department heads and technical personnel who have extensive experience in the textile industry. In addition, Tintbright entered into a collaboration agreement with Shanghai Textile Research Institute in 2006. In this way, Tintbright has launched various functional fabrics. Tintbright focuses its research and development efforts on the following areas:

- Developing new value-added products and new print designs,
- Developing new production and processing techniques,
- Reducing raw material costs by improving the use and selection of raw materials.

Based on its efforts in research and development, Tintbright is well-positioned to defend its margins, further expand its market share and widen its customer base by continuing to provide its customers with innovative products.

Overall, R&D spending totalled EUR 0.1 million in 2013, which was slightly higher than in the previous year (2012: EUR 0.1 million). This relates to 0.1 % of group revenue (2012: 0.1 %).

2. Economic Review

2.1 General Economic Development

Tintbright markets the fabrics it produces to the apparel industry. Consequently, it is dependent on the overall development of the textile market in the PRC. In the management's view, the future development of the textile market in the PRC will depend primarily on the country's economic growth, the rise in domestic consumption resulting from higher disposable incomes in China, and export demand. There were no specific events in the reporting period that affected the country's textile industry.

Instead, the moderate economic growth in China continued in 2013. Fears of a hard landing for the Chinese economy as declining global demand made its mark in the first half of the year were subsequently dispelled. Instead, there was a clear rebound in the second half of the year: while GDP only grew by around 6 % at the start of the year, according to the National Bureau of Statistics it increased to around 9 % in the second half.[1] In its latest update published in January, the International Monetary Fund (IMF) therefore raised its growth estimate for FY 2013 by 0.3 percentage points to 7.7 %.[2] That would be exactly the same as in the previous year.

Although industrial output also increased, the rise seen in the second half of the year was principally due to the higher pace of investment driven partly by a state investment program adopted in the summer. However, since this is only a temporary effect, the experts at the IMF expect growth rates to slip back slightly in the following years to 7.5 % in 2014 and 7.3 % in 2015.[2] Leading economic indicators are also pointing to slightly slower growth. For example, the HSBC purchasing managers' index for manufacturing industry, which mainly comprises private-sector SMEs, has dropped back below the 50 point threshold that indicates growth in the manufacturing sector. In October, it rose to 50.9 points, the highest level for seven months, but in March it was back down at 48.0 points. [3]

The latest data make it clear that investment still has a considerable influence on growth momentum in China. To ensure sustained growth, the economy needs to be placed on a broader basis. Above all, domestic demand needs to be shifted further towards consumer spending to reduce dependence on state investment. The government is endeavouring to drive forward structural reforms to achieve this. The clearest sign is that in November 2013, the Central Committee of the Communist Party adopted reform plans that include liberalizing the financial sector, exchange rates and interest on bank deposits, and stepping up the role of private enterprises. The reform plans are slowly starting to be reflected in market expectations. According to the National Bureau of Statistics, at year end consumer confidence was back above 100 points. In December 2013, the index stood at 102.3 points (December 2012: 103.7 points).[4]

Companies like Tintbright that produce primarily for the Chinese market are benefiting from the increasing significance of domestic consumption. Nominal retail sales increased 13.1 % year-on-year in 2013 (2012: 14.3 %) to a new all-time high.[4] That works to the benefit of the textile industry. In the apparel and textile sector, retail sales increased 11.6 % year-on-year in 2013 (2012: 17.7 %).[4] Overall, according to official data from the National Bureau of Statistics, value-added in the textile industry rose 8.7 % (2012: 12.2 %).[4] Based on this development, Tintbright in the outlook section assumes domestic demand in China to grow further while worldwide demand is expected to remain stable.

1 Institut für Weltwirtschaft: „Weltkonjunktur im Winter“, December 2013

2 International Monetary Fund: „World Economic Outlook Update“, January 2014

3 HSBC Purchasing Managers' Index: “HSBC China Manufacturing PMI”, April 2014

4 National Bureau of Statistics of China, February 2014

2.2 Market and Market Environment

2.2.1 Retail sales of consumer goods in the PRC

Tintbright's products are targeted at the Chinese consumer goods market, which has experienced a sharp upswing in recent years. According to the National Bureau of Statistics, between 2007 and 2013 retail sales of consumer goods (see table) increased from RMB 9.3 trillion (approx. EUR 1.1 trillion) to RMB 23.8 trillion (approx. EUR 2.8 trillion). That represents an annual growth rate of more than 17 %. As outlined in the report on opportunities, the sector is benefiting from the economic growth of the PRC, the increase in disposable incomes in the country, progressive urbanization and the changing spending habits of the rising number of affluent urban consumers. In 2012, urban households accounted for nearly 87 % of total spending on consumer goods in China, while rural households only accounted for a small proportion of the total. The positive trend in the sector is supported by the Chinese government's 12th Five Year Plan, which was adopted in March 2011. This aims to drive forward the restructuring on the Chinese economy by encouraging domestic consumption, expanding the service sector, shifting processing towards higher quality products and improving energy efficiency and environmental protection. That is also reflected in the expectations set out in the company's outlook for the future. Based on this development, Tintbright expects further sales growth as explained in more detail in the outlook section.

	2007	2008	2009	2010	2011	2012	2013
Retail sales of consumer goods (in RMB trillion)	9.3	11.5	13.3	15.7	18.4	21.0	23.8
Annual growth rate	**18.2 %**	**22.7 %**	**15.5 %**	**18.3 %**	**17.1 %**	**14.3 %**	**13.1 %**

(Source: National Bureau of Statistics of China, February 2014)

2.2.2 Chinese textile market

Tintbright AG operates in the textile industry. Its products and services cover several steps in the value chain. The company recognized the trend to one-stop solutions early on and is one of the few Chinese suppliers to offer its customers vertically integrated solutions tailored specifically to their needs.

With a share of 4 % of total GDP, the textile industry is one of the most important sectors in China.[5] The industry achieved double-digit annualised revenue growth of 14.6 %[6] in 2012, realizing total output of RMB 3,664 billion.[5] While exports are becoming less significant as foreign demand weakens in the wake of slower growth in the global economy, domestic consumption is playing an increasing role as a growth driver. This is reflected in the fact that domestic consumption increased from 62.1 % of total demand in 2002 to 84.9 % in 2013.[6] In the past, the textile industry has been extremely dependent on macroeconomic factors and benefited greatly from the dynamic overall growth momentum in China. Research institutes predict that the industry will report sustained growth at a slightly lower level in the coming years. Until 2018 an average growth rate of 8.3 % is forecasted.[6]

Due to the historically favourable business conditions and timely integration into international trade, the industry is characterized by a large number of small and medium-sized enterprises.[6] The biggest four enterprises have a market share of less than 5 %.[6] In the past, textile manufacturers benefited, on the one hand, from increasing demand from domestic and foreign downstream industries, and on the other hand from low regulatory standards and abundant and therefore cheap labour.

5 Respect Marketing Research Inc., April, 2013

6 ACMR-IBISWorld, October 2013

This development has led to a situation where the industry, especially in the low- to mid-quality segment has started to experience first signs of overcapacity and pressure on selling prices. In addition, margins have come under pressure due to higher wage rates caused by a shortage of skilled labour. Last but not least, environmental problems have attracted the attention of the public authorities.[5]

At the same time, local producers are facing competition from competitors in South-East Asian states such as Vietnam and Indonesia, where wage costs are lower.[6] To remain competitive, market players are increasingly turning their attention to developing higher quality products and production processes, innovative product properties and brand building. Moreover, rising demand for functional fabrics is increasing the significance of textile finishing processes.[5] In line with this development, the sector is expected to consolidate in order to maintain a high level of profitability despite additional market expense and rising spending on research and development.[5] To increase the value creation and improve product quality, Tintbright therefore invests in new machinery and production facilities as explained in more detail in section 4.7 “Outlook”. Risks and opportunities resulting from the market development as indicated above, are outlined in more detail in sections 4.5 and 4.6.

The weaving of gray fabric, printing and dyeing are intermediate steps in the textile production chain. The fibre manufacturing and spinning industries are referred to as downstream industries, while manufacture of clothing, home textiles and industrial fabrics are upstream industries. While textile companies have traditionally concentrated on one stage in the value chain, vertically integrated solutions are now becoming more important. Companies that do not move with this trend are unlikely to be able to meet the rapidly changing requirements of downstream sectors. Only companies like Tintbright who extend their activities along the value chain will successfully meet customers' constantly rising demand for more individual solutions. Manufacturers that can offer customers fabrics of different types and with different functions have competitive advantages in terms of lower costs and time-savings, while quality control is simpler.

2.3 Earnings, Asset and Financial Position of the Tintbright Group

2.3.1 Overall position

The Tintbright Group grew sales revenue by 3.7% year-on-year in 2013 to EUR 127.2 million (2012: EUR 122.7 million). External revenues in the Weaving segment dropped by 2.0% to EUR 26.2 million (2012: EUR 26.7 million) whereas revenues in the Processing segment increased by 5.2% to EUR 101.0 million in the reporting period (2012: EUR 96.0 million).

Looking at earnings, the Group’s gross profit increased to EUR 33.8 million in 2013 (2012: EUR 32.6 million), with a stable gross profit margin of 26.6 %. The gross profit was EUR 4.2 million in the Weaving segment (2012: EUR 4.3 million) and EUR 29.6 million in the Processing segment (2012: EUR 28.3 million), giving gross profit margins of 16.1 % and 29.3 % respectively (2012: 16.0 % and 29.5 %). Earnings before taxes (EBT) rose to EUR 29.4 million in the reporting period (2012: EUR 27.6 million), giving a pre-tax margin of 23.1 % (2012: 22.5 %). Tax expense was EUR 7.6 million (2012: EUR 8.5 million), so income after taxes was EUR 21.8 million in 2013 (2012: EUR 19.1 million) and earnings per share were EUR 432 (2012: EUR 381). Based on the 2.000.000 shares as of the listing date on 27 January 2014, restated earnings per share account for EUR 10.92 (2012: EUR 9.54). The slight increase in profit was mainly due to the rising proportion of earnings generated by the higher-margin processing and finishing operations.

The cash flow from operating activities was EUR 14.0 million in 2013 (2012: EUR 41.1 million). The considerable year-on-year decline was principally due to a reduction of EUR 11.9 million in trade payables at year-end 2013, compared with over EUR 7.4 million as of year-end 2012. The cash outflow for investing activities was EUR 2.1 million (2012: outflow of EUR 0.6 million). This was used entirely for investment in property, plant and equipment. The cash inflow from financing activities was EUR 5.7 million (2012: outflow of EUR 33.5 million). This was partly attributable to the fact that in the reporting period, unlike the prior year, there was no outflow for dividend payments (2012: outflow of EUR 12.3 million). The total cash flow was EUR 10.0 million in 2013 (2012: EUR 0.9 million). Cash and cash equivalents therefore rose from EUR 39.5 million to EUR 49.4 million in the reporting period.

Tintbright did not have any noncurrent liabilities to banks in 2013. The carrying amount of equity increased to EUR 67.8 million as of December 31, 2013 (December 31, 2012: EUR 46.5 million). The equity ratio therefore increased from 48.1 % to 68.0 %.

In view of the overall reduction in economic momentum in China and somewhat slower growth in the Chinese textile industry, the Management Board is of the opinion that Tintbright's business performance in the reporting period was good. Revenue and earnings at Group level were in line with management expectations in 2013.

2.3.2 Earnings

Revenue

The Tintbright Group grew sales revenue by 3.7 % to EUR 127.2 million in 2013 (2012: EUR 122.7 million). Since the Group generates all revenues in the Chinese currency (renminbi), but reports its financial results in euros, the exchange rate of the renminbi versus the euro in the reporting period is of especial relevance for the level of revenue and other financial figures reported. In 2013, the RMB depreciated by around 1.4 % against the euro so growth measured in RMB was correspondingly higher. The increase in revenues refers to price as well as quantity issues. The revenue growth mirrors sector growth and is also attributable to the company's successful positioning as a one-stop service-provider.

The sales split between the two segments in the reporting period was as follows:

Segment	Year-on-year growth	2013 EUR million	2012 EUR million
Weaving	-2.0 %	26.2	26.7
Processing	+5.2 %	101.0	96.0
Total	**+3.7 %**	**127.2**	**122.7**

There was a slight drop of 2.0% in external revenues to EUR 26.2 million (2012: EUR 26.7 million) in the Weaving segment whereas revenues in the Processing segment increased by 5.2% to EUR 101.0 million in the reporting period (2012: EUR 96.0 million). This resulted in a slight shift in the revenue split between the two segments compared with the previous year. The Processing segment increased its share of the Group's total revenue from 78.2% to 79.4%, while the Weaving segment's share decreased from 21.8% to 20.6%.

Orders

As of 31 December 2013, the Group had total orders of EUR 4.9 million (31 December 2012: EUR 4.0 million). Order coverage was 14 days (31 December 2012: 12 days). It should be noted that Tintbright experiences the highest sales and a higher order intake in the fourth quarter of the financial year, principally due to higher demand for textile products ahead of the festive seasons, in particular, before Christmas and Chinese New Year. Tintbright usually experiences lower sales in the first quarter of the financial year due to a slowdown in business operations during the long Chinese New Year holiday period in the PRC.

As of 31 December 2013, the order split between the two segments was as follows:

Segment	Year-on-year growth	2013 EUR million	2012 EUR million
Weaving	+341.1 %	2.0	0.5
Processing	-17.6 %	2.9	3.5
Total	**+23.1 %**	**4.9**	**4.0**

Other income

While no other operating income was generated in 2012, in 2013 other income in the amount of EUR 102 thousand from sales of scrap items and the derecognition of liabilities from the previous year was recorded.

Cost of sales

The cost of sales increased from EUR 90.1 million to EUR 93.4 million in the reporting period. The rise in the cost of sales was mainly due to the increase in output in 2013.

Tintbright's cost of sales comprises raw materials, labour costs and production overheads, as shown in the following table:

	2013 EUR million	2013 %	2012 EUR million	2012 %
Raw materials	73.2	78.4	68.7	76.3
Labour costs	5.8	6.2	5.7	6.3
Production overheads	14.4	15.4	15.7	17.4
	93.4	**100.0**	**90.1**	**100.0**

Raw materials account for 78.4 % (2012: 76.3 %) and thus make up the highest proportion of the cost of sales. The main raw materials are yarn, gray fabric, chemicals for printing and dyeing, and additives, most of which are sourced from suppliers in Fujian Province. To secure production at all times, Tintbright has more than 60 permanent suppliers. They are selected on the basis of quality, price and efficiency of delivery. Master contracts setting out the expected prices and order volumes of the various products are concluded with the suppliers at the start of each year. Inventories ensure that production can always be maintained for two to three weeks.

Cost of sales in the reporting period split up between the two segments as follows:

Weaving	2013 EUR million	2012 EUR million
Raw materials	17.6	17.8
Labour costs	2.0	2.0
Production overheads	2.4	2.7
Total	**22.0**	**22.5**

Processing	2013 EUR million	2012 EUR million
Raw materials	55.6	50.9
Labour costs	3.8	3.7
Production overheads	12.0	13.0
Total	**71.4**	**67.6**

Gross profit

The company made a gross profit of EUR 33.8 million in 2013 (2012: EUR 32.6 million), giving an unchanged gross margin of 26.6 % (2012: 26.6 %).

The gross profit of the two segments was as follows:

Segment	2013 EUR million	Margin %	2012 EUR million	Margin %
Weaving	4.2	16.1	4.3	16.0
Processing	29.6	29.3	28.3	29.5
Total	**33.8**	**26.6**	**32.6**	**26.6**

This shows that the gross profit in the Weaving segment slipped by EUR 0.1 million to EUR 4.2 million (2012: EUR 4.3 million), while the gross profit from textile processing and finishing activities increased to EUR 29.6 million (2012: EUR 28.3 million). This mirrors the sales trend which is driven by the strategic focus on innovative and functional textiles which is explained in more detail in section 1.3 “Strategy and vision”. Since the gross profit in the Weaving segment did not decline by as much as revenue, the segment's gross profit margin increased from 16.0 % in 2012 to 16.1 % in 2013. The gross profit margin in the Processing segment however slightly decreased from 29.5 % to 29.3 %. Overall, the gross profit margin therefore remained constantly high.

Expenses

Marketing and sales costs

Marketing and sales costs mainly comprise advertising and promotional expenses, commission payments, travel and entertainment expenses, transportation costs for delivery to customers, and wages and commission payments to sales and marketing staff. In the reporting period, marketing and sales costs increased from EUR 1.0 million to EUR 1.1 million. This was principally due to the increase in revenue and expansion of the sales department which is explained in more detail in section 1.3 “Strategy and Vision”. This way, Tintbright aims to counteract existing market risks as outlined in section 4.3.

Overall, marketing and sales costs accounted for 27.1 % of total expenses after gross profit in 2013 (2012: 25.1 %).

Administrative costs

Administrative costs comprise remuneration and related benefits for the Management Board and administrative personnel, travel and entertainment expenses incurred by the management, depreciation of office premises and land use rights, communal charges and other expenses, for example for training, maintenance and repairs, bank charges, office supplies, mail and telecommunications expenses, reimbursement of expenses, rents, R&D expenses and fleet costs.

In the reporting period, administrative costs were reduced from EUR 3.0 million to EUR 2.9 million. This slight decline was mainly due to lower donation expenses.

Financial result

Financial expense declined from EUR 1.3 million to EUR 0.8 million in the reporting period. In particular, interest expense for bank loans dropped significantly due to a considerable reduction in current bank loans in 2013.

In view of the low interest rates, financial income also decreased from EUR 0.3 million in 2012 to EUR 0.2 million in 2013. Financial income mainly comprises interest on deposits held at local banks.

Overall, Tintbright reported a negative financial result of minus EUR 0.6 million in 2013 (2012: minus EUR 1.1 million).

Tax expense

The Chinese subsidiaries of Tintbright AG are subject to corporation tax at a rate of 25.0 %. The two intermediate holding companies in Hong Kong were not liable to taxation in 2012 as they did not have any taxable income. The taxable income of Tintbright AG in 2013 was fully offset against tax loss carryforwards. In the consolidated financial statements, this led to a corresponding reduction in deferred tax assets.

Tintbright’s income taxes totalled EUR 7.6 million in 2013 (2012: EUR 8.5 million). The tax expense comprised income taxes for the fiscal year, withholding tax and deferred taxes. The deferred taxes mainly relate to timing differences in the calculation of bonus payments and dividend payments.

Earnings

EBITDA was EUR 31.3 million in the reporting period, compared with EUR 30.3 million in 2012. The operating result (EBIT) was EUR 30.0 million in the reporting period (2012: EUR 28.7 million). The financial result showed a slight loss of EUR 0.6 million (2012: loss of EUR 1.1 million), giving pre-tax income of EUR 29.4 million (2012: EUR 27.6 million). Tax expense decreased from EUR 8.5 million in 2012 to EUR 7.6 million in the reporting period. The total result for the period was therefore EUR 21.8 million (2012: EUR 19.1 million), giving earnings per share of EUR 432 (2012: EUR 381). Based on the 2.000.000 shares as of the listing date on 27 January 2014, restated earnings per share account for EUR 10.92 (2012: EUR 9.54).

2.3.3 Asset position

Non-current assets

As planned, capital expenditures for property, plant and equipment and intangible assets exceeded depreciation and amortization in the reporting period due to the construction of the new production site and further investment into the new water treatment plant. Non-current assets therefore increased to EUR 15.3 million as of 31 December 2013 (31 Dec 2012: EUR 15.0 million).

Property, plant and equipment increased from EUR 11.4 million to EUR 13.8 million in the reporting period, while land use rights remained basically unchanged at EUR 1.1 million (31 December 2012: EUR 1.2 million). Deferred tax assets were also virtually unchanged at EUR 0.4 million as of 31 December 2013 (31 December 2012: EUR 0.4 million). There were no advance payments as of 31 December 2013, unlike the situation as of 31 December 2012 (EUR 1.9 million).

Current assets

Current assets amounted to EUR 84.5 million as of December 31, 2013 (Dec 31, 2012: EUR 81.6 million).

The positive cash flow increased cash and cash equivalents to EUR 49.8 million in the reporting period (31 December 2012: EUR 45.3 million). Trade receivables increased to EUR 29.8 million mainly as a result of the rise in revenue (31 December 2012: EUR 27.8 million). The term of credit had not been extended. Inventories (raw materials, work in progress and finished goods) accordingly also increased slightly to EUR 4.6 million as of 31 December 2013 (31 December 2012: EUR 4.5 million). While other current assets were unchanged at EUR 0.3 million, there were no other current financial assets as of 31 December 2013, unlike the situation as of 31 December 2012 (EUR 4.0 million).

Non-current liabilities

The company had no non-current liabilities as of 31 December 2013 (31 December 2012: EUR 1.4 million).

Current liabilities

There was a considerable drop in current liabilities from EUR 48.7 million to EUR 32.0 million in 2013. This was particularly due to two factors. First, liabilities to banks were reduced from EUR 16.4 million to EUR 4.1 million in the reporting period, and second, related to the reporting date, trade payables declined from EUR 20.7 million to EUR 12.7 million due to early settlement in order to realize better pricing conditions. Further, other current liabilities declined from EUR 7.1 million to EUR 2.4 million in the reporting period. Short-term tax liabilities decreased from EUR 2.4 million as of 31 December 2012 to EUR 2.3 million as of 31 December 2013. Against that, other current financial liabilities rose from EUR 2.2 million to EUR 10.5 million in the reporting period.

Equity

Equity increased from EUR 46.5 million as of 31 December 2012 to EUR 67.8 million as of 31 December 2013. As a result of the positive net income, retained earnings increased by EUR 21.3 million to EUR 55.4 million (31 December 2012: EUR 34.6 million). By contrast, the currency reserve from the translation of foreign currencies decreased slightly from EUR 6.4 million to EUR 5.8 million in the reporting period. The statutory reserve (in accordance with PRC regulation) increased from EUR 4.9 million to EUR 5.7 million in the reporting period. The equity ratio therefore improved from 48.1 % to 68.0 %.

2.3.4 Financial Position

Capital structure

Equity increased by EUR 21.3 million to EUR 67.8 million in 2013 (2012: EUR 46.5 million). EUR 21.3 million of this increase comprises the net profit. The General Shareholders' Meeting is required to resolve on how to allocate this. Tintbright does not have any non-current liabilities to banks so it is only affected by the banks' credit squeeze to a marginal extent. Moreover, the cash flow remained high, resulting in an increase in cash and cash equivalents. Tintbright's capital and financing structure is therefore still extremely sound and gives the company all necessary entrepreneurial freedom for further expansion. As of 31 December 2013, there was no deterioration in balance sheet ratios compared with the previous year.

Alongside internal financing out of the operating cash flow, Tintbright uses current loans from banks to finance working capital (EUR 4.1 million as of 31 December 2013). All of these loans are denominated in RMB and are repayable within one year. Nominal interest rates range from 6.1 % to 9.0 %. The company has no outstanding credit lines apart from these bank loans.

Since the Tintbright Group's operating business is conducted in the PRC, its functional currency is the renminbi (RMB). However, its reporting currency is the euro (EUR), which is the reporting currency of the German parent company and holding company. With respect to cross-border financial transactions, it should be noted that payment transactions in foreign currencies are controlled by the government of the PRC. RMB, the official currency of the PRC, is not freely convertible. Companies like Tintbright that operate in the PRC can undertake transactions in foreign currencies through the People's Bank of China or other authorized institutions.

Capital expenditures

As planned, Tintbright invested EUR 2.1 million in non-current assets in 2013 (2012: EUR 0.6 million). EUR 1.7 million of this was for the completion of a new factory building for the growing, high-margin fabric processing and finishing operations and EUR 0.4 million was for the new waste water treatment plant which has been under construction since 2011.

Liquidity

Tintbright's business operations are mainly financed out of its operating cash flow, equity, and loans. These funds are mainly used to finance working capital. In addition, Tintbright purchases and extends production and administration facilities and invests in production machinery.

The net cash provided by operating activities amounted to EUR 6.5 million in 2013 (2012: EUR 35.0 million). The considerable year-on-year decline was principally due to a reduction of EUR 11.9 million in trade payables at year-end 2013, compared with an encrease of over EUR 7.4 million as of year-end 2012.

The net cash outflow for investing activities was EUR 2.1 million in the reporting period (2012: outflow of EUR 0.6 million). This was used entirely for investment in property, plant and equipment.

The cash inflow for financing activities was EUR 5.7 million (2012: outflow of EUR 33.5 million). This was partly attributable to the fact that in the reporting period, unlike the prior year, there was no outflow for dividend payments (2012: outflow of EUR 12.3 million).

The total net increase in liquid funds was EUR 10.0 million in the reporting period (2012: EUR 0.9 million). As a result, cash and cash equivalents increased to EUR 49.4 million as of 31 December 2013 (31 December 2012: EUR 39.5 million).

2.4 Earnings, Asset and Financial Position of Tintbright AG

2.4.1 Overall information

The following information refers to the separate financial statements of Tintbright AG prepared on the basis of German GAAP (HGB). Since Tintbright AG was established on 18 July 2012, the comparative figures for 2012 refer to the shortened fiscal year from 18 July to 31 December 2012.

2.4.2 Earnings

Tintbright AG is a holding and administration entity and provides general support for the entire Tintbright Group. As in fiscal year 2012, Tintbright AG did not generate any operating income in fiscal 2013, but received dividend income of EUR 3.6 million (2012: no dividend income). Other income was EUR 97 thousand (2012: no other income) while administrative expenses amounted to EUR 241 thousand in the reporting period (2012: EUR 103 thousand). Tintbright AG therefore had a net income of EUR 3.5 million in fiscal 2013 (2012: net loss of EUR 103 thousand).

kEUR	**1 January 2013- 31 December 2013**	**15 August 2012 - 31 December 2012**
Revenue	-	-*
Dividend income	3.600	-
Other income	97	-
Administrative expenses	(241)	(103)
Finance income	-	-
Result from ordinary activities	3,456	(103)
Net profit / (loss)	**3,456**	**(103)**
Retained profit / accumulated losses carried forward	(103)	-
Transfer to the statutory reserve	(5)	
Accumulated profits / losses	**3,348**	**(103)**

* Amount less than EUR 1,000

2.4.3 Assets

kEUR	31 December 2013	31 December 2012
Non-current assets		
Intangible assets	-	-
Shares in affiliated companies	-	-*
Other long-term equity investments	-	-
Loans to subsidiaries	-	-
Long-term assets	**-**	**-***
Current assets		
Receivables, prepaid expenses and other assets	5	-
Amount due from subsidiaries	3,600	-
Cash and bank balances	57	59
Short-term assets	3,662	59
	-	**53**
Total assets	**3,662**	**112**
Current liabilities and provisions		
Trade payables	**37**	2
Other liabilities	-	-
Provisions	212	100
Liabilities to shareholders	10	10
Liabilities to related companies		-
Total liabilities	259	112
Net assets	**3,403**	**(53)**
Capital and reserves attributable to equity holders of the company		
Share capital	50	50
Treasury shares	-	-
Capital reserves	-	-
Statutory reserve	5	-
Retained Earnings	3,353	(103)
Deficit not covered by equity	-	53
Equity	**3,403**	**0**

* Amount less than EUR 1,000

2.4.4 Liquidity and cash flow statement

Cash and cash equivalents nearly stayed stable at EUR 57 thousand as of 31 December 2013 compared to EUR 59 thousand as of 31 December 2012.

2.5 Segment Report

On the product side, the Group is divided into a number of product and volume sales areas (primary segments).

Segment	Weaving		Processing		Total	
in kEUR	2013	2012	2013	2012	2013	2012
Revenue	26,199	26,743	101,021	95,991	127,220	122,734
Earnings before tax (EBT) by segment	3,891	3,826	26,515	25,344	30,406	29,170

No geographical segment information is provided as the Group sold all of its products to PRC apparel manufacturers and to PRC trading companies.

More segment information is contained in section 1 in this management report for the Tintbright Group.

3. Events after the Reporting Period

The General Shareholders' Meeting on 23 December 2013 resolved to increase the company's share capital in return for contributions from EUR 50,000.00 by EUR 1,450,000.00 to EUR 1,500,000.00 and to amend sec. 1 paragraph 1 of the articles of association (amount and subdivision of the share capital). The capital increase was conducted and entered in the commercial register on 8 January 2014.

On 14 December 2013 the company concluded an agreement with Mr. Tianzhun Zhao and Thinkgreat Investments Ltd. on the transfer of 10 % of the shares in Dragon Way International Limited, Hong Kong to the company by means of retrospective incorporation. This agreement was approved at the General Shareholders Meeting on 23 December 2013. It was entered in the company's commercial register on 8 January 2014.

The General Shareholders' Meeting on 9 January 2014 resolved to increase the company's share capital in return for contributions from EUR 1,500,000.00 by EUR 500,000.00 to EUR 2,000,000.00 and to amend sec. 1 paragraph 1 of the articles of association (amount and subdivision of the share capital). The capital increase was conducted and entered in the commercial register on 15 January 2014.

The General Shareholders' Meeting on 21 January 2014 appointed the following members of the Management Board:

- Mr. Yuehui Hong, CEO, Jinjiang City, Fujian, PRC
- Mr. Junba Zhao, COO, Jinjiang City, Fujian, PRC
- Mr. Ang Chung, CFO, Suzhou City, Jiangsu, PRC

The entry in the commercial register took place on 18 February 2014.

Shares in Tintbright have been traded on the regulated market (Prime Standard) on Frankfurt Stock Exchange since 27 January 2014. The decision to admit the company's shares to trading was taken on 24 January 2014.

No further events have taken place since the reporting date that are of material significance of the asset, financial or earnings position of Tintbright AG or the Group.

4. Report on Opportunities, Risks and Outlook

4.1 Overall Risk Situation

Overall, the Group's risks are limited and calculable. Based on the information currently available, the Management Board is of the opinion that neither at present nor in the foreseeable future are there any significant individual risks that could represent a threat to the survival of the company.

In view of the strong cash flow from the company's business operations and its sound financing structure, the management is also of the opinion that in aggregate the risks do constitute a threat to the continued existence of the company.

In 2013, there were no risks to the continued existence of the company.

4.2 Opportunity and Risk Management

Risks constitute the general possibility of internal or external events that could adversely affect the financial situation of Tintbright AG and its subsidiaries and that could jeopardise the achievement of the objectives set. Tintbright's business is exposed to a large number of risks that are inseparably linked to entrepreneurial activity. The role of risk management is to make optimal use of business opportunities and only enter into the associated risks if utilizing the opportunities creates sufficient value. All risks entered into must therefore be offset by appropriate opportunities. Therefore, opportunity and risk management are closely interlinked within the Tintbright Group to ensure an appropriate relationship between opportunity and risk. Direct responsibility for the early and regular identification, analysis and management of opportunities rests with the Management Board. The company does not have an opportunity management system. Tintbright intensively analyses the market and the competition, market scenarios, relevant cost drivers and critical success factors, including those in the political environment in which the company operates. In decision-making, Tintbright relies on an opportunity-oriented approach but does not neglect risks. Generally, Tintbright employs a conservative risk management strategy. The central objective of financial management at Tintbright is to ensure sufficient liquidity reserves at all times, avoid financial risks and secure financial flexibility. The basis for safeguarding liquidity is integrated financial and liquidity planning, spanning a number of years. Tintbright includes all consolidated subsidiaries in this planning process. The operating business and the resulting cash flow is the Group's main source of liquidity. Operational planning is based on a long-term liquidity forecast. The short- and medium-term forecasts are updated quarterly. Surplus funding within the Group is distributed to those areas that require it via cash pooling in order to reduce external funding requirements and optimise net interest expense. The Tintbright Group has no derivatives or other financial instruments for hedging purposes, nor does it hold or issue derivative financial instruments for trading purposes.

Selected opportunities for the Tintbright Group are discussed in section 4.6 "Opportunities and success factors".

4.3 Voluntary Statements to the Risk Management System

Taking opportunities and being able to recognize and analyse risks and reduce them with appropriate strategies are important elements in the company's activities. Systematic risk management is an ongoing task for the risk owners, i.e. the Management Board, the risk manager and the management of each field of responsibility. However, even an appropriate and functioning risk management system cannot provide any absolute certainty.

At Tintbright, the evaluation and monitoring of risks of relevance to the company is performed initially by the heads of department. They report regularly to the Chairman of the Management Board, who monitors business performance and the associated risks and takes suitable counter-measures where necessary.

Tintbright steadily improves and develops risk management, but has not yet implemented a comprehensive risk management system. Given the company's prodigious growth in recent years, Tintbright is aware of the need for an advanced risk management system that would also act as a timely risk identification system in accordance with sec. 91 of the German Stock Corporation Act (AktG). The company is therefore engaged in talks with external consultants with a view to introducing a system of this type in 2014.

4.4 Voluntary Statements to the Internal Control System with Respect to the Group's Accounting Process

Tintbright has an internal control system in place and has taken first steps to develop a new risk management system to define and implement appropriate structures and processes for accounting and financial reporting throughout the Group. This system is designed to ensure timely, uniform and accurate accounting for all business processes and transactions. It ensures compliance with statutory regulations and accounting and financial reporting standards, and is binding on all the companies included in the consolidated financial statements. The relevance and consequences for the consolidated financial statements of any amendments to laws, accounting or financial reporting standards or other pronouncements are continually analysed. These measures serve to identify and evaluate risks, and to limit and monitor any risks that may be identified.

The accounting process is controlled by the Management Board and supervised by the Supervisory Board. The accounting and financial reporting process for Tintbright is managed by the Controlling and Accounting Department and an external service provider that supports the IFRS-based financial reporting. Functions and responsibilities in these areas are clearly assigned and there are mutual control processes to ensure a continuous exchange of information. The Group companies prepare their financial statements locally and transmit them with the aid of a data model that is standardized throughout the Group. The Group companies are responsible for compliance with the directives and procedures applicable throughout the Group and for the proper and timely operation of their accounting-related processes and systems. The consolidated financial statements are prepared centrally by an external German service company on the basis of the data supplied by the subsidiaries. The consolidation, certain reconciliation operations to Group policies and monitoring of the related time schedules and procedures are performed by the Accounting Department and the German external service provider.

The internal control system for financial accounting is based on defined preventive and supervisory control mechanisms such as systematic and manual checking, predefined approval procedures, the separation of functions and compliance with guidelines. Appropriate IT precautions are in place to protect the financial systems used from unauthorised access. Financial accounting systems only use standard software. External consultants such as auditors and lawyers are consulted on changes and complex accounting issues.

Nevertheless, there can never be any absolute certainty that material accounting misstatements are avoided.

4.5 Risk Factors

Based on an extensive risk analysis, Tintbright reevaluated the Groups' risk setting in 2013, identifying the following main risks:

Political risks

Tintbright's operating business Tintbright is carried out solely by Tintbright PRC. The PRC economy differs from the economies of most developed countries in many respects, for example, in its structure, the control of foreign exchange and the allocation of resources. While the PRC economy has changed fundamentally from a centrally planned system to a more market-oriented economy, the government still plays a significant role in regulating industries by imposing industrial policies. Although political conditions in China seem to be generally stable, legislative and regulatory changes may occur which might negatively affect Tintbright's interests.

Although the company believes that the continuing economic reforms will have a positive effect on the PRC's overall long-term development, the company cannot exclude that any changes might have a negative impact on its operations. If political changes were to hold back the forecast development of, for example, consumer spending, this could prevent the company meeting the revenue and earnings targets outlined in the "Outlook" section.

Market risks

Tintbright markets its products only to textile manufacturers or textile trading companies which sell its products either worldwide or within China. Tintbright's business is therefore dependent on the overall economic development of the PRC, which is in turn influenced by global economic momentum. It cannot be ruled out that growth in the Chinese economy could slow and that this could have a negative impact on Tintbright's business. For example, declining economic growth in China could increase competition within the textile industry and heighten price pressure. Moreover, lower growth rates could adversely affect the inflow of foreign investment. That could impair financing conditions for companies, leading to liquidity problems. The overall economic trend and associated factors such as interest rates, exchange rates and inflation also affect the income of the country's inhabitants and their willingness to spend. Accordingly, a change in market conditions could have a negative impact on Tintbright's business, resulting in failure to meet the revenue and earnings targets outlined in the "Outlook" section.

Tintbright is aware that the textile industry is a highly competitive sector. Its competitors comprise both national and international textile producers and processors. However, there are market entry barriers such as the need for textile printers and dyers to obtain permits and, in some cases, environmental certificates, which the government issues very restrictively. Companies compete on the basis of key criteria such as brand loyalty, product diversity, product design, product quality and price. Some companies have a similar or higher market penetration and a higher brand profile than Tintbright, and may have better access to financial, marketing and distribution resources. To strengthen its competitiveness and market position, Tintbright invests selectively in product development and production expansion. In addition, the sales team works closely with distributors who have direct customer contact in order to obtain first-hand information on market trends. The Group can obtain direct market information by visiting retailers and wholesalers to gain an accurate insight into new developments so it can produce marketable products geared to customers' preferences. However, if Tintbright does not manage to compete successfully with new and established competitors in the prevailing market conditions, or in changing market conditions, this could have a negative impact on its business and it could fail to achieve the forecast revenue and earnings targets.

Currency risks

The Group conducts its operating business in Renminbi (RMB), which is currently not a freely convertible currency. The RMB exchange rate is controlled by the authorities in the PRC and is tied to an international currency basket. Currency risks arise when the Group is involved in transactions that are settled in foreign currencies. Since the consolidated financial statements for the reporting period are prepared in euros (EUR) and this will not change in the future, the Group is exposed to changes in the RMB / EUR exchange rate. The translation risks resulting from fluctuations in the exchange rate could affect the Group's earnings and asset position. A devaluation of the RMB versus the euro would have a negative impact on the consolidated financial statements. In addition, a volatile RMB exchange rate could have a material and negative effect on both business activities and the Group's earnings, assets and financial position. Although almost all of the company's revenues and expenses are in RMB, changes in exchange rates could have a negative impact on the annual financial statements of Tintbright AG, which could possibly reduce future dividend payments. Overall, these factors could cause it to fall short of the revenue and earnings targets set out in the "Outlook" section.

To counter this risk, Tintbright AG only has the financial resources required to perform its administrative tasks; the main financial resources are held by the operating units. The company does not currently consider hedging to be necessary.

Human resources risks

Tintbright's future success is dependent to a large extent on the performance of the management and other key personnel. If a member of the management or other key employee takes a job with a competitor, sets up a competing company or leaves the company for other reasons, this could result in Tintbright losing customers, suppliers, knowledge and important specialists or other employees. There can be no guarantee that Tintbright can retain management and other executives or that, if necessary, it can replace these employees with other qualified managers. Demand for such experienced personnel is very high so the search for staff with the relevant skills can be very time-consuming. Another risk is high employee turnover, which could result in a loss of know-how and internal problems in the development process. These factors could have a significant impact on the company's business and prevent it meeting the revenue and earnings targets set out in the "Outlook" section.

Changes in raw material prices

The profitability of the Group is affected by changes in raw material prices. Raw materials made up around 78.4 % of the total cost of sales in 2013 (2012: 76.3 %). Since the Group does not have long-term agreements with its suppliers, there is no guarantee that it will be able to procure high-quality raw materials at competitive prices. A continuous and timely supply of high-quality raw materials is, however, crucial for the production of high-quality products. The market prices of such raw materials fluctuate depending on global demand and supply. They are influenced to a great extent by the price of oil. Every substantial hike in the price of these raw materials is most likely to have a considerable negative impact on the Group's production costs. If there is a substantial rise in the cost of such raw materials, this could materially impair the Group's asset, financial and earnings position and prevent it from meeting the revenue and earnings targets set out in the "Outlook" section, especially if it is unable to pass on such costs to its customers within a short time.

Default risks

Default risks arise from the granting of payment terms to customers. They are monitored through extensive and continuous creditworthiness checks and intensive receivables management. Tintbright's position as a one-stop service-provider gives it a strong position in dealings with distributors and suppliers and has a favourable impact on payment terms. Nevertheless, it cannot be ruled out that business partners could face unexpected liquidity problems or go bankrupt. This could have a negative retrospective impact on Tintbright's business, resulting in failure to meet the forecast revenue and earnings targets.

Tax risks

All operating activities are conducted by Sanrong PRC and Dragon PRC, which are subject to Chinese tax law. Accordingly, any change in national tax legislation and the interpretation of the prevailing regulations could affect Tintbright's performance. Furthermore, under PRC enterprise income tax laws, Tintbright AG, Sanrong HK and Dragon HK may be treated as tax resident enterprises for PRC tax purposes and could therefore be subject to PRC taxation.

None of the entities in the Group has undergone a special tax investigation by the relevant tax authorities in the past. Based on a future tax investigation or tax review, the company or its subsidiaries could be required to make additional tax payments. In connection with any additional tax payments, there is also an interest risk as interest typically has to be paid on additional tax payments after a grace period. Furthermore, there is a risk that tax penalties could be incurred. These factors could have a significant impact on the company's business and prevent it meeting the revenue and earnings targets set out in the "Outlook" section.

Legal risks

The PRC is still in the midst of a development phase, which includes development of the legal system. Despite significant progress, there is still no comprehensive legal system, interpretation of laws is subject to constant change and the implementation of legal provisions is often uncertain as there is no point of reference based on ongoing legal judgments. Since Tintbright's business is dependent on certain licenses and permits and the company is therefore subject to oversight by the relevant authorities, changes in the existing legal system and pending legal judgments could have a major influence on its business activities.

Furthermore, legal risks mainly relate to company law, commercial and brand law, product liability law and capital market law. Moreover, the relevant laws and interpretations are subject to change. Infringement of legal provisions as a result of ignorance or negligence could have a substantial impact on the company's business. Even a positive judgment of Tintbright's legal position could result in high expenses and cause lasting damage to its image. That could cause it to fall short of the revenue and earnings targets set out in the "Outlook" section.

To minimize these risks, Tintbright uses external experts and service-providers.

Insurance risks

In the PRC it is not customary to take out an extensive insurance protection for businesses as in more developed economies. This also applies for the operations of Tintbright PRC. The Group has insured its property and production plants. However, the insurance is not sufficient to cover all potential losses and liability. The Group is also exposed to further risks, for example, from natural disasters, unrest, general strikes or acts of terrorism, for which no insurance cover is to be obtained, possibly because of high premiums or for other reasons. Accordingly, if any of these risk factors were to materialize, they could result in significant cash outflows for the company, which would be detrimental to the business and could prevent it meeting the revenue and earnings targets set out in the "Outlook" section.

Environmental risks and changes in environmental protection

The Group's business activities in the PRC are subject to the country's environmental laws and provisions. These require manufacturing countries to install effective measures to monitor and ensure proper disposal of industrial waste. The production process involves hazardous goods such as dyes and additives and generates industrial effluent that has to be treated correctly. If a breach of environmental laws and provisions causes pollution, the relevant authorities can impose considerable fines. Moreover, government agencies in China can order temporary or permanent closure of factories in the event of serious violation of environmental laws and provisions. There is no guarantee that the government in China will not alter, supplement or tighten the present statutory regulations. Compliance with additional or more stringent laws and provisions could result in further cash outflows for the Group, which it might not be able to pass on to customers by raising prices. This could have a negative impact on Tintbright's business and preventing it meeting the revenue and earnings targets set out in the "Outlook" section.

4.6 Opportunities and Success Factors

As a textile manufacturer, Tintbright operates in a highly competitive market with a rising number of local and international brands and suppliers. The company is positioned as a one-stop service-provider, and is one of very view Chinese companies offering vertically integrated, customized product solutions, tailored to the requirements of its customers. As Tintbright increasingly focuses on high-margin products with innovative features, it has been able to compensate for the continued margin pressure in the country's traditional textile manufacturing sector. Tintbright's management is convinced that the company can benefit from rising prosperity and the increasing purchasing power of consumers in China, enabling it continue to grow the business. In particular, it identifies the following opportunities and success factors:

Market potential

China is the world's largest textile market, with a market size of RMB 3.7 trillion (around EUR 450 billion) in 2012. The average annual growth rate was 14.6 % between 2008 and 2012. The market is therefore very dynamic and is growing far faster than the economy as a whole. Alongside China's economic growth and rising disposable incomes, the sector is benefiting from the increasing quality-awareness and fashion-consciousness of domestic consumers. While exports are becoming less significant as foreign demand weakens in the wake of slower growth in the global economy, domestic consumption is playing an increasing role as a growth driver. This is reflected in the fact that domestic consumption increased from 62.1 % of total demand in 2002 to 84.9 % in 2013. Sector experts forecast that in the coming years there will be rising demand for high-quality individualized textiles with functional finishes. This could be favourable for Tintbright's business and enable it to exceed the revenue and earnings targets set out in the "Outlook" section.

Growing propensity to consume

The sustained growth in the Chinese economy and the rising prosperity of the country's inhabitants mean that end-consumers will spend more on leisure activities, sport, entertainment and high-quality clothing and other textiles. Moreover, supporting the domestic economy is one of the explicit political goals of China's central government in a bid to reduce export dependency, and has its full backing. Consumption-based purchasing habits will presumably have a direct influence on demand for Tintbright's products and could therefore benefit the company's business, enabling it to exceed the revenue and earnings targets set out in the "Outlook" section.

Creation of value

Traditionally, companies operating in the Chinese textile industry focus on a single section of the industrial chain. Tintbright is one of very few Chinese textile companies that takes a comprehensive and integrated approach, offering a wide variety of production services from weaving, printing and dyeing up to innovative post-processing treatments. This enables it to provide its customers with customized one-stop solutions geared to their requirements. The integrated business model enables Tintbright to reduce production costs for its printing and dyeing operations and reduces lead times for the production of fabrics. Increasing demand for integrated processes and individual products could have a direct impact on Tintbright's business, enabling the company to exceed its revenue and earnings forecasts set out in the “Outlook” section.

Innovation capacity

Tintbright increasingly focuses on high-margin products with innovative features, and already offers a wider variety of functional fabrics than most of its Chinese competitors. Led by the company’s CEO Tianzhun Zhao, Tintbright’s research and development department consists of 12 staff members, comprising department heads and technical personnel who possess extensive experience in the textile industry. In addition, Tintbright entered into a collaboration agreement with Shanghai Textile Research Institute in 2006. In this way, the company launched various functional fabrics. Thus the company has been able to compensate for the continued margin pressure in China’s traditional textile manufacturing sector. In the future, Tintbright aims to increase the share of innovative and proprietary functional products and services within its product portfolio. Along with the development of new functional fabrics, this could have a direct impact on Tintbright's business, enabling the company to exceed its revenue and earnings forecasts set out in the “Outlook” section.

Location advantage

Tintbright is based in Jinjiang City, Fujian Province, one of the textile centres in the PRC. Jinjiang is also known as the "City of Brands", being home to many renowned PRC brands such as “SeptWolves”, “K-Boxing”, “Anta” and “Seven Brand”. This strategic location gives the company easy access to suppliers of the raw materials required for its business, which in turn enables it to reduce production costs and working capital requirements. The close proximity to garment manufacturers, fabric traders and other textile companies also enables the company to build strong strategic relationships with the leading regional manufacturers and to respond promptly to changes in market trends. Tintbright’s management therefore believes that this situation could help it exceed its forecast revenue and earning targets.

Customer structure

The diverse customer base of over 550 buyers includes well-known Chinese brand names such as K-Boxing, Anta and SeptWolves. Tintbright is thus not reliant on any specific customer. In fiscal 2013, the share of the single biggest customer amounted to only 6.0 % of total revenue and the share of the five biggest customers within the last years continuously shrank to 25.3 % of total revenue in the reporting period. Tintbright has long-standing relationships with most of its customers. In fiscal 2013, the rate of returning customers was 78.0 %. This sustainable and reliable customer base could have a direct impact on Tintbright's business, enabling it to exceed the revenue and earnings forecasts set out in the “Outlook” section.

Environmental protection

In the past, pollution caused by toxic substances from textile companies in China led to concerns both within China and internationally. As a result, the requirements and environmental restrictions on manufacturing industry have been steadily increased and the permitting process has been tightened. Overall, environmental legislation has been extended substantially in China, and checking compliance with the regulations has been stepped up considerably. Tintbright anticipated this development early on, and has invested in environmentally friendly production facilities for many years. Environmental protection is of particular importance for Tintbright. In 2007, the company therefore completed construction of a waste water treatment plant with an oxidation pool, which has the capacity to treat 6,000 cubic meters of waste water per day. After treatment, the recycled water is returned to the processing plants for reutilisation in the production process. In 2008, Tintbright invested in an upgrade of its water treatment system to improve the environment-friendliness of the process and the recovery ratio for reuse. Currently, about 95 % of the waste water is reused in production facilities, ensuring a stable supply of water for the production process. In 2011, Tintbright started the construction of an improved waste water treatment system with the capacity to treat 6,000 cubic meters of waste water per day. This is expected to be completed in the summer of 2014. As evidence of Tintbright’s environmental management system, the company received ISO 14001:2004 accreditation in October 2012. This highlights its efforts, gives it a competitive advantage compared with other industry participants and could thus have a direct impact on Tintbright's business, enabling the company to exceed the revenue and earnings forecasts set out in the “Outlook” section.

4.7 Market Development and Sector Trends

4.7.1 Sector trends

The Chinese textile industry has undergone a continuous development since 2001. Sustained expansion of production capacity, high growth rates and constant technical progress have turned the sector into one of the world leaders in the production, processing and finishing of fabrics. Accounting for around 4 % of GDP, it is also one of the country’s most important industries. Between 2008 and 2012 the sector posted an average annual growth rate of 14.6 %. In 2012, total output was RMB 3,664 billion.[7] In the process, "Made in China” has become synonymous with cheap mass-produced products, making it difficult for individual companies to establish an awareness of their own brands. Despite well-trained personnel and ongoing technical progress, the Chinese textile industry is very labour-intensive and does not have adequate access to research and development or product design. Accordingly, advanced products still only account for a small proportion of total output.[7]

However, recently there have been initial signs of overcapacity, especially in the low-price segment, which is putting pressure on selling prices. Moreover, rising wage costs are impacting margins and the government has stepped up ecological requirements and checks on their implementation considerably to get the massive pollution problem under control.[7] The 12th Five-Year Plan for 2011-2012 therefore aims to upgrade industrial structures. The “Industrial Transformation and Upgrading Plan” calls on textile producers to increase their focus on higher quality fabrics with functional properties, drive

7 Respect Marketing Research Inc., April, 2013

forward technological development, and extend applications for products. R&D, design and marketing are therefore becoming more important for the industry. The government is supporting the development of novel functional and environment-friendly fabrics and textiles through the national “New Products Program” (2012). In addition, it aims to secure foreign investment for the sector through its “Catalogue of Industries for Guiding Foreign Investment” (2011). In parallel with this, consumer habits are starting to change: Demand for brands is increasing and consumers are becoming more aware of the quality and functionality of products.

Within this overall development, three specific trends can be identified:[7]

1. Within the textile industry, the market for (functional) finishing of fabrics is expanding steadily. With a forecast average annual growth rate of 16.7 %, the market for functional fabrics will increase to RMB 125 billion by 2015.
2. Environmental protection is becoming far more important. The environmental regulations and restrictions imposed on manufacturers have increased constantly, it is now more difficult to obtain operating permits, and checking compliance with environmental regulations has been tightened up considerably. In 2011 alone, the Chinese government closed down production capacity for more than 2 billion meters of fabric to reduce water pollution.
3. Customers are increasingly demanding integrated and individualized products and services. In this way, they can reduce costs and risks. At the same time, producers can reduce their costs and cut lead times. In the textile industry, companies have traditionally focused on one stage in the value chain. Now there is a clear trend towards one-stop solutions.

The rising technological and ecological demands associated with these trends raise entry barriers and require investment to R&D, production processes and equipment, design and marketing. In the light of this, consolidation of the sector is expected.[8]

As one of the few Chinese textile producers that positioned itself as an integrated supplier of customized products and services at an early stage, Tintbright could benefit from this process. By increasing its focus on manufacturing high-margin products with innovative properties, Tintbright already offers customers a wider range of functional fabrics than most of its competitors. This enables it to escape the high pressure on margins affecting traditional textile manufacturers in China. The company also identified the need for environmental protection early on and has been investing in environment-friendly production processes and equipment for many years.

In view of these competitive advantages and the market development outlined above, Tintbright’s Management Board expects demand to rise, although it anticipates that this will be accompanied by increasing competitive pressure, which could affect market prices.

4.7.2 Earnings, net assets and financial position and outlook

In 2013, Tintbright continued to invest in expanding production capacity and making production processes more environment-friendly. Total investment was EUR 2.1 million. EUR 1.7 million of this was for the completion of a new factory building for the growing high-margin fabric processing and finishing operations and EUR 0.4 million was for the new waste water treatment plant which is scheduled to come into operation in mid-2014.

8 ACMR-IBISWorld, October 2013

Tintbright intends to move forward in this direction in 2014 as well, especially by investing in further expansion of processing capacity to enable it to meet customers' requirements even better and create space for further growth. A new production building with production space of around 2,240 m^2 and 34 new fabric dyeing units is therefore under construction at the site used by its subsidiary Sanrong Printing Weaving Co., Ltd. This will increase production capacity in this area by 37 % to more than 218.9 million meters a year. Due to the efficiency of the production process, costs on the new production line will be below the current cost of fabric dyeing. The company therefore anticipates a slight improvement in margins. Since the building has been completed and the installation phase for the new equipment is short, production is scheduled to start in mid-May. In the next step, Tintbright is planning to expand production capacity for fabric printing this year. In all, it plans to invest EUR 1.0 million in 2014, with EUR 0.9 million of this earmarked for new machinery and EUR 0.1 million for new factory buildings. In addition, Tintbright plans to set up sales offices and a distribution network in Guangdong Province, which is a major garment manufacturing centre in the PRC, and in Shanghai.

Based on the assumption that consumer spending in China will continue to increase and there will be a further rise in demand for one-stop services, with export demand and the number of customers remaining stable, the company expects to report rising volume sales in the coming years. Based on the present order situation, the Management Board anticipates that the Group will grow revenue by around 10 % in euros (without taking currency effects into account). It expects to report a slight drop of 1-2 % in the Weaving segment, but growth of around 15 % in the higher-margin Processing segment.

Because of the increasing focus on the higher-margin fabric processing and finishing stages and a slight reduction in production costs at the new facilities, margins should remain consistently high despite the increasing price pressure within the traditional textile industry. Accordingly, the Management Board expects the Groups' pre-tax margin (EBT margin) to be in the range of 22-24 %. It assumes that, as in the previous year, the first quarter of the year will be the weakest for seasonal reasons.

4.7.3 Overall statement of future business development

China's continued positive economic development is resulting in rising urbanization in many regions. As a consequence, a larger section of the population is sharing in the country's rising prosperity. The government's aim of aligning the country's economic strength more clearly to domestic demand will lead to a further rise in demand for consumer goods. There are major opportunities for Tintbright to raise its market share in the coming years, especially in the areas of fabric processing and functional finishes. Customers are becoming increasingly quality-conscious and fashion trends and brand awareness are becoming more important purchasing criteria. In view of its established market position, recent and planned investments and sound financial base, Tintbright considers that it is excellently placed to derive above-average benefit from this trend in 2014.

5. Remuneration Systems

5.1 Remuneration of the Management Board

In accordance with the provisions of the German Stock Corporation Act, the Supervisory Board of Tintbright AG is responsible for setting the remuneration of the Management Board. The Supervisory Board has concluded service contracts with members of the Management Board. These do not contain agreements on fixed remuneration as all Management Board members receive separate fixed remuneration for their work at subsidiaries of Tintbright AG. Variable remuneration is not currently agreed for the work performed by Management Board members at subsidiaries. The remuneration of the Management Board comprises fixed remuneration, fringe benefits and other forms of remuneration as follows:

1. The fixed remuneration comprises a fixed annual salary paid in equal instalments. It is defined in service agreements with the subsidiaries. The entire remuneration of Mr. Tianzhun Zhao, Mr. Yuehui Hong, Mr. Junba Zhao and Mr. Ang Chung is paid by Tintbright HK and Tintbright PRC for their work at these companies.
2. The fringe benefits and other forms of remuneration comprise transfer allowances (rental costs, flight costs) and non-monetary benefits such as the provision of communications media and transportation.

Criteria for assessing the appropriateness of the Management Board's remuneration comprise, in particular, the duties of each member, his or her personal performance, the overall performance of the Management Board and the economic situation, the success and future prospects of the company, taking into account the business context and remuneration paid by peers.

In 2013, the members of the Management Board of Tintbright AG did not receive either fixed or variable remuneration for their work on the Management Board. The total remuneration of the present members of the Management Board in 2013 based on their work for subsidiaries was EUR 63 thousand (2012: EUR 64 thousand).

An individual breakdown can be found in the notes to the consolidated financial statements.

5.2 Remuneration of the Supervisory Board

In accordance with § 13 of the company's articles of association, any member of the Supervisory Board receives fixed remuneration that will be voted on by the Annual General Meeting that ratifies the actions of the Management Board and Supervisory Board for the 2013 fiscal year. If a member only holds a seat on the Supervisory Board for part of a year, remuneration is paid on a pro rata basis. In addition to the fixed remuneration, the members of the Supervisory Board are reimbursed any costs and expenses incurred in the performance of their duties. No variable remuneration is currently envisaged for the Supervisory Board. However, the articles of association do not exclude variable remuneration, so it could be decided on by the shareholders' meeting.

The members of the Supervisory Board are included in a Directors' and Officers' (D&O) insurance policy covering their work for the company.

6. Voluntary Other Information

referring to § 315 sec. 4 HGB

The share capital of Tintbright AG was EUR 50,000.00 as of 31 December 2013 and was divided into 50,000 no-par bearer shares with a theoretical pro rata share of the share capital of EUR 1.00 per share.

The General Shareholders' Meeting on 23 December 2013 resolved to increase the company's share capital in return for contributions by EUR 1,450,000.00 to EUR 1,500,000.00 and to amend sec. 1 paragraph 1 of the articles of association (amount and subdivision of the share capital). The capital increase was conducted and entered in the commercial register on 8 January 2014.

The General Shareholders' Meeting on 9 January 2014 resolved to increase the company's share capital in return for contributions by EUR 500,000.00 to EUR 2,000,000.00 and to amend sec. 1 paragraph 1 of the articles of association (amount and subdivision of the share capital). The capital increase was conducted and entered in the commercial register on 15 January 2014.

All shares have the same dividend and voting rights, with the exception of treasury stock, which does not confer any rights on the company. The rights and obligations of shareholders are specified in the provisions of the German Stock Corporation Act (AktG), especially in sec. 12, sec. 53a ff, sec. 118 ff and sec. 186. Tintbright AG did not hold any treasury stock on 31 December 2013.

Restrictions on the voting rights of shares could result from statutory provisions (sec. 71b and sec. 136 AktG). The Management Board is not aware of any other restrictions on the exercise of voting rights or the transfer of shares.

Under the provisions of German securities trading legislation, every investor whose proportion of the voting rights in the company reaches, exceeds or falls below certain thresholds as a result of the purchase or sale of shares or in any other way must notify the company and the Federal Financial Supervisory Authority (Bafin) thereof. The lowest threshold for such disclosures is 3 %.

Mr. Tianzhun Zhao has notified the company that he holds a direct stake in the company's capital that exceeds 50 % of the voting rights.

There are no shares in the company with special rights according rights of control.

Tintbright AG does not currently have any employee stock programs.

The appointment and dismissal of members of the Management Board is governed by sec. 84 and sec. 85 of the German Stock Corporation Act (AktG). Pursuant to the statutory provisions (sec. 179 paragraph 1 AktG) any amendment to the articles of association requires a resolution of the General Shareholders' Meeting. Further rules on amendments are contained in sec. 113 and sec. 119 AktG. Under sec. 10 paragraph 2 of the company's articles of association, the Supervisory Board may make amendments to the articles of association, providing these are merely editorial.

In addition, according to sec. 5 of the articles of association, the Supervisory Board is authorized to amend the articles of association after utilization of the authorized capital or the lapse of the period for the utilization of the authorized capital.

Under sec. 5 paragraph 1 of the articles of association, as of 31 December 2013 the Management Board was authorized, until 22 December 2018, to increase the company's share capital, with the consent of the Supervisory Board, by up to EUR 750,000.00 by issuing new shares for cash or contributions in kind in one or more tranches. Further details are given in sec. 5 paragraphs 1 to 3 of the company's articles of association, which can be downloaded from the company's website at Investor Relations/Corporate Governance.

As of 31 December 2013 there were no resolutions adopted by the General Shareholders' Meeting authorizing the company to issue or repurchase shares in Tintbright AG.

There are no agreements which give the contractual partner a right of termination in the event of a change in the company's shareholder or ownership structure such that the shareholders or owners relinquish control over the company.

There are no compensation agreements with either members of the Management Board or employees relating to a takeover bid.

7. Dependent Company Report

Because there is no control agreement with the majority shareholder, the Management Board of Tintbright AG is required under sec. 312 of the German Stock Corporation Act (AktG) to file a report on relationships with affiliated companies. This report contains information on the relationships with the majority shareholder Tianzhun Zhao and the companies in the Tintbright Group.

Pursuant to sec.- 312, para.3 AktG, the Management Board declares: “For all legal transactions and the measures disclosed in the dependency report on the period from 1 January 2013 to 31 December 2013, in the circumstances known to the members of the Management Board at the time these legal transactions or measures were concluded, Tintbright received an adequate consideration. Taken or untaken measures according to section 313 AktG did not exist.”

Cologne, 24 April 2014

The Management Board

Tianzhun Zhao	Yuehui Hong	Junba Zhao	Ang Chung

Voluntary responsibility statement

"We hereby declare that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the management includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Cologne, 24 April 2014

The Management Board

Tianzhun Zhao Yuehui Hong Junba Zhao Ang Chung

CONSOLIDATED FINANCIAL STATEMENTS TINTBRIGHT AG

for the finacial year ended 31 December 2013

Consolidated Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2013

kEUR	Note	Year ended 31 December 2013	Year ended 31 December 2012
Revenue	3	127,220	122,734
Cost of sales	4	(93,388)	(90,134)
Gross profit		**33,832**	**32,600**
Other income	3	102	-
Selling and distribution expenses	5	(1,073)	(988)
Administration expenses	6	(2,882)	(2,954)
Finance costs	7	(798)	(1,348)
Finance income	8	225	294
Profit before tax		**29,406**	**27,604**
Income tax expense	9	(7,558)	(8,517)
Profit for the year		**21,848**	**19,087**
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations	16	(595)	(701)
Other comprehensive income, net of income tax		**(595)**	**(701)**
Total comprehensive income for the year		**21,253**	**18,386**
Profit for the year attributable to:	16		
• Owners of the company		21,605	19,048
• Non-controlling interests		243	39
Total Comprehensive income for the year attributable to:	16		
• Owners of the company		21,017	18,349
• Non-controlling interests		236	37
Earnings per share (basic and diluted)	**22**	**432**	**381**

Other comprehensive income comprises only income and expense items that under certain conditions may be reclassified subsequently to profit or loss.
The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).
The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2013

Assets

kEUR	Note	Year ended 31 December 2013	Year ended 31 December 2012
Non-current assets			
Property, plant and equipment	10	13,770	11,427
Land use rights	11	1,140	1,180
Prepayments		-	1,937
Deferred tax assets	9	384	410
		15,294	14,954
Current assets			
Inventories	12	4,574	4,521
Trade receivables	13	29,838	27,761
Other financial assets	14	-	4,007
Other assets	14	261	21
Cash and bank balances	15	49,777	45,332
		84,450	81,642
Total assets		**99,744**	**96,596**

Equity and Liabilities

kEUR	Note	Year ended 31 December 2013	Year ended 31 December 2012
Capital and reserves			
Share capital	16	50	50
Share premium	16	5	-
Chinese legal reserve	16	5,715	4,894
Retained Earnings	16	55,380	34,628
Foreign currency translation reserve	16	5,758	6,353
		66,908	45,925
Non-controlling interests	16	855	584
Total equity		**67,763**	**46,509**
Non-current liabilities			
Deferred tax liabilities	14	-	1,381
		-	1,381
Current liabilities			
Trade and other payables	17	12,660	20,663
Borrowings	18	4,102	16,435
Other financial liabilities	19	10,516	2,161
Other liabilities	19	2,367	7,090
Current tax liabilities	9	2,336	2,357
		31,981	48,706
Total liabilities		**31,981**	**50,087**
Total equity and liabilities		**99,744**	**96,596**

The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

kEUR	Note	Share Capital	Statutory Reserve	Chinese legal reserve
Balance at 1-January-2012		7,661	-	5,043
Restructuring	9, 16	(7,611)	-	-
Total comprehensive income		-	-	-
Non-controlling interest	9	-	-	(149)
Dividends	21	-	-	-
Balance at 31-December-2012		50	-	4,894
Total comprehensive income		-	-	-
Transfer to statutory reserve		-	5	-
Transfer to Chinese legal reserve		-	-	875
Non-controlling interest	9	-	-	(54)
Balance at 31-December-2013		50	5	5,715

Retained Earnings	Other Comprehensive Income: Translation Reserve	Equity attributable to shareholders of the paren	Non Controlling Interest	Total Equity
21,358	7,054	41,116	-	41,116
7,661	-	50	-	50
19,087	(701)	18,386	-	18,386
(435)	-	(584)	584	-
(13,043)	-	(13,043)	-	(13,043)
34,628	6,353	45,925	584	46,509
21,849	(595)	21,254	-	21,254
(5)	-	-	-	-
(875)	-	-	-	-
(217)	-	(271)	271	-
55,380	5,758	66,908	855	67,763

The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

kEUR	Note	Year ended 31 December 2013	Year ended 31 December 2012
Cash flows from operating activities			
Profit before taxation		29,406	27,604
Adjustments for:			
Finance income	8	(225)	(294)
Finance costs	7	798	1,348
Depreciation of property, plant and equipment	10	1,325	1,617
Reversal of land use rights	11	28	28
Operating profit before working capital changes		31,332	30,303
Decrease / (increase) in inventories		(101)	2,974
Decrease / (Increase) in trade receivables and other assets		(2,409)	(62)
Increase / (Decrease) in trade and other payables		(14,810)	7,906
Cash generated from operations		14,012	41,121
Income tax paid	9	(7,533)	(6,077)
Net cash generated from operating activities		6,479	35,044
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,121)	(635)
Net cash used in investing activities		(2,121)	(635)
Cash flows from financing activities			
Received / (Payment) of amount due to a shareholder		13,249	(17,499)
Proceeds from issuance of new shares		-	50
Deposits pledged with bank		5,435	(2,527)
Dividend paid		-	(12,339)
Finance income received	8	225	294
Finance costs paid	7	(798)	(1,348)
Repayment of bank loans		(16,653)	(17,009)
Bank loans obtained		4,198	16,886
Net cash used in financing activities		5,657	(33,492)
Net increase in cash and cash equivalents not pledged		10,015	917
Cash and cash equivalents not pledged at beginning of financial year		39,540	39,267
Effects of currency translation		(134)	(644)
Cash and cash equivalents not pledged at end of financial year	15	49,421	39,540

The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2013

1. General Information

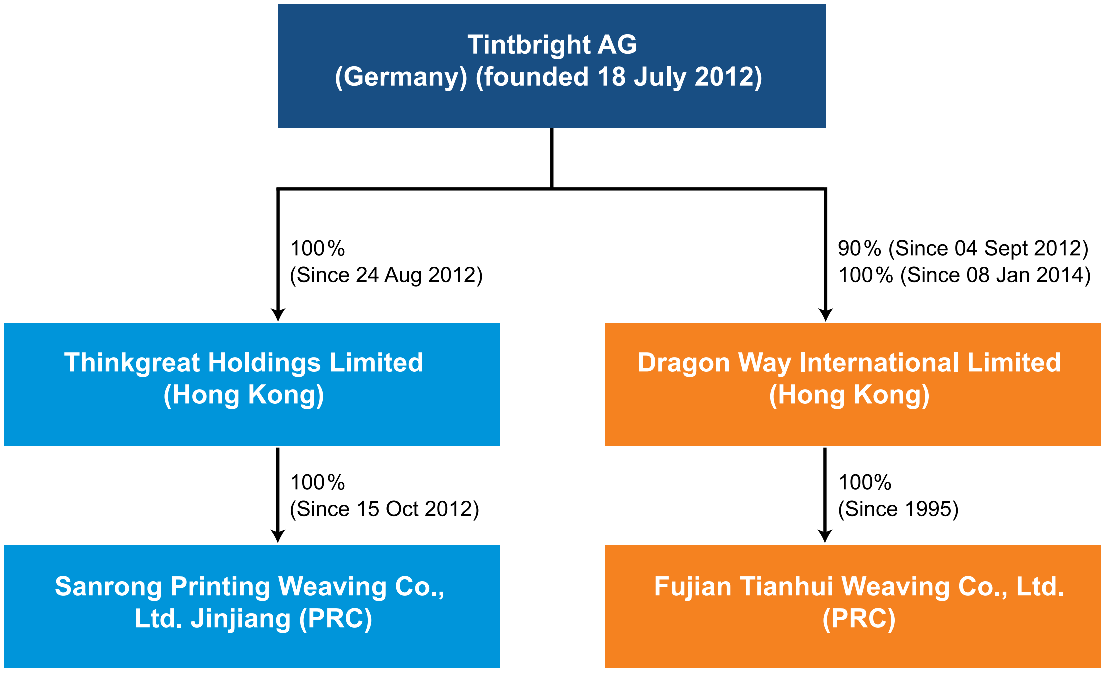
1.1 The Company

Tintbright AG (the “company”) is the parent company of the Group. The company is a German limited liability stock corporation registered in Germany. The company’s registration number is HRB 76278 in Cologne, Germany. The company’s financial year is the calendar year (i.e. 01 January to 31 December).

The shares of the company have been admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange on 24 January 2014. The company issued 2,000,000 shares with a value of EUR 1 per share. The first price was EUR 12.20 per share. Therefore the present consolidated financial statement has been prepared voluntarily on the basis of IFRS.

Tintbright Group is mainly engaged in the production and processing of fabrics with its two operating subsidiaries based in the People’s Republic of China (“PRC”). Its current business can be divided into two segments: manufacturing of woven fabrics and processing of various types of finished fabrics for the global market.

1.2 Group Structure



The consolidated financial statements of the Group of Tintbright AG and its subsidiaries ("Tintbright Group" or "the companies"), comprise Tintbright AG ("the Company"), Dragon Way International Limited ("Dragon HK"), Thinkgreat Holdings Limited ("Thinkgreat HK"), Fujian Tianhui Weaving Co., Ltd. ("Dragon PRC" or "Tianhui PRC") and Sanrong Printing Weaving Co., Ltd. Jinjiang ("Sanrong PRC").

Thinkgreat Holdings Limited (HK) was founded on 20 August 2012 and it was registered at 24 August 2012. It is solely owned by Tintbright AG for the period from the foundation up to today.

Sanrong Printing Weaving Co., Ltd. Jinjiang was incorporated on 07 December 1998 and acquired at 100 % by Thinkgreat Holdings Limited (HK) on 15 October 2012 from Thinkgreat Investments Ltd., British Virgin Islands (BVI). Thinkgreat Investments Ltd. (BVI) was the sole shareholder of Sanrong Printing Weaving Co., Ltd. Jinjiang since 28 May 2006 up to 15 October 2012.

Dragon Way International Limited (HK) was incorporated on 08 May 2006 and has issued 100 shares to Thinkgreat Investments Ltd., BVI (10 %) and later issued new shares of 900 to Tintbright AG on 04 September 2012 (90 %). The remaining 10 % of shares were transferred to Tintbright AG by contribution in kind coming effective on 08 January 2014.

Fujian Tianhui Weaving Co., Ltd. was incorporated on 23 February 1995 and was acquired at 100 % by Dragon Way International Limited (HK) on 05 December 2007 from Mr. Tianzhun Zhao. Dragon Way International Limited (HK) is the sole shareholder of Fujian Tianhui Weaving Co., Ltd. since 05 December 2007 up to today.

The sole shareholder of Thinkgreat Investments Ltd., British Virgin Islands (BVI) is Mr. Tianzhun Zhao since 28 May 2006 up to today.

As of 31 December 2013 the Company's direct and indirect interests in subsidiaries can be summarized as follows:

Name of the company	Shares held by the Company	Equity 31 Dec 2013 kEUR	Profit / (Loss) for the year 2013 kEUR	Nature of investment
Thinkgreat Holdings Limited ("Thinkgreat HK")	100 %	7,262	12,166	Direct
Sanrong Printing Weaving Co., Ltd. ("Sanrong PRC")	100 %	55,783	19,542	Indirect
Dragon Way International Limited ("Dragon HK")	90 %	2,172	1,540	Direct
Fujian Tianhui Weaving Co., Ltd. ("Dragon PRC")	90 %	17,148	2,710	Indirect

Dragon PRC produces woven fabrics by manufacturing synthetic and cotton yarn into woven grey cloths whereas Sanrong PRC processes woven and other fabrics to premium textile material by printing, dyeing and post-processing to increase the functionality of the fabrics by adding new properties.

Woven fabrics being produced by Dragon PRC are, interalia, threads, cotton cloths and chemical fibre cloths and sells its finished woven fabrics either directly to its customers or processes the woven fabrics to finished fabrics.

The processing of fabrics performed by Sanrong PRC includes washing, bleaching, printing, dyeing and post-processing of woven fabrics. The woven fabrics are either supplied by own production of Dragon PRC, purchased from third parties by Sanrong PRC or provided by the customers themselves. The post-processing treatment involves the application of special properties such as water-resistance, oil-resistance or dirt-resistance as well as UV-protection and anti-static or anti-bacterial properties. The finished fabrics are high-end leisure fabrics used, inter alia, for the production of swimming attire as well as fine printing and multifunctional fabrics.

2. Significant Accounting Policies

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), as well as with the regulations under the commercial law set forth in section 315a para. 3 of the German Commercial Code ("HGB"). The Group has adopted all EU IFRS that were effectively on or before 01 January 2013.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The group applied the option available under § 315a paragraph 3 of the German Commercial Code (HGB) to prepare the consolidated financial statements in accordance with IFRS.

2.2 Basis of Preparation

The consolidated financial statements are prepared in Euros. Amounts are stated in thousands of Euro (kEUR) except where stated otherwise.

The currency of the Group's primary economic environment is Renminbi ("RMB"). Therefore it represents the functional currency of the company and its subsidiaries.

The figures mentioned in these consolidated financial statements were subject to rounding adjustments that were carried out according to established commercial standards. As a result, the figures stated in a table may not exactly add up to the total values that may also be stated in the table.

Dividends to be paid by the operating PRC subsidiaries generally have to be approved by a Chinese government body (State Administration of Foreign Exchange, "SAFE"). In addition, dividends are only payable if Chinese statutory reserves satisfy the related legal requirements ("Chinese legal reserve"). For details regarding the legal requirements refer to note 21.

The consolidated statement of profit or loss is classified according to the cost of sales method.

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

The consolidated financial statements of the company were approved as prepared by management board on 24 April 2014 and presented to the supervisory board for its meeting on 24 April 2014.

2.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder's meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit of loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between

(i) the aggregate of fair value of the consideration received and the fair value of any retained interest and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified / permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Due to the fact that all interests in the Group during the reporting periods are held by Mr. Tianzhun Zhao, who brought in the majority of his interests in the Group companies into the 2012 newly founded Tintbright AG (common control transaction acc. to IFRS 3), the financial reporting is based on the fictitious assumption that the Tintbright AG Group already existed at the beginning of prior year's reporting period, and that the assets and liabilities had been transferred to it before the beginning of prior year's reporting period.

The assets and liabilities are accounted for by the predecessor accounting method at the amounts at which they were carried by each company. Accordingly, the results of the comparative period include the results of the Group's individual companies for the entire comparative period. Such manner of presentation reflects the economic substance of the companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiaries relationships were not established. All significant intercompany accounts and transactions have been eliminated in consolidation.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

2.4 Application of New and Revised International Financial Reporting Standards (IFRSs)

The following regulations which became effective in 2013 have been applied to all periods presented:

Amendments to IFRS 1	First Time Adoption of International Financial Reporting Standards-Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after 1 January 2013)
Amendments to IFRS 1	First Time Adoption of International Financial Reporting Standards – Government Loans (applicable for annual periods beginning on or after 1 January 2013)
Amendments to IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
Amendments to IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)
Amendments to IAS 12	Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2013)
IFRS 13	Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
IAS 19 (revised 2011)	Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)
Improvements to IFRS (2009-2011)	Normally applicable for annual periods beginning on or after 1 January 2013

The adoption of the above IFRS did not result in substantial changes to the Group's accounting policies or any significant impact on the consolidated financial statements.

The following new or revised IFRSs, potentially relevant to the Group's financial statements, have been promulgated by the EU, but are not yet effective and have not been early adopted by the Group:

IFRS 10	Consolidated Financial Statements(1)
IFRS 11	Joint Arrangements(1)
IFRS 12	Disclosures of Interests in Other Entities(1)
IAS 27	Separate Financial Statements(1)
IAS 28	Investments in Associates and Joint Ventures(1)

(1)Effective for annual periods beginning on or after 1 January 2014

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has assessed IFRS 12's full impact which does not expect any material impact on the consolidated financial statements arising from the adoption of this standard but considers that the new standard might affect the extent of future disclosure in the notes to the consolidated financial statements. The Group intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

There are no other IFRSs or IFRIC interpretations promulgated by the EU, but not yet effective that would be expected to have a material impact on the Group.

The following standards and Interpretations are not yet promulgated by the EU and therefore not adopted by the Group:

IFRS 9	Financial Instruments and subsequent amendments (initial mandatory application in the EU is still unknown)
Improvements to IFRS (2010-2012)	Initial mandatory application in the EU is still unknown
Improvements to IFRS (2011-2013)	Initial mandatory application in the EU is still unknown
Amendments to IAS 19	Employee Benefits – Employee Contributions (initial mandatory application in the EU is still unknown)
Amendments to IFRS 9 and IFRS 7	“Financial Instruments” and “Financial Instruments – Disclosures”: Initial Application and Transitional Regulations (initial mandatory application in the EU is still unknown)
IFRS 14	Regulatory Deferral Account (initial mandatory application in the EU is still unknown)
IFRIC 21	Levies (initial mandatory application in the EU is still unknown)

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The potential impact on Ultrasonic Group is currently being analysed.

Except for IFRS 9 there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The financial statements have been prepared using the measurement bases and accounting policies specified by IFRS as adopted by the EU for each type of asset, liability, income and expense. These are more fully described below.

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements. The statement of comprehensive income has been prepared using the function of expense method.

2.5 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group’s accounting policies, which are described in note 2.5 pp, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

The Group is mainly exposed to income tax arising from operations in the PRC. Significant judgment is required in determining the provision for income taxes. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax expense and deferred tax provisions in the period in which such determination is made.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management determines the estimated useful lives of property, plant and equipment to be within 5 to 20 years. The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. A 5 % difference in the expected useful lives of the property, plant and equipment would not result in a significant change to the Group’s net profit for the respective financial years.

Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group’s core business is subject to raw material price changes and changes in customer behaviour which might affect selling prices to change rapidly.

Impairment of trade receivables

The Group’s management assesses the collectability of trade receivables at the end of each reporting period. This estimate is based on the credit history of the Group’s customers and the current market condition. Management assesses the collectability of trade receivables at the balance sheet date and makes a provision, if deemed necessary.

2.6 Property, Plant and Equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset.

Advance payments for property, plant and equipment acquired are recognized as an asset when payment for the property, plant and equipment has been made in advance of the final delivery of the property, plant and equipment.

Depreciation on property, plant and equipment is calculated using the straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Buildings	20 years
Plant and machinery	5 - 15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The estimated residual values, estimated useful lives, and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period.

The gain or loss on disposal or retirement of an item of property, plant and equipment recognized in profit or loss is the difference between the net disposal proceeds and the carrying amount of the relevant asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Construction in progress, which represents buildings under construction, and plant and machinery pending installation, is stated at cost less impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate categories when completed and ready for use. The depreciation of these assets starts when the assets are ready for their intended use.

2.7 Land Use Rights

Upfront prepayments made for land use rights are initially recognized as paid in advance leasing rates and they are shown as land use rights in the non-current assets in the consolidated statement of financial position. They are charged to the profit or loss as expenses over the periods of the respective lease. In this case it is an operating lease.

2.8 Impairment of Tangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss.

2.9 Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.10 Financial Assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Aavailable-for-sale financial assets
- Loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognised on a trade date basis. At the reporting date, the company only held financial assets falling into the category “loans and receivables”.

2.10.1 Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2.10.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2.10.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collection payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

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

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

2.10.4 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of the ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognized in profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprise raw materials, direct labour and other overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The carrying values of inventories are disclosed under note 12.

2.12 Financial Liabilities and Equity Instruments

2.12.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.12.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

2.12.3 Financial liabilities

Financial liabilities are recorded if an allied company becomes party to a contract concerning the financial instrument. They are classified as either financial liabilities at fair value through profit or loss or as other financial liabilities. At the end of the reporting period, and in preceding periods, the Group's financial liabilities are solely belonging to the category "other financial liabilities".

2.12.4 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

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

2.12.5 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

2.13 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Provisions are not recognized for future operating losses. When the Group expects some or all of the economic benefits required to settle a provision to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in income statement net of any reimbursement.

All provisions and contingent liabilities are reviewed at each reporting date and adjusted to reflect the current best estimate.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.14 Revenue and income

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of goods and service taxes, rebates and other similar allowances.

Revenue from the sale of manufactured products is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Group.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.15 Finance income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.16 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group has not entered into finance leases in the reporting period and in preceding periods.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

2.17 Employee benefits – Retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries located in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries located in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme as mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. These plans are considered defined contribution plans.

The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contributions into the national pension schemes. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed.

The Group has no direct and indirect pension obligations which would be classified ad defined benefit obligation.

2.18 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.18.1 Current tax

Current income tax assets and / or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. The differences are resulting from revenues and expenses that are taxable or deductible in later years or never. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in the respective countries in which the Group is operating.

2.18.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured:

(i) at the tax rates and tax laws that are expected to apply in the period in which the liability is settled or the asset realized; and
(ii) based on the tax consequence that would follow from the manner in which the Group expects, at the date of the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.18.3 Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

2.19 Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dated of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Group conducts its business predominantly in the PRC and hence its functional currency is the Renminbi ("RMB").

The presentation currency of the Group is Euro, being the presentation currency with respect to the ultimate German domiciled legal parent and holding company. Therefore the financial information has been translated from RMB and HKD to EUR at the following rates:

	Period end rates	**Average rates**
31 December 2012	EUR 1 = RMB 8.3268	EUR 1 = RMB 8.1044
31 December 2013	EUR 1 = RMB 8.4115	EUR 1 = RMB 8.2179

	Period end rates	**Average rates**
31 December 2012	RMB 1 = HKD 1.2272	RMB 1 = HKD 1.2274
31 December 2013	RMB 1 = HKD 1.2683	RMB 1 = HKD 1.2515

The results and financial positions in functional currency are translated into the presentation currency for the purpose of presentation of its intended ultimate legal parent as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognized in other comprehensive income and accumulated in equity. 2.20 Borrowing costs

2.20 Borrowing costs

Borrowing costs are recognized in profit or loss in the period when they are incurred.

2.21 Segment reporting

The company has adopted IFRS 8 to report segment information. Segments are defined according to products. These are prepared by the operating business units on the basis of internal information, which is regularly reviewed by the management. The information is also used for internal assessment of the Group's performance.

In presenting information on the basis of the business segment, segment revenue and segment assets are based on the types of goods delivered or provided by the Group.

The management of the Group bases its decisions on the internal reporting on weaving as well as dyeing and printing, which are the Group's two business segments.

2.21.1 Weaving

Dragon PRC produces woven fabrics by manufacturing synthetic and cotton yarn into woven grey cloths.

2.21.2 Processing

Sanrong PRC processes woven and other fabrics to premium textile material by printing, dyeing and post-processing to increase the functionality of the fabrics by adding new properties.

2.22 Research and Development Costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

In the reporting period all expenses related to research and development costs do not fulfil the requirements described above and are therefore are fully included in profit or loss.

3. Revenue and Other Income

The Group's revenues are as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Sales of goods	127,220	122,734
Other income:		
Others	102	-
	127,322	**122,734**

Revenue is generated from sales of woven fabrics as well as the processing of various types of finished fabrics which are either self-manufactured, provided by customers or bough from third parties. Processing comprises printing, dyeing, coating and finishing of textile products which are sold to trading companies and garment manufacturers within the PRC.

The largest customer accounted for 6.0 % (2012:7.1 %) of total revenues in the financial year 2013.

Other income mainly comprised of the sales of the scrap items and the derecognition of liabilities.

4. Cost of Sales

Cost of sales comprise purchased materials, labour costs for personnel employed in production, depreciation and amortization of non-current assets used for production purposes, trading goods and others (mainly utilities, maintenance costs and indirect labour cost). The following table shows a breakdown of costs of sales for the period under review for each category:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Materials	73,217	68,743
Labour costs	5,810	5,671
Research & development expense	100	86
Depreciation	1,160	1,451
Fuel costs	6,214	6,714
Others	6,887	7,469
	93,388	90,134
Cost of inventories recognized in income statement	79,346	75,492

5. Selling and Distribution Expenses

Selling and distribution expenses mainly consist of the following cost components:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Transportation	494	460
Staff costs	510	456
Others	69	72
	1,073	**988**

6. Administration Expenses

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Salaries	647	720
Local tax expenses	470	482
Audit Fee	243	101
Staff welfare	233	246
IPO Expenses	200	320
Vehicles repair and maintenance expenses	183	152
Entertainment expenses	174	144
Depreciation	165	166
Research and development expenses	121	55
Stamp duty	60	58
Labour union expenses	58	56
Social contribution	48	49
Travelling expense	46	48
Communication expenses	42	43
Bank charges	40	128
Donation	-	39
Office expenses	38	41
Others	38	34
Insurance	32	26
Amortisation	28	29
Rental	16	17
	2,882	**2,954**

7. Finance Costs

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Interest charges on:		
Short-term bank borrowings	798	1,348

Interest expenses relate to short-term bank borrowings. The weighted average capitalization rate on funds borrowed is 8.3 % per annum (2012: 8.0 % per annum).

8. Finance Income

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Interest income on bank deposits	225	294

Interest income results from bank deposits with an average weighted interest rate of 0.7 % per annum (2012: 0.7 %).

9. Income Tax Expense

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Current income taxes		
Germany	-	-
PRC	7,536	7,114
Total current income taxes	**7,536**	**7,114**
Deferred taxes		
Germany	-	-
PRC	(1,377)	1,156
Total deferred tax expenses / (income)	**(1,377)**	**1,156**
Withholding tax expense		
Withholding tax expense on dividends paid in the current year and payable in future periods	1,399	247
Total withholding tax expense	**1,399**	**247**
Total income tax expense	**7,558**	**8,517**

The following tax rates are applicable to the Group depending on the jurisdiction:

%	Year ended 31 December 2013	Year ended 31 December 2012
Germany	31.2	31.2
PRC	25	25
Hong Kong	16.5	16.5

The income tax expense for the year can be reconciled to the accounting profit as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Profit before tax	29,406	27,604
Income tax expense calculated at 25 % (2012: 25 %)	7,352	6,901
Tax effect of non-profit entities	36	26
Effect of expenses that are not deductible in determining taxable profit	83	98
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	22	(15)
Effect of income that is exempt from taxation	65	88
Effect of deferred tax on dividends	(1,399)	1,172
Effect of withholding tax on dividends paid	1,399	247
Income tax expense recognized in profit or loss (average tax rate 25.7 % in 2013 and 30.8 % in 2012)	7,558	8,517

Movement in income tax payable is as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Beginning of financial year	2,357	1,365
Current year income tax expense	7,558	8,517
Income taxes paid	(7,533)	(6,077)
Deferred tax expenses	(22)	(1,403)
Deferred tax gain	1,399	-
Withholding tax expense	(1,399)	-
Translation adjustment	(24)	(45)
End of financial year	**2,336**	**2,357**

Income tax is not related to other comprehensive income.

The following is an analysis of the deferred tax assets / liabilities in the consolidated financial statement of financial position:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Deferred tax assets	384	410
Deferred tax liabilities	-	1,381

Deferred tax assets mainly derived from the timing difference of the bonus paid while the deferred tax liabilities is refer to the timing difference of withholding tax derived from the dividend payment.

For temporary differences arising from undistributed profits from subsidiaries in respect of distributions in the amount of kEUR 55,831 in 2013 (kEUR 38,598 in 2012) were no deferred tax liabilities recognized. Dividends from China to Hong Kong are subject to the restrictions described in note 2.2.

Deferred tax assets / (liabilities) in relation to:

Year ended 31 Dec. kEUR	Opening balance	Recognized in profit or loss	Recognized in other compre-hensive income	Recognized directly in equity	Reclassi-fied from equity into profit or loss	Translation difference	Closing balance
Deferred tax assets	410	(22)	-	-	-	(4)	384
Deferred tax liabilities	1,381	(1,399)	-	-	-	18	-
	1,791	**(1,421)**	**-**	**-**	**-**	**14**	**384**

10. Property, Plant and Equipment

Property, plant and equipment at their carrying amounts consist of:

kEUR	Building	Constrcution in progress	Plant and Machinery	Furniture, Fixture & Office Equipment	Motor Vehicles	Total
Cost						
At 1 January 2012	4,289	-	24,840	5	426	29,560
Addition	-	-	-	6	16	22
Translation adjustment	(52)	-	(303)	-	(6)	(361)
At 31 December 2012	4,237	-	24,537	11	436	29,221
Addition	-	3,841	-	-	-	3,841
Translation adjustment	(43)	(89)	(247)	(1)	(4)	(384)
At 31 December 2013	4,194	3,752	24,290	10	432	32,678
Accumulated Depreciation						
At 1 January 2012	1,757	-	14,507	4	153	16,421
Depreciation	168	-	1,386	1	62	1,617
Translation adjustment	(26)	-	(214)	-	(4)	(244)
At 31 December 2012	1,899	-	15,679	5	211	17,794
Depreciation	165	-	1,096	1	62	1,324
Translation adjustment	(23)	-	(183)	-	(4)	(210)
At 31 December 2013	2,041	-	16,592	6	269	18,908
Net Book Value						
At 31 December 2012	2,338	-	8,858	6	225	11,427
At 31 December 2013	2,153	3,752	7,698	4	163	13,770

All property, plant and equipment are located in the PRC. They are recorded at cost less accumulated depreciation.

Property, plant and equipment with a carrying amount of approximately kEUR 2,190 (2012: kEUR 2,335) have been pledged to secure borrowings to the Group. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

11. Land Use Rights

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Cost		
Beginning of financial year	1,389	1,406
Additions	-	-
Translation adjustment	(14)	(17)
End of financial year	1,375	1,389
Accumulated amortization		
Beginning of financial year	210	184
Amortization	28	28
Translation adjustment	(34)	(3)
End of financial year	235	209
Net Book Value	1,140	1,180

Land use rights represent leasehold interests in land located in the PRC.

Land use rights with a carrying amount of approximately kEUR 1,147 (2012: kEUR 1,180) have been pledged to secure borrowings to the Group. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

12. Inventories

Inventories are allocated as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Raw materials	1,679	1,862
Work-in-progress	1,518	1,314
Finished goods	1,377	1,345
	4,574	**4,521**

13. Trade Receivables and Prepayment

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Trade receivables	29,838	27,761
	29,838	**27,761**

Trade receivables are unsecured, non-interest bearing and generally have an average credit terms of up to 90 days. In general allowances for doubtful accounts are determined by reference to past default experience of the counterparty and an analysis of the counterparty's financial position. Currently no allowance has been recorded due to the aging analysis of trade receivables.

The following analysis is based on the invoice date and the structure of trade receivables is as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Not due		
0 to 30 days	13,930	14,964
31 to 60 days	13,376	12,169
Over 60 days	2,532	628
Total	**29,838**	**27,761**

The Group assumes that debtors will satisfy those obligations that are overdue. Therefore no write down has been recorded in 2012 and 2013.

Trade receivables and prepayment are denominated in Renminbi.

Information regarding the credit risk is described in note 25.

14. Other Financial Assets and Other Assets

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Amount due from a related person	-	4,007
Total	**-**	**4,007**

Other assets are allocated as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Other current assets	261	21
Total	**261**	**21**

All financial assets are current and non-interest bearing. Net gains and losses on total financial assets amounted to EUR 0 in 2012 and 2013.

The amount due from related person concern advances received from shareholders. Other current assets mainly comprise personal income tax paid in advance by the company that will be collected back from the employees.

15. Cash and Cash Equivalents

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Cash at bank	49,394	39,522
Cash on hand	27	18
Cash and cash equivalent not pledged	49,421	39,540
Deposits pledged with bank	356	5,792
	49,777	**45,332**

The cash at bank bears effective interest rate ranking from 0.35 % - 3.50 % per annum over the years ended period 31 December 2012 and 2013.

Deposits pledged with bank relates to the deposits pledged with licensed banks to secure banking facilities for issuing the Bankers' Acceptance which is shown under note 17 as bills payables.

The cash and cash equivalent balances are mainly denominated in Renminbi and are not convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations the Tintbright Group is permitted to exchange Renminbi for foreign currencies through banks that are authorized to conduct foreign exchange business.

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Cash at banks		
- thereof EUR	57	59
- thereof RMB	49,720	45,273
- thereof USD	-	-
- thereof other currencies	-	-
	49,777	**45,332**

16. Equity

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholdings' meetings.

Share capital

The share capital of the parent company amounts to kEUR 50 and is divided into 50,000 no-par value bearer shares with a par value of one Euro per share. Fully-paid no-par value bearer shares with a computed value of one Euro carry one vote per share and carry a right to receive dividends.

Authorized Capital

Pursuant to the resolution of the general meeting dated 23 December 2013, the board of management directors is authorized to increase the share capital of the company with the consent of the supervisory board until 22 December 2018 through issuance of up to a total of 750,000 new no par value shares, in either one or several tranches, in consideration of contributions in cash or in kind up to a total of EUR 750,000, whereas the subscription rights of the existing shareholders may be excluded (Authorized Capital 2013).

Statutory reserve

As of 31 December 2013 and in accordance with § 150 para. 2 AktG, a part of the net profit was paid into the statutory reserve which is composed as follows:

	EUR
01 January 2013	0.00
Allocation	5,000.00
31 December 2013	**5,000.00**

Other retained earnings

The other retained earnings reserve comprises the cumulative net gains and losses recognized in the Group's income statement other than those dedicated to statutory reserves.

Foreign currency translation reserve

Foreign currency translation reserve represents the foreign currency translation difference arising from the translation of the financial statements of companies within the Group from their functional currencies to the Group's presentation currency and is the only component of "other comprehensive income".

Chinese legal reserve

In accordance with the relevant laws and regulations of PRC, the subsidiaries of the Company established in PRC are required to transfer 10 % of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50 % of the subsidiary's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the subsidiary subject to the approval of the relevant authorities. However, except for offsetting prior years' losses, such statutory reserve must be maintained at a minimum of 25 % of the share capital after such usage. The statutory reserves are not available for dividend distribution to the shareholders.

The Chinese legal reserve of the Group amounts to kEUR 5,715 at 31 December 2013 (2012: kEUR 4,894).

Non-controlling interest

Net Profit and Total Comprehensive income is totally attributable to the shareholders of the parent except for 10 % minority interest in Dragon HK and its subsidiary Tianhui PRC.

Distributable profits and dividends

The management board of the Company will propose to shareholders a dividend payment of EUR 1.64 per dividend entitled share for the year 2013 to be made from retained earnings of kEUR 3,348 reported in the consolidated financial statements of Tintbright AG according to the German Commercial Code as at 31 December 2013. The subsequent remaining amount will be carried forward.

As at 31 December 2013 2,000,000 dividend entitled shares existed, resulting in a dividend payment of kEUR 3,280.

17. Trade Payables and Other Liabilities

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Trade payables	11,884	7,448
Bills payables	713	13,090
Accruals	63	125
	12,660	**20,663**

The carrying amounts of trade and other payables at the balance sheet dates approximate to their fair value due to the short duration of maturity within less than 1 year. The bills payables had been secured by the cash deposit with the licensed bank.

The trade payables are unsecured; non-interest bearing with average credit period on purchases of goods is 65 days (2012: 72 days). The Group is currently managing its outstanding balances to ensure that all payables are paid within the preagreed credit terms.

Trade and other payables are mainly denominated in Renminbi.

18. Short Term Borrowings

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Bank borrowings:		
Secured and repayable within one year	4,102	16,435

The Group's interest-bearing bank borrowing is guaranteed by the Group's buildings and land use rights. Short-term bank loans bear effective interests rates of 8.3 % per annum during the period year ended 31 December 2013 (2012: 8.0 %).

The carrying amount of interest-bearing bank borrowings is denominated in Renminbi.

19. Other Financial Liabilities

Other financial liabilities consist of:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Other financial liabilities		
Salary accrued	1,538	1,641
Other payables	-	520
Amount due to shareholders	8,978	-
	10,516	**2,161**

The amount due to shareholders are unsecured, non-interest bearing and no fixed term of repayment. The other financial liabilities are all due within one year.

20. Other Liabilities

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Other current financial liabilities		
VAT payables	1,345	1,283
Withholding tax payables	589	5,664
Other tax payables	433	143
	2,367	**7,090**

Withholding tax payable derived mainly from the dividend declared. A 10 % withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC.

Withholding tax payable relates to the additional withholding tax deemed payable on the dividends of EUR 13.0 million paid in 2012 and EUR 0 million paid in 2013.

21. Dividends

Dividends paid by the Group are as follow:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Dividend per share	-	260

The principle rules governing distribution of dividends by a wholly foreign-owned enterprise ("WFOE") are set out in the PRC Company Law (1993), as amended in 2005, the Wholly Foreign-Owned Enterprise Law (1986), as amended in 2000 and the Wholly Foreign Owned Enterprise Law Implementation Rules (1990) as amended in 2001.

According to these rules, a WFOE may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Before any profits can be distributed, the WFOE must first set aside 10 % of the profits after tax as reported in its PRC statutory financial statements to its statutory common reserve fund in each year, up until the aggregate balance of its statutory common reserve fund has reached 50 % of the company's registered capital.

22. Earnings per Share

Earnings per share are calculated based on the consolidated profits attributable to owners of the parent divided by the average number of shares in issue of Tintbright AG as of 31 December 2012. Basic earnings per share correspond to diluted earnings per share as there were no dilutive equity instruments. Regarding the weighted average number of outstanding common shares within the reporting period the, please refer to Note 16.

23. Commitments and Contingencies

23.1 Other Financial Liabilities

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Capital expenditure contracted but not provided for in the financial statements	840	216

23.2 Operating lease commitments

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Not later than one year	57	58
Between one and five years	57	115
	114	**173**

Operating lease related to the factory and office premises rent from third party with the lease rental period of 5 years starting from 1 January 2011. The company reserved the absolute right to use the lease premises within these period and will be renew upon mutual agreement when expire. The expense of this lease rental been allocated to cost of sales and administration expenses with an approximate amount of kEUR 42 (2012: kEUR 42) and kEUR 16 (2012: kEUR 17) respectively.

23.3 Contingencies

Social insurance fund

Both Dragon PRC and Sanrong PRC have in the past not paid the full amount of social insurance contributions to its employees in accordance with the PRC law. According to the PRC laws and regulations, where a company has not made full contributions to social insurance for all its employees, the administrative department or labour security or the tax authority shall order for the company to pay up the premiums within a prescribed time limit and if the company still fails to make payment within the time limit, a surcharge for overdue payment equal to 0.2 per cent per day of the overdue premiums will be imposed from the date of the expiration of the prescribed time limit in addition to the unpaid social insurance premiums. Based on legal advice, the estimated claim for additional payments would not exceed kEUR 688 (2012: kEUR 695).

24. Financial instruments

The financial instruments of the Group are as follows:

kEUR	Year ended 31 December 2013			Year ended 31 December 2012		
Assets	**Carrying amount**	**At amor-tized cost**	**Fair Value**	**Carrying amount**	**At amor-tized cost**	**Fair Value**
Trade receivables	29,838	29,838	29,838	27,761	27,761	27,761
Other financial assets (without deposits)	-	-	-	4,007	4,007	4,007
Cash and cash equivalents	49,777	49,777	49,777	45,332	45,332	45,332
	79,615	**79,615**	**79,615**	**77,100**	**77,100**	**77,100**

kEUR	Year ended 31 December 2013			Year ended 31 December 2012		
Liabilities	**Carrying amount**	**At amor-tized cost**	**Fair Value**	**Carrying amount**	**At amor-tized cost**	**Fair Value**
Liabilites due to banks	4,102	4,102	4,102	16,435	16,435	16,435
Trade payables (without notes payable and other liabilities)	11,884	11,884	11,884	7,448	7,448	7,448
Other financial liabilities	10,516	10,516	10,516	2,161	2,161	2,161
	26,502	**26,502**	**26,502**	**26,044**	**26,044**	**26,044**

Classification according to IAS 39:

kEUR	Year ended 31 December 2013			Year ended 31 December 2012		
	Carrying amount	**At amor-tized cost**	**Fair Value**	**Carrying amount**	**At amor-tized cost**	**Fair Value**
Loans and receivables	79,615	79,615	79,615	77,100	77,100	77,100
Financial liabilities	26,502	26,502	26,502	26,044	26,044	26,044

Due to the short maturity it may be assumed that the carrying values correspond with the fair values.Fi-nancial risk management

25. Financial Risk Management

The Group's overall risk management policy is to ensure adequate financial resources are available for the development of the Group's businesses whilst managing its currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management is determined and carried out by the board of directors. The policies for managing each of these risks are summarized as follows:

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Due to the limited exposure to such risks the Group has not entered into derivative financial instruments to manage such risks.

Changes in foreign currency exchange rates

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies other than the functional currency.

The Group has no significant exposure to changes in foreign currencies in its operation. The Group operates predominantly in the PRC and transactions are denominated in Renminbi. Accordingly, the Company's exposure to risk resulting from changes in foreign currency exchange rates is minimal. The group supposed to be a currency risk when there is a dividends payment as these are to be paid in Euro which differs from the functional currency. However the Group prepares its consolidated financial statements in its reporting currency and therefore its results and net assets are exposed to a retranslation risk as a result of fluctuation in the RMB to EUR exchange rate.

If the RMB had strengthened or weakened against EUR by 5 % with all other variables including tax rate being held constant, the effects arising from the net financial / assets position will be as follows:

	Increase / (Decrease) 2013		Increase / (Decrease) 2012	
kEUR	**Profit after tax**	**Equity**	**Profit after tax**	**Equity**
RMB against Euro				
• Strengthened	172	172	3	3
• Weakened	(172)	(172)	(3)	(3)

Interest rate risks

The Group's exposure to interest rate risks relates principally to its interest bearing borrowings from banks. Interest-bearing loans from banks bear floating interest rates and thus expose the Group to cash flow interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in Note 18.

At the following financial position dates, if interest rates had changed by 100 basis points ("bp"), with all other variables held constant, the profit or loss before tax would have been increased / (decreased) by the amount shown below:

kEUR	Basis points (bp)	2013	2012
• Increase in profit or loss	Decrease 100 bp	97	169
• Decrease in profit or loss	Increase 100 bp	(97)	(169)

(ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy as a means of mitigating the risk of financial loss from defaults. The Group's exposure to credit risks is restricted by credit limits that are approved by the CEO. The Group typically allows the existing customer credit terms of up to 90 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. Also, the group might have any significant customers exposed to the concentration risk and the CEO is responsible to closely monitor the payments of such customers if possible to ensure there is no indication of default. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the CEO.

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from the Group's trade receivables balances contributes 41.6 % for the financial years ended 2013 (2012: 42.3 %), comprising Group top 10 customer. The Group considers 30 to 90 days to be normal collection period.

There is no impairment loss recognized in the income statements as there were no trade receivables that are past due.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The aging structure of financial assets (without cash and cash equivalents) is as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Not due		
0 to 30 days	13,930	14,964
31 to 60 days	13,376	12,169
Over 60 days	2,532	628
Total	**29,838**	**27,761**

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(iii) Liquidity risk

Liquidity risk is defined as the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to regularly monitor their current and expected liquidity requirements and ensure, as far as possible, that it will have sufficient cash reserves and available funding through credit facilities to meet its liabilities when due, without incurring unacceptable losses or risking damages to the Group's reputation.

The Group's financial liabilities are expected to mature within one year from the balance sheet dates. The contractual undiscounted cash flows of the financial liabilities approximate their carrying amounts.

The aging structure of the Group's financial liabilities is as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Less than one year	26,502	26,044
Between one and five years	-	-
More than five years	-	-
Total	**26,502**	**26,044**

26. Related Party Disclosures – Significant Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

A related party is a person or an entity where the Group can exercise influence or significant influence, or which is controlled by the Group. In particular this comprises non-consolidated subsidiaries, jointly controlled entities and associated companies and other participations as well as members of both management board and supervisory board and other personnel considered as key management.

Related party information

a. Entities/individuals with common control or significant influence over the Group or under common control.

Related party	Relationship with the Group
Thinkgreat Investments Limited, British Virgin Islands	100% held by Mr. Tianzhun Zhao
Tint Bright Group Holdings Limited, Cayman Islands	100% held by Mr. Tianzhun Zhao
Newest Luck International Limited, British Virgin Islands	100% held by Mr. Tianzhun Zhao
Mr. Tianzhun Zhao	Chairman and shareholder
Mr. Yuehui Hong	Board member (since 21/1/2014)
Mr. Ang Chung	Board member (since 21/1/2014)
Mr. Junba Zhao	Board member (since 21/1/2014)

The Board members appointed in the General Meeting on 21 January 2014 are presented as related parties and as key personnel.

b. Key management/directors of the Group and its subsidiaries

Related party	Relationship with the Group
Mr. Dr. Johannes Mauser	Chairman of the supervisory board
Mr. Dr. Qing Zhang	Deputy Chairman of the supervisory board
Mr. Jiong Bian	Member of the supervisory board
Mr. Tianzhun Zhao	Chairman
Mr. Yuehui Hong	Chief Executive Officer
Mr. Junba Zhao	Chief Operating Officer
Mr. Ang Chung	Chief Financial Officer
Mr. Yuequn Hong	Deputy General Manager
Mr. Yongmao Zhuang	Production Manager
Mr. Lijun Zhong	Production Manager
Ms. Meiyu Ling	Finance Manager
Mr. Wengbin Hong	General Manager
Mr. Zhensheng Hong	Marketing Manager
Mr. Yongjiang Hu	Finance Manager

c. Members of the Company's supervisory board

Name	Job description	Appointment from / until	Position held in Supervisory board	Board member of other company
Mr. Thomas Weidlich	Employed lawyer	until 14 June 2013	-	-
Mr. Philipp Dietz	Employed lawyer	until 14 June 2013	-	-
Ms. Katja Neumüller	Employed lawyer	until 14 June 2013	-	-
Mr. Dr. Johannes Mauser	Self-employed lawyer	appointed on 14 June 2013	Chairman	Chairman of supervisory board of Ultrasonic AG
Mr. Dr. Qing Zhang	Engineer	appointed on 14 June 2013	Deputy chairman	-
Mr. Jiong Bian	Chief Financial Officer of China Flowers Group	appointed on 14 June 2013	Member	-

Transactions and amount due from / to a related parties

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Amount due from a related person	-	4,007
Amount due to a related person	8,978	-

The amount due to / from a related person are unsecured, non-interest bearing and without fixed terms of repayment.

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Dividend declared	-	13,043

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Withholding Tax payable for Dividends	589	5,664

The amount of withholding tax payable is guarantee by the letter of undertaking from Mr. Tianzhun Zhao for the repayment of overpaid dividends. The Group's claim from overpaid dividends is accounted for under “Amount due from a shareholder” (prior year: reducing “Amount due to a shareholder”).

Bank guarantee

The short term bank loans of the Group are, inter alia, collateralized with personal guarantees granted by Mr. Tianzhun Zhao and Mr. Hong Yuehui together amounting to kEUR 2,199 (2012: kEUR 11,505) for the financial year ended 2013.

Management Remuneration

In addition to the balances disclosed above, the Group had the following transactions with related parties at agreed terms:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Directors’ remuneration:		
Salaries and related cost	63	64
Retirement scheme contribution	1	1
Key management personnel (other than directors):		
Salaries and related cost	192	191
Retirement scheme contribution	3	3

All the payments are short term benefits. The short-term benefits relate to remuneration, bonus, allowances and housing fund contribution of directors of Group companies and key management. The detail of the directors' remuneration and key management personnel are shown as follows:

kEUR	Year ended 2013		Year ended 2012	
	Remuneration	Retirement scheme	Remuneration	Retirement scheme
Directors' remuneration:				
ZHAO Tianzhun	30	0.5	31	0.5
HONG Yuehui	33	0.5	33	0.5
	63	**1**	**64**	**1**

For their work as board members Mr. Yuehui Hong, Mr. Junba Zhao and Mr. Ang Chung did not receive any remuneration in the two shown reporting periods.

kEUR	Year ended 2013		Year ended 2012	
	Remuneration	Retirement scheme	Remuneration	Retirement scheme
Key management personnel (other than directors):				
ZHAO Junba	26	0.5	27	0.43
ANG Chung	58	-	58	-
HONG Yuequn	28	0.5	28	0.43
ZHUANG Yongmao	13	-	20	0.43
Zhong Lijun	5	0.1	-	-
LING Meiyu	12	0.5	13	0.43
HONG Wengbin	24	0.5	24	0.43
HONG Zhensheng	14	0.5	10	0.43
HU Yongjiang	12	0.5	11	0.42
	192	**3.1**	**191**	**3**

The members of the Supervisory Board did not receive any remuneration in the two reporting periods. The remuneration of the Supervisory Board members who are in office since June 14, 2013, will be decided at the Annual General Meeting on 11 August 2014. The Chairman of the Supervisory Board shall receive an annual fee of kEUR 35, the deputy chairman an annual fee of kEUR 12 and each additional member an annual fee of kEUR 10. For this reason a liability in the amount of kEUR 31 (excluding VAT) has been recognized in the balance sheet.

27. Capital Management

The Group's objectives when managing capital refer primarily to equity as shown in the balance sheet and are to safeguard the Group's ability to continue as a going concern and to support the Group's stability and growth so as to maximize shareholders' returns and stakeholders' benefits.

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

A capital structure which does not make significant use of debt financing and seeks to establish a ratio of equity to total assets of 50 % or above is considered to be advisable and achievable by the Group's management, providing the Group with a stable basis for achieving its business objectives. Over the reporting period, the Group actually achieved a ratio of equity to total assets of 67.84 % as at December 2013 (2012: 48.15 %). This information can be derived directly from the consolidated financial statements presented.

The Group actively and regularly reviews its capital structure by taking into consideration the future capital requirements of the Group, capital efficiency, prevailing and projected profitability, projected operating cash flows, projected expenditures and projected strategic investment opportunities. As part of managing the capital structure, the Group may adjust the amount of dividend payment, obtain new borrowings or sell assets to reduce or avoid borrowings.

28. Segment Information

(i) Business segment

Management determines the operating segments, which represents product category, based on reports reviewed and used for strategic decisions. The Group's business segments are organized into two main operating segments:

- Weaving
- Processing

Both product segments are managed by the Group.

All operating segments are monitored and strategic decisions are made on the basis of the segmental gross margins. Items of expense and income below the gross profit margin are not analysed by management on a segmental basis, as these are not considered relevant for the operational and strategic analysis of the business. Management considers the Group's total assets, comprising property, plant and equipment, intangible assets, inventory, trade receivables and cash and cash equivalents as reasonably allocable to the two operating segments on a reasonable basis determined by segment reflecting the actual situation.

The segment information provided to the management for the reportable segments for the financial period from 01 January 2013 to 31 December 2013 is as follows:

kEUR	Weaving	Dyeing and printing	Total segments	Recon-ciliation	Total
Revenue					
Revenue	26,199	101,021	127,220	-	127,220
Intersegment revenue	5,272	-	5,272	(5,272)	-
Total revenue	31,471	101,021	132,492	(5,272)	127,220
Results:					
Depreciation Property, plant and equipment	506	818	1,324		1,324
Reversal of land-use rights	7	21	28		28
Income tax expense	956	6,580	7,536		7,536
Segment profit	3,891	26,487	30,378	28	30,406
Segment gross profit margin	16.1 %	29.3 %	26.6 %		26.6 %
Assets					
Additions to property, plant and equipment	-	3,752	3,752		3,752
Reportable segment assets	10,776	38,783	49,559		49,559
Liabilities					
Reportable segment liabilities	3,598	11,945	15,543		15,543

Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

kEUR	Total
Profit and loss	
Total profit for reportable segments	30,406
Reconciling items:	
Other income	102
Unallocated administrative expenses	(528)
Unallocated finance income	225
Unallocated finance expenses	(798)
Profit for operations before tax expense	29,407
Income tax expenses	
Total income tax for reportable segments	7,536
Reconciling items:	
Unallocated deferred tax expenses	22
Unallocated deferred tax gain	(1,399)
Unallocated deferred tax assets	-
Unallocated withholding tax	1,399
	7,558
Assets	
Total assets for reportable segments	49,559
Reconciling items:	
Deposits	-
Prepayments	-
Deferred tax assets	384
Other current assets	24
Cash and cash equivalents	49,777
	99,744
Liabilities	
Total liabilities for reportable segments	15,543
Reconciling items:	
Other payables	433
Withholding tax payable	589
Short term bank loan	4,102
Amount due to a shareholder	8,978
Tax payable	2,336
Deferred tax liabilities	-
Other current liabilities	-
	31,981

The segment information provided to the management for the reportable segments for the financial period from 01 January 2012 to 31 December 2012 is as follows:

kEUR	Weaving	Processing	Total segments	Recon-ciliation	Total
Revenue					
Revenue	26,743	95,991	122,734	-	122,734
Intersegment revenue	5,211	-	5,211	(5,211)	-
Total revenue	31,954	95,991	127,945	(5,211)	122,734
Results:					
Depreciation Property, plant and equipment	724	893	1,617	-	1,617
Amortisation Land-use rights	7	21	28	-	28
Income tax	909	6,205	7,114	-	7,114
Segment profit	3,826	25,290	29,116	54	29,170
Segment gross profit margin	16.0 %	29.5 %	26.6 %		26.6 %
Assets					
Additions to property, plant and equipment	-	22	22	-	22
Reportable segment assets	11,895	32,994	44,889	-	44,889
Liabilities					
Reportable segment liabilities	3,639	19,947	23,586	-	23,586

Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

kEUR	Total
Profit and loss	
Total profit for reportable segments	29,170
Reconciling items:	
Unallocated administrative expenses	(512)
Unallocated finance income	294
Unallocated finance costs	(1,348)
Profit for operations before tax expense	27,604
Income tax expenses	
Total income tax for reportable segments	7,114
Reconciling items:	
Unallocated deferred tax expenses	1,418
Unallocated deferred tax gain	(247)
Unallocated deferred tax assets	(15)
Unallocated withholding tax	247
	8,517
Assets	
Total assets for reportable segments	44,889
Reconciling items:	
Prepayments	1,937
Amount due from shareholder	4,007
Deferred tax assets	410
Other current assets	21
Cash and cash equivalents	45,332
	96,596
Liabilities	
Total liabilities for reportable segments	23,586
Reconciling items:	
Other payables	521
Withholding tax payable	5,664
Short term bank loan	16,435
Tax payable	2,357
Deferred tax liabilities	1,381
Other current liabilities	143
	50,087

The Group's revenues were derived wholly from the PRC, hence a further geographical segment analysis is not meaningful to the management of the Group.

The totals presented for the Group's operating segments can be derived directly from the Group's key financial figures for sales, cost of sales and total assets as presented in the financial statements without reconciliation.

29. Employees

Payroll costs:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Management	259	201
Sales & Admin	691	894
Production	6,882	6,793
	7,832	**7,888**

Average number of employees:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Management	9	9
Sales & Admin	124	121
Production	1,017	1,039
	1,150	**1,169**

The aggregate payroll costs of these employees were as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Directors' remuneration:		
Salaries and related cost	63	64
Retirement scheme contribution	1	1
Key management personnel (other than directors):		
Salaries and related cost	192	191
Retirement scheme contribution	3	3
Other than directors and key management personnel:		
Salaries and related cost	7,032	6,960
Retirement scheme contribution	541	727
	7,832	**7,946**

Retirement Benefit Plans

The eligible employees of the Group who are citizens of the PRC are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The cost of retirement benefits contributions charged to profit and loss amounted to approximately kEUR 543 for the financial year 2013 (2012: kEUR 562).

30. Shareholdings in Tintbright AG

At the end of the reporting period the following interest were held in Tintbright AG:

Zhao Tian Zhun – 100 % Shareholding.

31. Auditor's Fees

The total compensation for the auditor of the consolidated financial statements, Warth & Klein Grant Thornton AG, Frankfurt am Main, is as follows:

kEUR	Year ended 31 December 2013	Year ended 31 December 2012
Auditing services	85	193
Other assurance services	62	-
Tax consultancy	-	-
Other services	89	-
	236	**193**

32. Subsequent Events

Except as the changes mentioned below, there is no transaction, reportable event or other change in the interval between 31 December 2013 and the date of the report.

1. The General Meeting on 23 December 2013 has resolved to increase the share capital against contribution in kind from EUR 50,000 by EUR 1,450,000.00 to EUR 1,500,000.00 and to change § 4 paragraph 1 of the Articles of Association (amount and division of the share capital) accordingly. The capital increase was carried out and registered on 8 January 2014 with the commercial register.

2. In the course of a post-formation acquisition the company entered on 14 December 2013 into an agreement with Mr. Tianzhun Zhao and Think Great Investments Ltd. for the contribution of 10 % of the shares of Dragon Way International Limited, Hong Kong. It is referred to the filed documents. The General Meeting on 23 December 2013 has approved this contract. The entry in the commercial register of the Company was on 8 January 2014.

3. The General Meeting on 9 January 2014 has resolved to increase the share capital against contribution in cash from EUR 1,500,000.00 by EUR 500,000 to EUR 2,000,000.00 and to change § 4 paragraph 1 of the Articles of Association (amount and division of the share capital) accordingly. The capital increase was carried out and registered on 15 January 2014 with the commercial register.

4. The General Meeting on 21 January 2014 appointed the following board members:
   - Mr. Yuehui Hong, CEO, Jinjiang City, Fujian, PRC
   - Mr Zhao Junba, COO, Jinjiang City, Fujian, PRC
   - Mr Ang Chung, CFO, Suzhou City, Jiangsu, PRC

   The entry in the commercial register was on 18 February 2014.

5. Since 27 January 2014 the shares of Tintbright AG are included into trading at the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The decision on admission was made on 24 January 2014.

6. There have been no further events after the balance sheet date, which have a material influence on net assets, financial position or results of Tintbright AG or the Group.

Cologne, 24 April 2014

Management Board of Tintbright AG

Auditor's opinion

We have audited the consolidated financial statements prepared by Tintbright AG, Cologne– comprising a consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements – and the group management report for the financial year from 01 January 2013 to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and with the additional requirements of the German commercial law pursuant to section 315a paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with paragraph 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Tintbright AG, Cologne, for the financial year from 01 January 2013 to 31 December 2013 comply with IFRS, as adopted by the EU, and the additional requirements of the German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitable presents the opportunities and risks of future development.“

Frankfurt / Main, 24 April 2014

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Robert Binder
German Public Auditor

Maximilian Meyer zu Schwabedissen
German Public Auditor

FINANCIAL STATEMENTS 2013
TINTBRIGHT AG

Balance sheet

as of 31 December, 2013

ASSETS

EUR	31/12/2013	31/12/2013	31/12/2012	31/12/2012
A. Non-current assets				
I. Financial assets				
1. Investments in affiliated companies		196.20		196.20
B. Current assets				
I. Trade receivables and other assets				
1. Amount due from affiliated companies	3,599,625.64		0.00	
2. Other assets	5,378.54		0.00	
		3,605,004.18		**0.00**
II. Cash and bank balances		57,220.37		59,044.46
		3,662,224.55		**59,044.46**
C. Deficit not covered by equity		0.00		52,662.81
		3,662,420.75		**111,903.47**

LIABILITIES

EUR	31/12/2013	31/12/2013	31/12/2012	31/12/2012
A. Equity				
I. Share capital	50,000.00			50,000.00
II. Retained earnings				
1. Statutory reserve	5,000.00			0.00
III. Accumulated profits/losses	3,348,033.10			-102,662.81
IV. Deficit not covered by equity	0.00			52,662.81
		3,403,033.10		
B. Provisions				
1. Other provisions		212,596.35		100,000.00
		212,596.35		**100,000.00**
C. Liabilities				
1. Liabilities towards banks	58.80		0.00	
2. Trade payables	36,596.83		1,767.80	
3. Liabilities to related companies	10,135.67		10,135.67	
		46,791.30		**11,903.47**
		3,662,420.75		**111,903.47**

Income statement

from 1 January 2013 to 31 December, 2013

EUR	01/01/2013 - 31/12/2013	15/08/2012 - 31/12/2012
1. Other income	97,500.00	10.53
• thereof from the translation of foreign currency EUR 0.00 (31/12/2012: EUR 10.53)		
2. Other operating expenses	-241,429.73	-102,673.34
3. Dividend income	3,599,625.64	0,00
• thereof from affiliated companies EUR 3,599,625.64 (31/12/2012: EUR 0.00)		
4. Result from ordinary activities	3,455,695.91	-102,662.81
5. Net profit/loss	**3,455,695.91**	**-102,662.81**
6. Accumulated losses carried forward	-102,662.81	0.00
7. Transfer to the statutory reserve	-5,000.00	0.00
8. Accumulated profits/losses	**3,348,033.10**	**-102,662.81**

ADDITIONAL INFORMATION

Glossary

AktG
German Stock Corporation Act (Aktiengesetz)

CEO
Chief Executive Officer

CFO
Chief Financial Officer

China / PRC
People's Republic of China (excluding Hong Kong and Macau)

Code
German Corporate Governance Code

The company
Tintbright AG

COO
Chief Operational Officer

Designated sponsor
Designated sponsors secure higher liquidity by quoting binding prices for buying and selling the shares

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortization

EStG
German Income Tax Law (Einkommenssteuergesetz)

EU
European Union

EUR
Euro, the official currency of the Eurozone and the EU institutions

FY
Financial Year

German GAAP
Generally Accepted Accounting Principles in Germany

Group
The Group and together with its direct and indirect subsidiaries

HKD
Hong Kong Dollar, the currency of Hong Kong

IAS
International Accounting Standards

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards and International Accounting Standards and Interpretations as endorsed for application in the EU

IMF
International Monetary Fund

IPO
Initial Public Offering

ISIN
International Securities Identification Number

ISO
International Organisation for Standardisation

kEUR/KEUR
Thousand EUR

Lead Manager
BankM – representative office of biw Bank für Investments und Wertpapiere AG, Frankfurt am Main, Germany

OEM
Original Equipment Manufacturer

PRC GAAP
Generally Accepted Accounting Principles in the PRC

R&D
Research and Development

RMB
Renminbi, the currency of the PRC

SAFE
The PRC State Administration of Foreign Exchange

Tintbright
Tintbright AG together with its direct and indirect subsidiaries

USD
United States of America Dollar, the currency of the US

VAT
Value Added Tax

WKN
National securities identification number

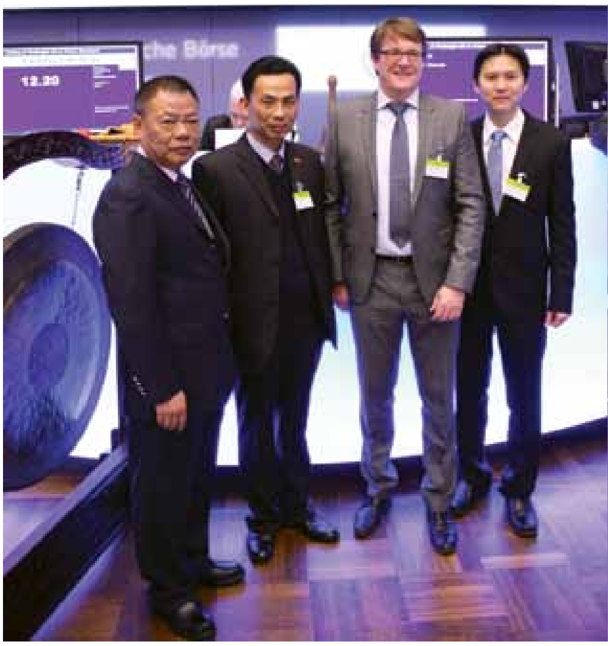
WpHG
German Securities Trading Act (Wertpapierhandelsgesetz)

WpPG
German Securities Prospectus Act (Wertpapierprospektgesetz)

WpüG
German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz)

Financial Calendar 2013

Mid of March 2014:	Release of preliminary figures for FY 2013
30 April 2014:	Release of the annual report for FY 2013
30 May 2014:	Release of the 3M report 2014
11 August 2014:	Annual General Meeting in Frankfurt am Main, Germany
29 August 2014:	Release of the H1 report 2014
Mid of November 2014:	Release of preliminary figures for the first nine months
24-26 November 2014:	German Equity Forum 2014 in Frankfurt am Main, Germany
28 November 2014:	Release of the 9M report 2014



Imprint

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Mr. Tianzhun Zhao
Mr. Yuehui Hong
Mr. Junba Zhao
Mr. Ang Chung

Entry in the Commercial Register

Local court (Amtsgericht) of Cologne under
the registration number HRB 76278

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Note on the Annual Report

In case that there are differences between the German and the English version of this report, the German version takes priority.

Forward-looking Statements

This annual report of Tintbright AG contains certain future-oriented statements. Future-oriented statements include all statements which do not relate to historical facts and events and contain future-oriented expressions such as “believe“, “estimate“, “assume“, “expect“, “forecast“, “intend“, “could“ or “should“ or expressions of a similar kind. Such future-oriented statements are subject to risks and uncertainties since they relate to future events and are based on Tintbright AG‘s current assumptions, which may not in the future take place or be fulfilled as expected. Tintbright AG points out that such future-oriented statements provide no guarantee for the future and that the actual events including the financial position and profitability of Tintbright AG and developments in the economic and regulatory fundamentals may vary substantially (particularly on the down side) from those explicitly or implicitly assumed in these statements. Even if the actual assets for Tintbright AG, including its financial position and profitability and the economic and regulatory fundamentals, are in accordance with such future-oriented statements in this annual report, no guarantee can be given that this will continue to be the case in the future.