

TINCI HOLDINGS LTD PRELIMINARY RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

The Directors of Tinci Holdings Ltd. (the “Company”, the “Group” or “Tinci”), the AIM quoted China-based environmental engineering company, today announces the Company’s preliminary results for the twelve months ended 31 December 2008 in accordance with International Financial Reporting Standards (IFRS).

The Annual General Meeting of the Company will be held at 5.00pm (10.00am UK time) on 3 July 2009 at 18th Floor, Wuyangxincheng Plaza, No 111–115 Siyouxin Road, Guangzhou, China. Copies of the Annual Report are being mailed to shareholders.

Financial Highlights:

- Total revenue of RMB217.8 million (2007 - RMB260.6 million)
- Profit before tax of RMB0.91 million (2007 – RMB6.14 million)
- Profit after tax of RMB1.09 million (2007 – RMB5.86 million)

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About Tinci Holdings Limited

Tinci Holdings Ltd. is the parent company of Tinci Sanhe Environmental Engineering Co. Ltd., an environmental engineering company founded in October 2001, which is primarily involved in developing, manufacturing and installing flue gas desulphurization (FGD) systems for reducing sulphur dioxide (“SO₂”) emissions from coal-fired power stations and large industrial boilers in China.

Sulphur dioxide discharges rose 27% between 2000 and 2005 in China, where air pollution is blamed for more than 400,000 premature deaths a year. China's State Environmental Protection Administration (SEPA) has estimated that existing and new Chinese plants will require total FGD investment of RMB 102 billion (c. £6.9 billion) from 2006-2010, with the total investment required expected to rise to RMB 190 billion (c. £12.9 billion) by 2020.

Tinci plans to use its technical capabilities to develop a portfolio of businesses and services around the environmental engineering services sector in China. The Company's shares are traded on the AIM market of the London Stock Exchange under the symbol 'TNCI'.

Chief Executive Officer's Review

Overview of Operating Performance

After a good first half in 2008, conditions in the second half were much more difficult, reflecting the worsening economic conditions in China and around the world. This resulted in a second half loss leaving a small profit for the whole year.

In difficult market conditions the Company successfully secured five (2007 – 16) new contracts with a total value of Renminbi (RMB) 59 million in 2008 (2007 RMB 407 million). Of the five new contracts signed in the year, one was a magnesium oxide (MgO) technical design contract, one uses SDA and the other three were projects using TFGD technology. However, all the new contracts were signed in the first half and in the second six months the business experienced a severe decline in revenues and made a loss.

In advance of the 2008 Beijing Olympic Games, the Bureau of Environment Protection exerted great pressure on regional environmental organizations in 2007. As a result, most environmental projects were tendered in 2007 and completed before the Olympic Games started. Most, if not all, retrofit desulfurization projects which were originally planned to be completed in 2-3 years were finished within one year. In addition, there were few desulfurization projects for new power plants because of much stricter approval processes for building new power plants. This resulted in fewer target customers and projects. Moreover, the capacities of newly built power plants are mostly at the 600MW and 1,000MW larger end of the market, where the Company is not competitive against the desulfurization subsidiaries of the top five Chinese power groups.

This adverse market forced some big desulfurization companies to target the medium and small size desulfurization market which they had not participated in before. The increased competition extended low price competition beyond what we experienced in 2007. The very low prices being bid enabled many clients to adopt a low price strategy for awarding a tender. Meanwhile, steel and material prices went up in the first half of 2008 which squeezed profit margins and eventually led to many projects exceeding their contract costs and terms.

In addition because of the global financial crisis in the second half of 2008 some of our clients delayed the implementation of projects, which adversely affected the performance of the Company.

By the end of 2008 the Company had ongoing projects with an order value of RMB 151 million. Because of the global economic conditions it is the focus of the Company in 2009 to collect receivables. Capital preservation will be the most important agenda item of the Company for ensuring the successful transformation of the Company and overcoming the difficulties ahead.

Recent Developments

The Company is continually looking for new opportunities in the environmental engineering services sector in China. Recent developments include:

- Changing the business model to reduce desulfurization projects from power plants and focus instead on industrial desulfurization projects from the steel and oil and gas industries.
- Launching the PPC biodegradable plastics joint venture project in 2009.
- A cooperation with Nan Fang Alkali Manufacturing Co., Ltd (“Nan Fang Alkali”) to develop a new project utilizing waste alkali residue as the neutralizing agent for FGD projects.

Preliminary results of the test project with Nan Fang Alkali are good and the joint venture partners are hopeful that the joint venture will produce good results in future years.

- Continuing to promote projects using MgO which may offer the opportunity to produce sulphuric acid as a by-product.

In January 2009 we won a contract from Gansu Jingyuan Coal Industry & Electricity Power Co., Ltd (“Gansu Jingyuan”) with a contract value of RMB 53.8 million. This contract is for Wet FGD and is due for delivery by November 2009.

The Company continues to promote and market existing technologies, and will focus on developing technology to recycle the by-product from MgO FGD to produce sulphuric acid, understanding and mastering the core technology of MgO FGD technology from Ducon and successfully applying the technology into new desulfurization projects and recycling by-products.

The Company is also looking to promote and market SDA and TFGD technologies in the steel and oil and gas industries, where it has worked successfully with Sinopec and China Oil for a number of years. In 2007 and 2008 the Company completed two projects with a total contract value of RMB 70 million in the oil and gas sector and it is expected that the Company will soon be awarded a further one or two contracts with China Oil and Sinopec to expand the relationship in this field.

Financial Performance

Tinci’s revenues for the full year ended 31 December 2008 were RMB217.8 million, down by 16% compared with 2007; the Company’s profit after tax was RMB1.1 million for the full year (2007 RMB 5.9 million).

As reported in the interim results released in September 2008, the Company recorded revenues of RMB 135 million and a profit before tax of RMB 10.5 million for the first six months of the year, which was mainly because most of the projects won in late 2007 were completed in the first half of 2008.

The business was, however, impacted adversely by continued low price competition and the global economic crisis during the second half of the year. Consequently revenue generated in the second half declined to RMB 81.8 million and the Company incurred a loss after tax of RMB 9.5 million in the second half of the year.

Net contract work in progress increased from RMB 19.0 million to RMB 106.7 million. This increase in working capital was offset by a fall in accounts receivable to RMB 142.8 million (2007 RMB163.8 million) and an increase in accounts payable to RMB 133.0 million (2007 RMB 112.5 million).

Overall cash balances fell to RMB 12.6 million as at December 31 2008 (December 31 2007 RMB 48.9 million) but the Company continues to have a small net cash balance.

Outlook

In 2009 Tinci aims to continue to innovate and develop existing technologies, to introduce new technology to supply the various market segments that it serves and to differentiate its technologies to better serve its different customers.

Tinci will keep to its original business strategy, which is to develop products aimed at providing environmental solutions to meet the needs of our industrial customers.

Despite winning the RMB 53.75 million Gansu Jingyuan contract, business in 2009 has started very slowly and it is difficult to foresee a better result in 2009 than in 2008. The company's cash flow in 2009 should remain positive as receivables continue to be collected.

Staff and Management

On 11 July 2008, David Steeds was appointed chairman of the Company in place of Sir David Brewer who stepped down due to the pressure of his other commitments. The Company is extremely grateful to Sir David for his work as its first chairman and for guiding it through its admission to AIM.

On 31 December 2008 Wang Keer relinquished her executive duties for family reasons although she continues on the Board as a non-executive director.

I would like to thank all employees in the Company for their hard work towards the development of the Company. I am also grateful to our shareholders for their steady support and understanding.

XU Jinfu
Chief Executive Officer
4 June 2009

Tinci Holdings Limited
Consolidated Income Statement
Year ended 31 December 2008

	<i>Note</i>	2008 <i>RMB'000</i>	<i>2007</i> <i>RMB'000</i>
Turnover	2	216,804	259,923
Other income	2	975	636
Total Income		217,779	260,559
Raw material and consumables used		(192,075)	(227,472)
Staff costs and staff benefits expenses		(11,029)	(11,263)
Depreciation and amortisation expense		(2,501)	(2,006)
Other operating expenses		(10,713)	(12,285)
Profit from operations		1,461	7,533
Exchange gain/(loss)		478	(235)
Finance costs		(1,030)	(1,159)
Profit before taxation	3	909	6,139
Taxation	4	183	(275)
Profit for the year		1,092	5,864
		RMB Cents	RMB Cents
Basic earnings per share	5	2	11

Tinci Holdings Limited
Consolidated Balance Sheet
As at 31 December 2008

	<i>Note</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Assets			
Non-current assets			
Land use rights		416	428
Property, plant and equipment		12,910	14,180
Intangible assets		8,387	4,536
Interest in an associate		9,800	9,800
Pre-payment for intangible asset		-	2,510
Total non-current assets		31,513	31,454
Current assets			
Amount due from customers for contract work		106,712	18,998
Trade and other receivables		142,829	163,751
Restricted bank balances		4,624	10,103
Cash and bank balances		12,582	48,923
Total current assets		266,747	241,775
Total assets		298,260	273,229
Liabilities			
Current liabilities			
Trade and other payables		132,990	112,457
Bills payable		1,412	4,866
Short-term bank loan - secured		13,000	13,000
Amount due to an associate		7,350	-
Current income tax liabilities		501	-
Total current liabilities		155,253	130,323
Non-current liability			
Deferred tax liability		-	810
Total liabilities		155,253	131,133
Net assets		143,007	142,096
Equity			
Share capital	6	7,796	7,796
Share premium		18,078	18,078
Other reserves		43,118	43,299
Retained earnings		74,015	72,923
Total shareholders' equity		143,007	142,096

Tinci Holdings Limited
Consolidated Statement of Changes in Equity
Year ended 31 December 2008

	Share capital <i>RMB'000</i> (Note 6)	Share premium <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Share options reserve <i>RMB'000</i>	Reverse acquisition reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2007	7,796	18,078	477	272	42,644	67,059	136,326
Employee share option scheme	-	-	-	410	-	-	410
- value of employee services	-	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	(504)	-	-	-	(504)
Profit for the year	-	-	-	-	-	5,864	5,864
Balance at 31 December 2007	7,796	18,078	(27)	682	42,644	72,923	142,096
Employee share option scheme	-	-	-	154	-	-	154
- value of employee services	-	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	(335)	-	-	-	(335)
Profit for the year	-	-	-	-	-	1,092	1,092
Balance at 31 December 2008	7,796	18,078	(362)	836	42,644	74,015	143,007

Tinci Holdings Limited
Consolidated Cash Flow Statement
Year ended 31 December 2008

	<i>2008</i>	<i>2007</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	909	6,139
Adjustments for:		
Interest income	(293)	(270)
Equity-settled share option expense	154	410
Interest expenses	1,030	1,159
Depreciation and amortisation expense	2,501	2,006
Operating profit before changes in working capital	4,301	9,444
(Increase)/decrease in amount due from customers for contract work	(87,714)	86,356
Decrease/(increase) in trade and other receivables	20,922	(105,342)
Increase in trade and other payables	20,533	40,474
Decrease in bills payable	(3,454)	(14,602)
Cash (used in)/generated from operations	(45,412)	16,330
Interest received	293	270
Interest paid	(1,030)	(1,159)
Current income tax paid	(126)	-
Net cash (used in)/generated from operating activities	(46,275)	15,441
Cash flow from investing activities		
Purchases of property, plant and equipment	(240)	(228)
Payment for purchase of intangible assets	(2,320)	-
Prepayment for intangible assets	-	(2,510)
Investment in an associate	-	(9,800)
Net cash used in investing activities	(2,560)	(12,538)
Cash flow from financing activities		
Proceeds from bank loan	13,000	13,000
Repayment of bank loan	(13,000)	(19,000)
Loan advanced from an associate	7,350	-
Movement in restricted bank balances	5,479	(6,030)
Net cash generated from/(used in) financing activities	12,829	(12,030)
Net decrease in cash and cash equivalents	(36,006)	(9,127)
Cash and cash equivalents as at 1 January	48,923	58,554
Effect of foreign exchange rates changes – net	(335)	(504)
Cash and cash equivalents as at 31 December	12,582	48,923
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	12,582	48,923

Tinci Holdings Limited
Notes to Financial Statements
Year ended 31 December 2008

1. FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2008 or 2007. The statutory accounts for the year ended 31 December 2008 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies.

2. TURNOVER, OTHER INCOME AND SEGMENTAL REPORTING

The principal activities of the Group during the year were developing, selling and installing large-scale flue gas desulphurisation equipment to power stations.

For the years ended 31 December 2008 and 2007, the Group comprised only one business and one geographical segment.

Turnover for the year is wholly attributable to construction contract revenue for activities undertaken in China. An analysis of the Group's other income is set out below:-

Other income

	<i>2008</i>	<i>2007</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of scrap materials	142	
Rental income, net of tax	266	366
Interest income	293	270
Over provision of other tax expenses	177	
Miscellaneous	97	-
	975	636

3. PROFIT BEFORE TAXATION

	<i>2008</i>	<i>2007</i>
	<i>RMB'000</i>	<i>RMB'000</i>
This is arrived at after charging / (crediting):		
Auditor's remuneration	429	693
Staff costs		
- Salaries and allowance	9,908	8,808
- Contribution to defined contribution retirement plans	579	435
- Other benefits	388	1,610
- Employee share option benefits	154	410
	11,029	11,263
Research and development expenses	511	271
Amortisation of land use rights	12	11
Depreciation	1,510	1,347
Amortisation of intangible assets	979	648
Depreciation and amortisation	2,501	2,006
Short term bank loan interest expenses	1,030	1,159

4. TAXATION

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which the Group entities are domiciled and operate.

The main operating subsidiary of the Group, Guangzhou Tinci operating in the PRC, was subject to enterprise income tax (“EIT”) at 33%, of which 30% was state tax and 3% was local tax. Following the change of the legal form of Guangzhou Tinci from a domestic enterprise to a wholly foreign-owned enterprise (WFOE) in 2006, Guangzhou Tinci became subject to a foreign enterprise income tax (“FEIT”) rate at 30%. Being a WFOE, starting from the first profitable year, Guangzhou Tinci was entitled to a two-year exemption from FEIT and a 50% reduction in its FEIT for the subsequent three years (“Tax Holiday”). As such, Guangzhou Tinci was exempted from FEIT for the two years ended 31 December, 2007 and subject to a reduced tax rate for the three years ending 31 December 2010.

On 16 March 2007, The National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the “New CIT Law”). The New CIT Law unified the FEIT and EIT with reduced EIT rate from 33% to 25% with effect from 1 January 2008.

Under the New CIT Law mentioned above, entities currently enjoying Tax Holiday will continue to enjoy it until it expires. Guangzhou Tinci will be subjected to PRC enterprise income tax at a rate of 12.5% for the fiscal years 2008 to 2010 and starting from the fiscal year 2011 at the unified rate of 25%.

The Group is also subject to Hong Kong Profits Tax through the Company and its subsidiary, World International. No provision for Hong Kong Profits Tax has been made as the Company and World International had no taxable income. The statutory rate of corporate tax in Hong Kong is 16.5% (2007: 17.5%).

	<i>2008</i>	<i>2007</i>
	<i>RMB ‘000</i>	<i>RMB ‘000</i>
The tax charge comprises:		
Current tax		
-PRC Enterprise Income Tax	<i>627</i>	-
-Hong Kong Profits Tax	-	-
	<i>627</i>	-
Deferred taxation:		
Original and reversal of temporary difference	<i>(810)</i>	<i>275</i>
	<i>(183)</i>	<i>275</i>

A reconciliation between tax (credit)/expense and accounting profit using the enterprise income tax rate is as follows:

	<i>2008</i>	<i>2007</i>
	<i>RMB’000</i>	<i>RMB’000</i>
Profit before taxation	<i>909</i>	<i>6,139</i>
Calculation at the effective enterprise income tax rate of 25% (2007: 33%)	<i>227</i>	<i>2,026</i>
Non-deductible expenses for tax purposes	<i>27</i>	<i>1,184</i>
Income not subject to tax purpose	<i>(18)</i>	<i>(82)</i>
Tax rate differential	<i>208</i>	<i>675</i>
Tax concession	<i>(627)</i>	<i>(3,528)</i>
Tax (credit)/expense for the year	<i>(183)</i>	<i>275</i>

5. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	1,092	5,864
Weighted average number of ordinary shares in issue	52,950,041	52,950,041

Diluted earnings per share

The Company has one category of dilutive instrument – share options. Calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. It is compared with the number of shares that would have been issued assuming the exercise of the share options.

None of the share options of the Company in issue had a dilutive effect on the basic earnings per share as the exercise price is above the share price quoted on the AIM market throughout the year. So they are considered as anti-dilutive and have not been included in the diluted earnings per share calculation for the years ended 31 December 2008 and 31 December 2007.

6. SHARE CAPITAL

	2008	2007
	GBP	GBP
<i>Authorised:</i>		
140,000,000 ordinary shares of GBP0.01 each	1,400,000	1,400,000
	RMB	RMB
Issued and fully paid:		
52,950,041 ordinary shares of GBP0.01 each	7,795,574	7,795,574