Tinci Holdings Limited

2008 Annual Report

TINCI
天 賜 控 股

Contents

Directors, Secretary and Advisers

Directors
David STEEDS
(Non-executive *Chairman)*

XU Jinfu
(Chief Executive Officer)

WANG Keer
(Non-executive)

CHENG Shifa ("Joshua")
(Non-executive)

Company secretary and registered office
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Tinci Holdings Ltd ("Tinci" or the "Company") specializes in the provision of environmental engineering services. Its core business is the design and management of Flue Gas Desulphurization ("FGD") engineering projects which involve processes to reduce or minimize sulphur dioxide content in industrial and utility coal-fired boiler flue gases. Its main customers are industrial companies running coal-fired electricity plants and other industrial users of large-scale coal-fired boilers.

Tinci is one of the leading privately owned FGD engineering companies in Guangdong Province in Southern China. Tinci is the only company in Guangdong Province capable of undertaking FGD projects for small-, medium- and large-sized coal-fired electricity plants.

The Company currently has five FGD technologies at its disposal, including the limestone-gypsum process and the magnesium oxide ("MgO") FGD process, both licensed from US company Ducon Technologies Inc ("Ducon"), the Niro Spray Dry Absorber ("SDA") process from Niro A/S, Denmark and the RAGAR KCFB flue gas circulation fluidic bed desulphurization process from RAGAR AG, Germany. In addition, Tinci's in-house research and development team has collaborated with external experts and developed its own double-alkali FGD process ("TFGD"). With TFGD, construction costs of desulphurization facilities are lowered and the lead time for their set-up is shortened. This technique is most suitable for small-sized projects and has so far been used in 17 projects, all of which have been completed. Tinci was granted a patent for TFGD in China in November 2008 from China's State Intellectual Property Office.

The starting ceremony of Jingyuan 2nd Power Plant 5# 1×300MW FGD in Gansu Province
Technology: Wet FGD

The construction work is sub-contracted to third parties, with Tinci monitoring the entire construction process. Up to 31 December 2008, the Company had secured contracts for a total of 38 small-, medium- and large-scale FGD engineering projects.

In addition, the Group undertakes waste-water treatment projects and has won contracts with Yingde City Government Water Supply Company and Dongguan Liwen Papermaking Company.

Tinci has also licensed a process for the elimination of nitrogen oxides from flue gas emissions (DeNOx), from Haldor Topsøe. This involves a technology similar to that deployed in the FGD processes.

Tinci has a well-trained and educated workforce. The majority of the Company's employees are from specialized organizations such as large power plants, chemical engineering companies, municipal design institutes, municipal construction engineering companies and power companies. 11 technicians have advanced Senior Engineer Certificates and 23 have intermediate level titles. In addition, twenty-four individuals are eligible to manage coal-firing power facilities with an average annual output of over 300MW, and eight hold Master of Science degrees.

Tinci plans to use its technical capabilities to develop a portfolio of businesses and services around the environmental engineering services sector in China.

The project panorama of Shandong Nanshan 2×220MW FGD in Shandong Province Technology : SDA

Chief Executive Officer's Review

I am pleased to present the third annual report of Tinci covering our 2008 results and to outline our prospects for 2009.

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.

Overview of Operating Performance

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 the 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 69 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 RMB 217.8 million, down by 16% compared with 2007; the Company's profit after tax was RMB 1.1 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 9.6 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 RMB 163.8 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 unit5 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
04 June 2009

Sulphur Dioxide Absorber (TFGD)
Huasheng Ludian Power Plant
1x150MW FGD
in Hubei Province
Technology : TFGD

Mr David Steeds, MA, FCA, Non-executive Chairman
David Steeds is a UK resident chartered accountant, Chairman of Telspec plc and a director of Jetion Holdings Ltd and a number of private companies. After a career in private equity, he was corporate development director of QinetiQ Group plc and Serco Group plc and Chief Executive of the UK Government's Private Finance Panel. He has an MA in Natural Sciences from Cambridge University.

Mr Xu Jinfu, BSc, MSc, Chief Executive Officer
Mr Xu founded Tinci in 2001 and has ultimate responsibility for its strategic planning and overall performance. He also focuses on growing existing business streams through delivery of new products and improving operational processes. He is an experienced chief executive and entrepreneur, having established Guangzhou Tinci Hi-Tech Materials Technology Co Ltd in 1995, which was nominated as a Top 100 Private Enterprise in Guangzhou in 2004. Mr Xu received his Bachelor of Science Degree in Organic Chemistry from Hangzhou University and Master of Science Degree from the China Academy of Science.

Ms Wang Keer, Non-executive Director
Ms Wang was a co-founder of Tinci and oversees the operations of the Company. She has particular responsibility for marketing and customer relations and also focuses on establishing marketing strategy and strengthening the Company's position in the market. Ms Wang was previously manager of the advertising department of the Guangzhou Nanfang Daily, one of the mainstream newspapers in Guangzhou for the Shenzhen Laiyingda Group. She is a graduate of the Hunan Finance and Economy Academy.

Dr Cheng Shifa ("Joshua"), Non-executive Director
Dr Cheng is a US citizen based in Austin, Texas. He has acted as a senior consultant to Tinci since 2003 and is bilingual in Mandarin and English. A member of the American Chemical Society, he has numerous academic qualifications – including a PhD in Chemistry from Mississippi State University and an E-MBA from the IC2 Institute of the University of Texas – and is the author of many academic papers and abstracts. He has advised and assisted in product development for several chemical companies and was instrumental in obtaining the Wet Limestone process license from Ducon EEC for Tinci.

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2008.

Principal activities and review of business developments

The principal activities of the Company and its subsidiaries (the "Group") are the design, sale and installation of environmental engineering systems to power industry customers in China. A review of the year and future developments is given in the Chief Executive Officer's Review on pages 5–7.

Dividends

The Directors do not recommend the payment of a dividend.

Directors

The following Directors have held office during the year and up to the date of this report:

Sir David BREWER *Chairman (Resigned on 11 July 2008)*
David STEEDS *(Chairman from 11 July 2008)*
XU Jinfu *Chief Executive*
PAN Wen Zhong *(Resigned on 15 February 2008)*
WANG Keer *Executive, (Non-executive from 1 January 2009)*
CHENG Shifa ("Joshua") *Non-executive*

All directors are offering themselves for re-election at the forthcoming Annual General Meeting.

The project panorama of CNPC Lanzhou Petrol Chemicals 1×145T/H 2×220T FGD in Gansu Province Technology: TFGD

Directors' interests in the shares of the company

The beneficial interests of the Directors in the shares and options of the Company in the year, including family holdings, were as follows:

	£0.01 Ordinary shares At 31 December 2008	£0.01 Ordinary shares At 31 December 2007	Options to acquire ordinary shares At 31 December 2008	Options to acquire ordinary shares At 31 December 2007
Sir David BREWER	21,428	21,428	-	-
XU Jinfu	22,627,000	21,807,000	-	-
PAN Wen Zhong	-	-	-	20,280
WANG Keer	9,813,000	9,813,000	-	-
CHENG Shifa ("Joshua")	1,000,000	1,000,000	-	-
David STEEDS	22,000	22,000	-	-

Substantial interests

At the date of this report the Company had not been notified of any substantial shareholdings other than the Directors' shareholdings disclosed above.

Creditor payment policy

The Company's policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts
- pay in accordance with the Company's contractual and other legal obligations

Reporting currency

The Group's reporting currency is the Renminbi (RMB).

Financial risk management

The Company's operations involve purchasing components both within China and from overseas, assembling them and installing them at clients' premises. This exposes it to the usual range of financial risks facing all similar businesses, including the effects of changes in the market prices of commodities, credit risk, liquidity risk and interest rate risk. Its exposure to financial risk and the procedures for managing this risk are set out in note 23 to the Financial Statements.

Going concern

The Directors are required to report that the business is a going concern, with supporting assumptions or qualifications as necessary.

After making enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements.

Auditors

A resolution to re-appoint PKF as auditors will be put to the members at the forthcoming Annual General Meeting.

By order of the Board
XU Jinfu
Director
04 June 2009

Corporate Governance is concerned with how companies are directed and controlled and, in particular, with the role of the Board of Directors and the need to ensure a framework of effective accountability. The Group is committed to high standards of Corporate Governance within the constraints imposed by its small size.

Tinci Holdings Limited was admitted to trading on AIM in July 2006 and is therefore not required to comply with the provisions of the Combined Corporate Governance Code ("the Combined Code"). However, the Directors believe that good corporate governance is essential and, having considered the provisions of the code, set out below those principles which the Group has adopted since incorporation and how the Group has applied these principles.

Directors and the board

1 The Board

The Company is headed by a Board, consisting of one executive and three non-executive directors. Brief biographical details of the Directors are set out on page 8 above.

The Board meets at regular intervals and is responsible for setting strategy and policy. All Directors may take independent professional advice at the Company's expense in the furtherance of their duties.

The Board has two principal Board Committees, both of which operate within written terms of reference and whose members are non-executive directors. Details of the present composition and the main responsibilities of these Committees are as follows:

Audit Committee
David Steeds *Chairman*
Cheng Shifa ("Joshua")

The main responsibilities of the Audit Committee are to:

- review and advise the Board on the interim and annual financial statements
- review with the external auditors the nature and scope of their audit, the results of that audit, any control issues raised by them and management's response
- make recommendations as to the appointment and remuneration of the external auditors and any question of their resignation or removal
- monitor compliance with systems of internal controls, policies and procedures

The Committee meets at least twice a year.

Remuneration Committee
Cheng Shifa ("Joshua") *Chairman*
David Steeds

The Committee is responsible for reviewing the scale and structure of the executive directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and bonus arrangements. The remuneration and terms and conditions of the non-executive directors are set by the entire Board.

The Committee meets at least once a year.

2 Board Balance

The Board has one executive director and three non-executive directors.

The Combined Code requires that a senior non-executive director other than the Chairman should be identified as a person to whom concerns can be conveyed. The Board does not consider this aspect of the Combined Code is helpful at the present time, given the size and composition of the Board, which is considered adequate for a company of this size.

3 Appointments to the Board

As a result of the small size of the Group, the Company does not have a nomination committee. Any appointments to the Board would be considered by the entire Board.

4 Re-election

All directors will retire at the Company's AGM in 2009 and submit themselves for re-election.

Directors' remuneration

1 The level and composition of remuneration

The Board believes that levels of remuneration should be sufficient to attract and retain the directors needed to run the Company successfully.

2 Procedure

The Remuneration Committee is responsible for determining the remuneration, terms and conditions and bonus schemes of the executive directors.

The remuneration of the non-executive directors is determined by the Board as a whole. No director is involved in discussions about his or her own remuneration.

3 Disclosure

Details of the remuneration of the Directors are set out below:

	2008					2007				
	Fees	Salaries and bonus	Retirement Scheme contribution	Employee share option benefits	Total	Fees	Salaries and bonus	Retirement Scheme contribution	Employee share option benefits	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Sir David BREWER	203,512	-	-	-	203,512	456,474	-	-	-	456,474
XU Jinfu	-	-	-	-	-	-	-	-	-	-
PAN Wen Zhong	-	39,569	-	(40,580)	39,569	-	156,810	-	27,141	183,951
WANG Keer	-	263,687	18,717	-	282,404	-	215,892	11,151	-	227,043
CHENG Shifa	320,248	-	-	-	320,248	380,395	-	-	-	380,395
David STEEDS	384,297	-	-	-	384,297	456,474	-	-	-	456,474
	908,057	303,256	18,717	(40,580)	1,230,030	1,293,343	372,702	11,151	27,141	1,704,337

Accountability and audit

1 Financial Reporting

The Board believes that its Annual Report and financial statements present a balanced and understandable assessment of the Group's position and prospects and comply with the legal and regulatory requirements for financial reporting relevant to the Group.

2 Internal Control

The Directors are responsible for the Group's system of internal control. The system addresses and monitors key business and financial risks. Any such system can, however, provide only reasonable and not absolute assurance against any misstatement or loss.

The key procedures established by the Board include:

- an ongoing process to identify, evaluate and manage significant risks by way of the close personal supervision of the executive directors and regular approval at board meetings
- preparation of annual budgets, against which actual results are reported on a monthly basis
- consideration by the Audit Committee of the results of the external audit
- an independent external auditor's report to the Audit Committee

3 Audit Committee and Auditors

The Board has a formal and transparent arrangement for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The Company has delegated authority for these matters to the Audit Committee, the current members of which are listed above.

Xu Jinfu
Director
04 June 2009

We have audited the accompanying consolidated financial statements of the Tinci Holdings Limited and its subsidiaries (together the Group), which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements, based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

Certified Public Accountants

Hong Kong
04 June 2009

Consolidated Income Statement
Year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Turnover	3	216,804	259,923
Other income	3	975	636
		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	4	909	6,139
Taxation	5	183	(275)
Profit for the year		1,092	5,864

		RMB Cents	RMB Cents
Basic earnings per share	7	2	11

Consolidated Balance Sheet
At 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Assets			
Non-current assets			
Land use rights	9	416	428
Property, plant and equipment	10	12,910	14,180
Intangible assets	11	8,387	4,536
Interest in an associate	12	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	13	106,712	18,998
Trade and other receivables	14	142,829	163,751
Restricted bank balances	16	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	15	132,990	112,457
Bills payable	17	1,412	4,866
Short-term bank loan - secured	18	13,000	13,000
Amount due to an associate	12	7,350	-
Current income tax liabilities		501	-
Total current liabilities		155,253	130,323
Non-current liability			
Deferred tax liability	19	-	810
Total liabilities		155,253	131,133
Net assets		143,007	142,096
Equity			
Share capital	20	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

XU Jinfu Chief Executive Officer
04 June 2009

Consolidated Statement of Changes in Equity
Year ended 31 December 2008

	Share capital RMB'000 (Note 20)	Share premium RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Reverse acquisition reserve RMB'000 (Note 22)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2007	7,796	18,078	477	272	42,644	67,059	136,326
Employee share option scheme - value of employee services	-	-	-	410	-	-	410
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 - value of employee services	-	-	-	154	-	-	154
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

Consolidated Cash Flow Statement
Year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
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

1. GENERAL INFORMATION

Tinci Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong under the Hong Kong Companies Ordinance. The Company is a public quoted company and its shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. The company's registered office is Room 1011, 10/F., Wu Sang House, 655 Nathan Road, Mongkok, Kowloon, Hong Kong. The Company and its subsidiaries (collectively the "Group") is principally engaged in the design, sale and installation of environmental engineering systems to power industry customers in China. The principal place of business of the Group is Guangzhou, China.

2. PRINCIPAL ACCOUNTING POLICIES

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

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

(a) Initial application of new and revised IFRS

In the current year, the Group has applied the following amendments and interpretations issued by International Accounting Standards Board which are or have become effective.

Amendments to IAS 39 & IFRS 7	Reclassification of Financial Assets
Amendments to IAS 39 & IFRS 7	Reclassification of Financial Assets – Effective Date and Transaction
IFRIC 11	IFRS 2 - Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IAS 39 & IFRS 7, "(Amendments) Reclassification of Financial Assets", permit reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendments to *IFRS7, "Financial Instruments: Disclosures"* introduce disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

IFRIC 11, "IFRS 2 - Group and Treasury Share Transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements.

IFRIC 12, " Service Concession Arrangements" and IFRIC 14, " IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" are effective in this accounting period but are not relevant to the Group's operations.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(b) Issued but not yet effective IFRS

The Group has not early applied the following IFRS in issue but not yet effective at 31 December 2008 for the annual period beginning on 1 January 2008.

Amendments to IFRS	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
Amendments to IAS 32 & 1	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
Amendments to IAS39	Eligible Hedged Items[3]
Amendments to IFRS 1 & IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
Amendments to IFRS 2	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 13	Customer Loyalty Programmes[4]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[5]
IFRIC 17	Distribution of Non-cash Assets to Owners[3]
Improvements to HKFRSs	

[1] Effective for annual periods beginning on or after 1 January, 2009 except for the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January, 2009
[3] Effective for annual periods beginning on or after 1 July, 2009
[4] Effective for annual periods beginning on or after 1 July, 2008
[5] Effective for annual periods beginning on or after 1 October, 2008

The directors anticipate that the applications of these IFRS will have no material impact on the results and the financial position of the Group.

2 PRINCIPAL ACCOUNTING POLICIES (cont'd)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Details of the Company's wholly owned subsidiaries are as follows:

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Principal activities
World International Investment Limited ("World International")	Hong Kong	HK$1 ordinary share	Investment holding
Guangzhou Tinci Sanhe Environmental Engineering Co. Ltd ("Guangzhou Tinci")	The People's Republic of China	RMB50,000,000 registered capital	Environmental engineering services

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Associates (cont'd)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

Currencies

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is Guangzhou Tinci's functional currency and the Company's presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group Companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. The assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. 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). All resulting exchange differences are recognised as equity and transferred to foreign currency translation reserve.

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On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

For the year ended 31 December 2008, financial positions and results of group entities that have functional currencies other than RMB are translated at the following exchange rates:

	Year end rates		Average rates	
	2008	2007	2008	2007
RMB: GBP	9.8798	14.5807	12.8099	15.2158
RMB: HKD	0.8819	0.9364	0.8897	0.9728

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:-

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Revenue recognition (cont'd)

i. Contract revenue

When the outcome of a construction contract can be estimated reliably:

- Revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the work certified by customers, except where this would not be representative of the percentage of completion.
- Revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract
- When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable
- When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

ii. Rental income

Rental income receivable under operating leases is recognised in the income statement on a straight line basis over the lease term.

Land use rights

Land use rights represent operating lease payments paid to the PRC government authorities. Payments for obtaining land use rights are accounted for as prepaid lease payments.

Land use rights are stated at cost less accumulated amortisation and impairment losses. Land use rights are amortised using the straight-line basis over the unexpired period of the lease.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost of a property, plant and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Improvements are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures incurred in restoring assets to their normal working condition and other repairs and maintenance costs are charged to the income statement.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment at the following rates per annum:

Leasehold buildings and improvements	3.33% to 20%
Office equipment	20%
Motor vehicles	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Loan and borrowings

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision is made for impairment of receivable based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

A provision for impairment of receivables is established when there is evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the income statements.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

The derecognition of a financial asset takes place when the Group's contractual rights to future cash flows from the financial asset expire or the Group transfers the contractual rights to future cash flows to a third party. The Group derecognises a financial liability when, and only when, the liability is extinguished.

Contract work in progress

Work in progress on construction contracts is stated at cost plus profit recognised to date calculated in accordance with the percentage of completion method, including retentions payable and receivable, less a provision for foreseeable losses and progress payments received to date.

Cost includes all variable and fixed costs directly related to specific construction contracts and other costs specifically chargeable under the contract.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within "Trade and other receivables".

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Intangible assets
Intangible assets acquired with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 10 years. Intangible assets with finite useful lives are tested for impairment when there is an indication that the assets may be impaired. At each balance sheet date, the Group reviews the carrying amount of its intangible assets to determine whether there is any indication that the intangible assets have suffered an impairment loss.

Impairment
Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Income tax
The charge for taxation is based on the results for the year, adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equities, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Employee benefits
Costs of employee benefits are recognised as an expense in the year in which they are incurred. Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Information regarding directors and employees

	2008 No.	2007 No.
The average number of persons employed by the Group during the year was:	118	130

Retirement benefits plan
Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement plans are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Operating leases

Leased assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement on a straight line basis over the period of the respective leases.

Share-based payment transactions

The Company operates a share option scheme for granting share options, for the purpose of providing incentives and rewards to eligible employees and directors.

The cost of share options granted to employees and directors is measured by reference to the fair value at the date at which they are granted. It is recognised, together with a corresponding increase in equity, over the vesting period. The cumulative expense recognised at each reporting date until the end of the vesting period reflects the extent to which the vesting period has expired and the number of shares, in the opinion of the directors will ultimately vest at that date.

Related parties

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is a member of the key management personnel of the Group, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below:-

(a) Useful lives

The Group's management determines the estimated useful lives and consequently the related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of these assets and of assets of a similar nature and function. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(b) Impairment assessment

Property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience.

(c) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed. The management has reviewed the subsequent settlement of all trade and other receivables outstanding at 31 December 2008 and the financial position of the counterparties and is satisfied that there has been no impairment.

(d) Revenue and cost recognition

The Group's management estimates the percentage of completion of project works if the value of works has not been certified by the customers at the balance sheet date. These estimates are based on proportion of the value of work previously certified for that related work in progress or based on documents prepared by the project managers which have been submitted to the customers before the balance sheet date for certification of the value of work done. Corresponding costs relating to the contract revenue are also estimated by the management. One of the critical estimates and judgements is in relation to the budget contract costs estimated by the management which determine the recognition of revenue, profit and the amounts due from/to customers for contract work (see note 13). The actual costs incurred may be higher or lower than the budget costs and thus could affect the revenue and profit in future years.

Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses. For costs attributable to work done that have not been billed to the Group but the corresponding revenue for the work done has been recognised, management estimates these costs by reference to the budget and the actual billings subsequently received.

Management regularly reviews the progress of the contracts and its assumptions regarding anticipated margins on the contract revenue.

3. 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

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

4. PROFIT BEFORE TAXATION

This is arrived at after charging / (crediting):	2008 RMB'000	2007 RMB'000
Auditor's remuneration	429	693
Staff costs		
- Salaries and allowance	9,908	8,808
- Contribution to defined contribution retirement plans (note 8)	579	435
- Other benefits	388	1,610
- Employee share option benefits (note 21)	154	410
	11,029	11,263
Research and development expenses	511	271
Amortisation of land use rights (note 9)	12	11
Depreciation (note 10)	1,510	1,347
Amortisation of intangible assets (note 11)	979	648
Depreciation and amortisation	2,501	2,006
Short term bank loan interest expenses	1,030	1,159

5. 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%).

The tax charge comprises:	2008 RMB'000	2007 RMB'000
Current tax		
- PRC Enterprise Income Tax	627	-
- Hong Kong Profits Tax	-	-
	627	-
Deferred taxation (note 19):		
Origination and reversal of temporary difference	(810)	275
	(183)	275

5. TAXATION (cont'd)

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

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

6. KEY MANAGEMENT COMPENSATION

	2008 RMB'000	2007 RMB'000
Salaries, allowances and other benefits	303	373
Retirement benefit costs	19	11
Share option benefits	(40)	27
	282	411

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7. 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
Earnings per share (RMB Cents per share)	2	11

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 in 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 2007.

8. RETIREMENT SCHEMES

The employees of the Group's subsidiary in the PRC are members of a state-managed defined contribution retirement scheme operated by the local PRC government. The subsidiaries are required to contribute a specified percentage of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year ended 31 December 2008, the aggregate amount of employer's contribution made by the Group was approximately RMB579,000 (2007: approximately RMB435,000).

9. LAND USE RIGHTS

The land use rights represent prepaid operating lease rentals. The land use rights are situated in the PRC held under a lease term of 36.6 years.

		2008 RMB'000	2007 RMB'000
Cost :-	At 1 January and at 31 December	451	451
Amortisation :-	At 1 January	23	12
	Charge for the year	12	11
	At 31 December	35	23
Net book value :-	At 1 January	428	439
	At 31 December	416	428

The land use rights together with the leasehold buildings (note 10) have been pledged to secure a short term bank loan granted to the Group (note 18).

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings and improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost :-				
At 1.1.2007	13,735	2,275	1,152	17,162
Additions	70	158	-	228
At 31.12.2007	13,805	2,433	1,152	17,390
Aggregate depreciation :-				
At 1.1.2007	598	790	475	1,863
Charge for the year	645	471	231	1,347
At 31.12.2007	1,243	1,261	706	3,210
Net book value :-				
At 31.12.2007	12,562	1,172	446	14,180
Cost :-				
At 1.1.2008	13,805	2,433	1,152	17,390
Additions	-	240	-	240
At 31.12.2008	13,805	2,673	1,152	17,630
Aggregate depreciation :-				
At 1.1.2008	1,243	1,261	706	3,210
Charge for the year	762	518	230	1,510
At 31.12.2008	2,005	1,779	936	4,720
Net book value :-				
At 31.12.2008	11,800	894	216	12,910

All leasehold buildings with carrying value of approximately RMB11,203,000 (2007:approximately RMB11,693,000) together with the land use rights (note 9) have been pledged to secure bank loan granted to the Group (note 18).

11. INTANGIBLE ASSETS

	Technical Know How RMB'000
Cost:	
At 1 January 2007 and 31 December 2007	6,480
Additions	4,830
At 31 December 2008	11,310
Accumulated amortization:	
At 1 January 2007	1,296
Charge for the year	648
At 31 December 2007	1,944
Charge for the year	979
At 31 December 2008	2,923
Net book value:	
At 31 December 2008	8,387
At 31 December 2007	4,536

12. INTEREST IN AN ASSOCIATE

(a)	2008 RMB'000	2007 RMB'000
Share of net assets	9,800	9,800

Particulars of the associate as at 31 December 2008 are as follows:

Name of company	Place of incorporation and operation	Registered and paid-in capital	Percentage of ownership interest	Principal activities
Guangzhou Tiancheng Biodegradation Materials Co. Ltd.	The People's Republic of China	Registered Capital of RMB100,000,000 with paid-in capital of RMB20,000,000	49%	Research, development and sale of new biodegradable plastics. Inactive during the year

The associate has been accounted for using the equity method in the consolidated financial statements.

The following table summarised the financial information of the associate as extracted from its management accounts:

	2008 RMB'000	2007 RMB'000
Assets	20,001	20,000
Liabilities	(1)	-
Turnover	-	-
Profit	-	-

(b) The amount due to the associate is unsecured, interest free and repayable on demand.

13. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	2008 RMB'000	2007 RMB'000
Contract costs incurred to date	198,961	68,995
Profits recognised to date (less recognised losses)	22,805	11,326
	221,766	80,321
Less : Progress billings	(115,054)	(61,323)
Net contract work in progress	106,712	18,998

14. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables (a) & (b)	74,233	118,342
Sundry debtors, deposits and prepayments	59,276	44,306
Bills receivable (c)	8,400	-
Prepaid construction costs	342	328
Amounts due from directors (d)	578	775
	142,829	163,751

14. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Retention money receivable of RMB5,096,000 (2007: RMB12,076,000) is included within trade receivables.

(b) Included in trade receivables are the following amounts past due but not impaired:

	2008 RMB'000	2007 RMB'000
Less than 90 days	81	15,792
Over 90 days but less than 180 days	-	38,847
Over 180 days but less than 365 days	6,521	7,360
Over 365days	40,134	4,515
	46,736	66,514

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable (note 2 Critical accounting estimates and judgements (c)). The Group does not hold any collateral over these balances.

(c) Included in bills receivable was a bill receivable amounted to RMB7,000,000 pledged to a bank for the bills issued by the Group (2007: Nil) (note 17).

(d) These amounts due are unsecured, interest-free and repayable on demand. The carrying amounts approximate their fair values.

	Balance outstanding 2007 RMB'000	Maximum during the year RMB'000	2008 RMB'000
Ms Wang Keer	775	775	521
Mr Xu Jin Fu	-	57	57

(e) The carrying values of trade and other receivables approximate their fair values.

15. TRADE AND OTHER PAYABLES

	2008 RMB'000	2007 RMB'000
Trade payables	83,900	53,201
Accrued charges and other creditors	48,982	59,118
Amount due to a director (a)	-	36
Amount due to a director's wife (a)	108	102
	132,990	112,457

(a) The amounts due are unsecured, interest-free and repayable on demand.

(b) The carrying values of trade and other payables approximate to their fair values.

16. RESTRICTED BANK BALANCES

Restricted bank balances represent the retention money of RMB4,624,000 (2007: RMB4,599,000) pledged to a bank to secure performance guarantees issued by the bank in favour of the Group to a major customer for satisfactory completion of the relevant project work done by the Group. There is no other restricted bank deposit kept as at 31 December 2008 (2007: a charge over another restricted bank deposit of RMB5,504,000 as security for the issuance of bills payable by the Group (note 17)).

17. BILLS PAYABLE

All bills payable are secured by a bill receivable of RMB7,000,000 (2007: secured by a charge over restricted bank deposits of RMB 5,504,000 (note 16)).

18. SHORT TERM BANK LOAN

	2008 RMB'000	2007 RMB'000
Short-term bank loan	13,000	13,000

The loan is secured by director's personal guarantees, land use rights with carrying value of RMB 416,000 (2007:RMB 428,000) and leasehold buildings with carrying value of RMB 11,203,000 (2007:RMB 11,693,000). Interest is calculated at 6.723% (2007: 7.227%) per annum.

19. DEFERRED TAX LIABILITY

	2008 RMB'000	2007 RMB'000
Balance at 1 January	810	535
(Credited)/charged to income statement for the year (note 5)	(810)	275
Balance at 31 December	-	810

The Group has no material unrecognised temporary difference for both years.

20. SHARE CAPITAL AND CAPITAL MANAGEMENT

	2008 GBP	2007 GBP
Authorised:		
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

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurate with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debt as appropriate.

20. SHARE CAPITAL AND CAPITAL MANAGEMENT (cont'd)

The Group's equity capital management strategy, which was unchanged from the previous periods, was to maintain a reasonable ratio between total debt and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Net debt is calculated as total debt less cash and cash equivalents. Equity capital comprises all components of equity (i.e. share capital, retained earnings and other reserves). The debt-to-equity capital ratios at 31 December 2008 and at 31 December, 2007 was as follows:

	2008 RMB'000	2007 RMB'000
Total debt	21,762	17,866
Less: Cash and cash equivalents	(12,582)	(48,923)
Net debt	9,180	(31,057)
Total equity	143,007	142,096
Debt-to-equity capital ratio	0.06	(0.22)

21. SHARE OPTIONS

On 25 July 2006, the Company granted options over 410,837 ordinary shares to the Directors and senior employees of the Group. Unless otherwise cancelled or amended, the share options will remain in force for 10 years from 25 July 2006. The purpose of granting the share options is to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts in, promoting the interests of the Group.

The fair value per option granted in 2006 by the Company was RMB 4.75, estimated as at the date of grant based on the Black-Scholes option pricing model using the following assumptions:

Share price at the option grant date	£0.70
Exercise price	£0.70
Risk-free interest rate per annum	4.5%
Expected average stock price volatility	35%
Expected option life	10 years

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Such an option pricing model requires the input of highly subjective assumptions, including the expected stock price volatility. The volatility could not be determined by reference to historical volatility, but instead was derived by reference to publicly available information concerning the volatility of listed manufacturing companies. Because the share options of the Company have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options of the Company.

Number, terms and conditions of the options granted by the Company:

	Number of options granted on 25 July 2006	Total value of options at grant date RMB'000
Options granted to Directors	20,280	96
Options granted to employees other than Directors	390,557	1,854
	410,837	1,950

21. SHARE OPTIONS (cont'd)

Notes:

(1) The Group has recognised these share options in the income statement with a corresponding increase in share option reserve in equity.

Cost of share options recognised under IFRS 2	2008	2007
	RMB'000	RMB'000
In respect of options granted to a director	(40)	27
In respect of options granted to employees other than directors	194	383
	154	410

The following share options were outstanding under the share option scheme:

Category of participants	Date of grant	At 31 December 2007	Forfeited during the year	At 31 December 2008	Exercise period of share options	Exercise price of share options £
Directors	25 July 2006	20,280	(20,280)	-	25 July 2009 to 11 July 2015	0.70
Other employees in aggregate	25 July 2006	286,262	(57,942)	228,320	25 July 2009 to 11 July 2015	0.70
		306,542	(78,222)	228,320		

The remaining contractual life for the share options outstanding at the balance sheet date was 8 years.

22. REVERSE ACQUISITION RESERVE

The reverse acquisition reserve arose as a result of the reverse acquisition of the Company by World International on 14 July 2006. The reserve represents the difference between the nominal value of shares of World International (RMB 50,000,000) and the nominal value of the Company's shares issued (RMB 7,356,060).

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation. The Group manages credit risk by setting up a credit control policy and periodic evaluation of the credit performance of the other parties, measured by the extent of past due or default.

Carrying amounts of financial assets as at 31 December, 2008, which represented the amounts of maximum exposure to credit risk, were as follows:

	2008	2007
	RMB'000	RMB'000
Amounts due from customers for contract work	106,712	18,998
Trade and other receivables	86,919	127,977
Bills receivable	8,400	-
Restricted bank balances	4,624	10,103
Bank balances	12,582	48,923
	219,237	206,001

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

The Group's credit risk arises from cash and bank balances, restricted bank deposits, trade and other receivables and amounts due from customers for contract work. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

As at 31 December 2008 and 2007, all the bank deposits are deposited with major banks in Hong Kong and state-owned banks in the PRC. The credit quality of deposits with banks have been assessed by reference to external credit ratings. The existing counterparties do not have defaults in the past. As such, no significant credit risk is anticipated.

In respect of trade and other receivables and amounts due from customers for contract work, the Group has policies in place to ensure that the Group transacts with customers with appropriate credit history and the Group performs credit evaluations of its customers. Accordingly, the Group is not considered to be subject to significant credit risk. In this regard, the management are satisfied with the credit quality of the above financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio.

Maturities of the financial liabilities of the Group as at 31 December, 2008 and 2007 were as follows:

	2008 RMB'000	2007 RMB'000
Total amounts of contractual undiscounted obligations		
Trade and other payables	132,990	112,457
Amount due to an associate	7,350	-
Short term bank loan	13,000	13,000
Bills payable	1,412	4,866
	154,752	130,323
Due for payment:		
Within one year or on demand	154,752	130,323

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risks, when it is considered significant, by entering into appropriate swap contracts.

The Group's interest rate risk arises from short term bank loan carrying at fixed interest rate, which exposes the Group to fair value interest rate risk. The directors are of the view that the exposure is not significant based on its short-term maturities and it is measured at amortised cost.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group did not use any forward contract or currency borrowing to hedge its exposure to foreign currency risk.

Carrying amounts of financial assets and financial liabilities as at 31 December, 2008 that were exposed to currency risk were as follows:

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

	2008 RMB'000	2007 RMB'000
Financial assets denominated in foreign currencies		
Cash and bank balances	1,123	2,433
Financial liabilities denominated in foreign currencies:		
Trade and other payables	(575)	(1,054)
Net financial assets exposed to currency risk	548	1,379

The Group's financial assets and financial liabilities exposed to currency risks were primarily denominated in United States dollars and Euros.

Should the Renminbi at 31 December 2008 devalue by 10% against all foreign currencies, the carrying amount of the net financial assets exposed to currency risk at 31 December 2008 determined in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates would be increased, and hence the equity at 31 December 2008 would be increased, by RMB54,800 (2007 : RMB137,900).

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices.

As at 31 December 2008, the Group did not have any financial instruments exposed to market risks.

24. CAPITAL COMMITMENTS

On 9 November 2007, Guangzhou Tinci entered into an agreement with Guangzhou Honsea Chemistry Company Limited to set-up Guangzhou Tiancheng Biodegradation Materials Company Limited ("Tiancheng"), a company with limited liability and registered capital of RMB100 million. Guangzhou Tinci invested RMB9.8 million in December 2007, representing a 49% equity interest in Tiancheng. Under the agreement, Guangzhou Tinci has committed to inject another RMB39.2 million into Tiancheng on or before 16 November 2009.

25. OPERATING LEASE ARRANGEMENTS

As at 31 December 2008, the future minimum lease payments to be received under non-cancellable operating leases are as follows:

	2008 RMB'000	2007 RMB'000
Within one year	-	91

Notice is hereby given that the Annual General Meeting of the Company will be held at 18th Floor, Wuyangxincheng Plaza, No. 111–115 Siyouxin Road, Guangzhou, China on 3 July 2009 at 5.00 pm Hong Kong time for the purpose of transacting the following business:

Ordinary business

1. To receive and adopt the Company's annual report and financial statements for the year ended 31 December 2008, together with the directors` report and the auditors` report on those financial statements.

2. To re-elect Mr XU Jinfu as a Director of the Company.

3. To re-elect Ms WANG Keer as a Director of the Company.

4. To re-elect Mr CHENG Shifa as a Director of the Company.

5. To re-elect Mr David STEEDS as a Director of the Company.

6. To re-appoint PKF LLP Certified Public Accountants as auditors of the Company to hold office until the next General Meeting at which financial statements are laid before the Company and to authorise the Directors to fix their remuneration.

Special business

7. That the Directors be and they are generally and unconditionally authorised to exercise all the powers of the Company to allot ordinary shares of £0.01each in the capital of the Company ("the Ordinary Shares"), such authority to expire on the day falling 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2010, unless and to the extent that such authority is renewed or extended prior to such date, provided that the Company may make an offer or agreement before the expiry of this authority which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot Ordinary Shares pursuant to such an offer or agreement as if the authority conferred hereby had not expired.

By order of the Board

Accuracy Corporate Services Limited.
Company secretary
04 June 2009

Registered office:
Room 1011, 10/F, Wu Sang House,
655 Nathan Road, Kowloon,
Hong Kong.

Notes:

a. A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

b. A form of proxy is enclosed with this notice for your use in respect of the business set out above. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notary certified or an office copy of such power of authority) must be lodged at the Company's registered office at least forty-eight hours before the time appointed for the meeting.

Tinci Holdings Limited

Form of Proxy

I/We ....

of ....

being a member of the above named Company, hereby appoint the Chairman of the meeting or [ ] as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at18th Floor, Wuyangxincheng Plaza, No. 111–115 Siyouxin Road, Guangzhou, China on 3 July 2009 at 5.00 pm, and at any adjournment thereof.

Please delete as appropriate below to indicate how you wish your votes to be cast:

RESOLUTION 1
To receive and adopt the Company's annual report and financial statements for the year ended 31 December 2008. FOR /AGAINST

RESOLUTION 2
To re-elect Mr XU Jinfu as a director of the Company FOR /AGAINST

RESOLUTION 3
To re-elect Ms WANG Keer as a director of the Company FOR /AGAINST

RESOLUTION 4
To re-elect Mr CHENG Shifa as a director of the Company FOR /AGAINST

RESOLUTION 5
To re-elect Mr David STEEDS as a director of the Company FOR /AGAINST

RESOLUTION 6
To re-appoint PKF Certified Public Accountants as auditors and to authorise the Directors to fix their remuneration FOR / AGAINST

RESOLUTION 7
To authorise the Directors to allot Ordinary Shares in the Company FOR /AGAINST

Signature:…………………………………………………………

Date:……………………………..2009

Number of shares held:………………………………………..

Tinci Holdings Limited

Form of Proxy

Notes:

a. A member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words "the Chairman of the meeting" and insert the name of the person appointed proxy in the space provided.

b. In the case of joint holders, the signature of any holder will be sufficient, but the names of all the joint holders should be stated.

c. If this form is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.

d. To be valid, this form must be completed and deposited at the Company's Registrars, Computershare Investor Services plc, PO Box 82, Bristol BS99 7NH not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.