

Tinci Holdings (TNCI.L)



By 2010 all Chinese coal-fired power plants will be required to be retro-fitted with FGD technology. As one of the top 10 players in the FGD installation market Tinci is well placed to exploit the current demand for FGD technology in China.

Executive Summary

For the full report please visit:
<http://www.ObjectiveCapital.co.uk/TinciFeb07.pdf>

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Key Points

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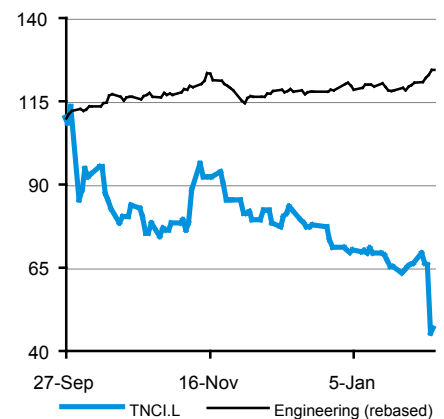
Price as at 2 February 2007

Tinci is a Chinese environmental engineering company specialising in flue gas desulphurisation (FGD) systems, which reduce sulphur dioxide (SO₂) emissions from coal-fired power stations and large industrial boilers. By 2010 all Chinese coal-fired power plants must be retrofitted with such technology. The stock has been oversold on the news that 2006 profits fell, largely due to intensified competition and higher material prices.

KEY POINTS

- **Unprecedented demand for FGD technology:** Air pollution is forcing the Chinese government to reduce SO₂ emissions. By 2010, China's existing 4,600 coal-fired power plants will be required to be fitted with FGD technology as will all new plants from 2010. Current FGD projects for power plants built or in progress are just 10% of the forecast 2010 coal-fired capacity; China has the capacity to build only 600 such facilities annually. Strong market conditions are set to prevail for at least the next decade.
- **An emerging presence in the FGD market:** Tinci is one of the leading ten FGD companies in China and offers a broad range of technologies for various industrial and power generation clients. These technologies are used under licence from major Western players or have been developed by the company. Having started operations in 2002, its track record is relatively short, yet the company has secured a series of major orders in 2005 and is trading profitably.
- **Location and expansion plans:** Tinci is based in Guangdong Province, next to Hong Kong, the country's major export zone. This is an attractive market, in addition, since 2005 Tinci has been gaining orders in Northern China, tapping into the growth of Tianjin, Beijing and Shanghai. Tinc understands that the FGD market will not grow forever, so it is seeking to become a broadly-based environmental technology company.
- **Reason for listing:** Tinci came to AIM in July 2006, seeking to raise £10.0 million (RMB142 million) before expenses, principally to increase its capacity to undertake medium to large FGD projects, and also including £1.6 million for enhancing R&D work and £1.4 million for general working capital. In the event, Tinci raised £2.05m gross, that is £1.09 million net of expenses.
- **Disappointing trading in 2006:** On 1 February, Tinci disclosed that profits fell in 2006, despite higher sales. It attributed this to intensified competition for large Chinese projects; increased prices for copper, an important raw material; a build-up in overheads to enable national sales; lower margins in last year's principal contracts, which used licenced rather than in-house technology; and the costs of continuing obligations on AIM. The company is responding by focussing on small-to-medium scale projects that will allow it to raise margins using proprietary processes. Tinci was marked down on the statement to 46.5p. Our core valuation prices the stock at 62p.

Price chart – TNCL.L



Our valuation

Scenario	Value
Market share maintained	£32.6m

Tinci emerges as top 3 player:

- Base case	£45.3m
- Best case	£59.8m
- Pessimistic case	£41.8m

Company details

Quote	
Shares - London AIM	TNCL.L
Hi-Lo last 12-mos. (p)	132 - 42
Shares issued (m)	52.95
Fully diluted (m)	52.95
Market Cap'n (£m)	24.6
Stockbroker:	Zimmerman Adams www.zimmint.com Corporate Synergy www.CorporateSynergy.co.uk
Nominated advisor:	Zimmerman Adams www.zimmint.com
Financial PR:	Shared Value www.sharedvalue.net
Website:	www.tinciholdings.com

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Overview

The Tinci Sanhe Environmental Engineering Company Limited ('Tinci') was founded in 2001 and is an environmental engineering company primarily involved in developing and installing flue gas desulphurisation (FGD) systems for reducing sulphur dioxide (SO₂) emissions from coal-fired power stations and large industrial boilers. The company also has experience in denitrification technologies for similar applications and the treatment of industrial effluents. Tinci aims to become a broadly based environmental engineering company using in-house and licensed technologies offering industrial and utility clients products and processes for ameliorating emissions and recovering raw materials.

Regional strategy: Tinci is based in Guangzhou City, the capital of Guangdong which is the economic powerhouse of South East China and linked by the Pearl River to Shenzhen and Hong Kong. Tinci has identified three areas in China where it aims to concentrate its marketing efforts: Southern China, from its established base in Guangdong, where it is the market leader; Northern China and South West China. Tinci is concentrating on those areas which are subject to Acid Rain and SO₂ emission abatements. From 2002 to 2004, all contract gains were in Guangdong. In 2005-06, 50% of contract awards have been in North China.

Coal as an energy source and FGD market driver: In 2003, 79% of China's energy came from coal-fired power plants and even by 2020, coal will still account for 55-72% of all energy generation, with its usage growing by 2.2-3.3% per annum. Power generation is the chief source of sulphur dioxide (SO₂) emissions, which is causing serious damage to human health and the economy. A series of Regulations and Acts have been passed to limit ambient SO₂ pollution and halt the increase of acid rain, covering 175 cities in 29 regions. All new power plant needs to be equipped with flue gas desulphurisation (FGD) technology to curb these emissions and all extant plant are to have FGD fitted by 2010. In addition, large coal-fired industrial boilers also have to fit FGD technology. The market for FGD technology in China will be worth RMB 150-200 billion (£10bn-£14bn) between 2006 and 2012 and RMB15 billion per annum after this.

With some 4,600 coal fired power plants and large industrial boilers needing FGD retrofitting and an estimated market FGD capacity of 600 units per annum, the Chinese FGD market's size and growth in the next five to eight years is effectively assured. After this, the market will be driven by new power plants and the need to refit and repair extant FGD facilities. Increasing competition from new coal combustion techniques (especially gasification processes), along with the development of alternative sources of energy and a belated drive to improve energy efficiency

mean that the market for FGD systems will fall from perhaps 2015 and increasingly so from 2020. The same will apply to NO_x systems, although the need to service these systems every three to five years gives some degree of revenue retention. Tinci aims to respond to this through developing its wastewater and waste management systems and to offer a broad capability in pollution abatement technologies. This is not a material concern for the next few years, but tangible evidence of this strategy emerging will be needed from 2008-2010.

Tinci's technologies: Tinci currently uses four FGD technologies to address opportunities across these markets:

- [1] TFGD Double Alkali Process – developed in-house by the company.
Small to medium plants, especially industrial boilers
- [2] Wet Limestone-Gypsum – non-exclusive transferred technology from Ducon Group (USA)
Large power plants
- [3] Niro Spray Dryer Absorber – non-exclusive licence with GEA Niro (Denmark)
Medium to large plants
- [4] Konstant Circulating Fluidized Bed (KCFB) – non-exclusive licence with Ragar (Germany)
Small to medium plants

Young and fragmented market: There are some 30 companies active in the sector in China but only 20 of these had managed to gain a tender contract by the end of 2005. This is a young and fragmented market, with acquisition opportunities for companies seeking further expansion. Although Tinci has only been actively operating in the FGD market since 2002, the company's move into profitability during 2005 through gaining three major orders has made it a major player in Guangzhou and it is now amongst the top ten FGD companies in China.

Potential for further share issues. In July 2006, Tinci raised £2.05 million gross (£1.09 million net of issue expenses). If Tinci needs to introduce new products in the short term (for example, if the need to develop other markets becomes more urgent than currently envisaged) it may need to make strategic purchases of companies, technologies or plant. Such purchases may exceed Tinci's cashflow and call for a further share issue.

Valuation

China's FGD market is experiencing a period of rapid growth as the Chinese government moves to tackle its severe air pollution problems. This period is likely to last for the next five to eight years as the retrofitting of existing plants is completed. After this, the market will stabilise around demand from new power plants and the need to refit and repair FGD facilities. In the long run we expect that increasing competition from new coal combustion techniques will reduce demand for FGD systems particularly after 2020. The same will apply to NO_x systems, although the need to service these systems every three to five years gives some degree of revenue retention.

We have valued Tinci on a discounted cashflow basis under a range of scenarios. For investors, the key points to address in valuing Tinci are its capacity to take advantage of the retrofitting bonanza and in the longer term how effective it will be in diversifying into water treatment and other pollution abatement technologies.

In our core scenario we have assumed:

- Strong demand and capacity constraints will allow gross margins to be broadly maintained until 2010 with modest softening as the market stabilises around the lower activity levels associated with demand from new plants in the post 2010 period;
- Tinci will undertake its first DeNO_x contract during 2008;
- Tinci will successfully broaden its offering as the market for FGD technologies matures and then declines in the post 2015-2020 period.

Assuming Tinci maintains its current ranking in the industry our valuation suggests a value of £32.6m (or on a PE basis around 7.8x prospective earnings). Our scenarios suggest that if Tinci lives up to its goal of becoming one of the leading players in the industry in the post-2010-2015 consolidation phase it could ultimately be worth around £45.3m, or on a PE basis 10.1x - 12.7x prospective earnings.

Tinci valuation scenarios

Tinci emerges as a top 3 player in the consolidation period post 2010-2015

Best Case Scenario	RMB	£
Equity Value (m)	915.7	59.8
Value per share	17.29	1.13
- Implied Forecast P/Sales	1.4	
- Implied Forecast EV/EBIT	11.2	
- Implied Forecast PE	12.7	

Core Scenario	RMB	£
Equity Value (m)	693.8	45.3
Value per share	13.10	0.86
- Implied Forecast P/Sales	2.0	
- Implied Forecast EV/EBIT	11.4	
- Implied Forecast PE	12.7	

Worst Case Scenario	RMB	£
Equity Value (m)	640.3	41.8
Value per share	12.09	0.79
- Implied Forecast P/Sales	1.1	
- Implied Forecast EV/EBIT	9.1	
- Implied Forecast PE	10.1	

Key assumptions

- Current projects completed on time
- Gross margins impacted in 2006, partially recover
- Two medium FGD contracts during 2006, rising to seven in 2007 and nine in 2008
- One large FGD contract during 2007 and two in 2008
- Two DeNO_x contracts starting in 2008

Key assumptions

- Current projects completed on time
- Gross margins impacted in 2006, partially recover
- Two medium FGD contracts during 2006, rising to five in 2007 and eight in 2008
- One large FGD contract starting in 2007, one in 2008
- First DeNO_x contract during 2008

Key assumptions

- Current projects completed on time
- Gross margins under continual pressure
- Two medium FGD contracts during 2006, rising to six in 2007 and seven in 2008
- One large FGD contract from 2008
- No DeNO_x contracts gained before 2008

Tinci maintains its current share in the consolidation period post 2010-2015

	RMB	£
Equity Value (m)	499.1	32.6
Value per share	9.43	0.62
- Implied Forecast P/Sales	1.4	
- Implied Forecast EV/EBIT	7.1	
- Implied Forecast PE	7.9	

Key assumptions

- Current projects completed on time
- Gross margins maintained
- Four medium FGD contracts during 2006, rising to seven in 2007 and 10 in 2008
- One large FGD contract starting in 2006, one during 2007, one during 2008
- First DeNO_x contract during 2008

See page 29 for detailed assumptions for each scenario

Comparatives

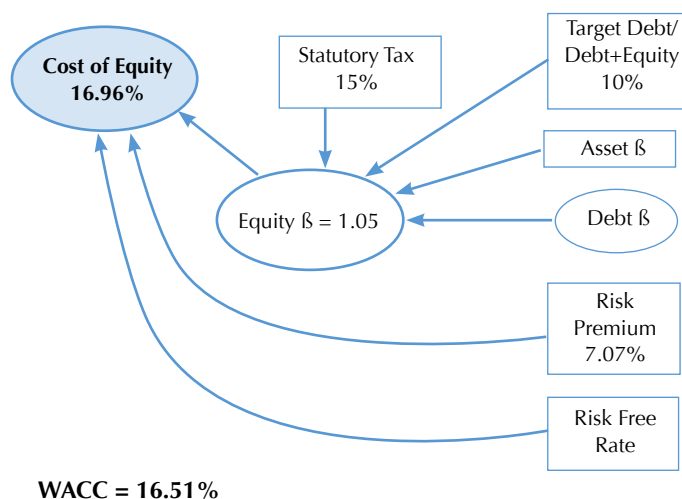
Company	Code	Price	52 Week Hi-Lo	EPS	PE	Yield
WH Kaidi Electr.	000939.SZ	8.59	6.15 - 9.92	0.36	23.9	1.46
Insigma Tech.	600797.SS	7.18	2.61 - 8.39	0.10	71.8	0.71
CQ Jiulong Elec.	600292.SS	5.13	3.18 - 5.30	0.13	39.5	3.69
SP Power Devl.	600795.SS	9.23	4.98 - 9.87	0.37	24.9	1.34
Fujian Longking	600388.SS	11.98	6.05 - 13.65	0.30	39.9	1.67
ZJ Feida Sci.	600526.SS	6.40	4.34 - 7.16	0.17	37.6	N/A
Tsinghua Tongfang	600100.SS	18.03	7.70 - 18.98	0.20	90.2	2.39
Simple Average					46.8	1.9

Valuation Summary (RMB m)¹

Total expected operating value	484.3
Add: Cash and new funds raised	45.8
Total enterprise value	530.1
Less: Starting bank & other debt	31.0
Less: Traded debt	0.0
Less: Convertible debt	0.0
Less: Minorities	0.0
Total value for equity claims	499.1
Less: Warrants & options	0.0
Value attributable to equity holders	499.1
Outstanding shares (m)	53.0
Value per share (RMB)	9.43
Value per share (£)	0.62
- Implied Forecast P/Sales	1.4
- Implied Forecast EV/EBIT	7.1
- Implied Forecast PE	7.9

¹ see p. 27 for financial projections underlying valuation

Weighted Cost of Capital



Key Risks

Risks to the company's outlook not inherent in the nature of its activities

The Chinese market for environmental goods and services is almost entirely regulation driven. This in turn depends on the national and provincial State Environmental Protection Agencies ("SEPA") to enforce the applicable legislation. The SEPAs are poorly funded and there is considerable scope for conflicts of interest. Even so, the actual development of this market for industrial customers is growing strongly.

As the USA FGD market eases in 2006-07, there will be further competitive pressure from USA based companies for sales through their licensed operations in China. This may affect the large power plant segment of the market.

Tinci is competing against highly established and well regarded players in the solid waste management and industrial water treatment sectors. For example, Ondeo Degremont (Suez, France) has constructed water treatment plants serving over 120 million people in China, while the author has identified more than 15 companies from China, Singapore, France, Germany and the USA who are active in these markets in China.¹

Corporate governance: As part of its admission to AIM, three non executive directors were appointed, two of whom are independent, along with the establishment of Audit, Investment and Remuneration Committees. The holding company is based in Hong Kong.

Tinci does not have exclusive use of the technology it is using in FGD markets: Tinci's agreement to use Ducon's wet limestone technology to tender FGD projects is not exclusive. In practice, Tinci is the sole user of the technology in China at present, but it is open to Ducon to licence other contractors, which would impair Tinci's position in the Chinese FGD market.

Company track record: Tinci has only been actively operating in its markets since 2002, making it one of the more recent entries into the FGD sector. During 2005 the company's move into profitability through gaining two major orders addresses these concerns, although none of these contracts have been completed.

¹ Owen (2005). *Pinsent Masons Water Yearbook*

Dollar exposure: The current policy of the Chinese government is to maintain the value of the Yuan against the US Dollar at least until 2008. Tinci imports approximately 40% of its requirement for FGD equipment. In 2005, total equipment purchases accounted for 37% of group revenues, making imported goods equivalent to 15% of revenues. Between 10% and 15% of 2006-08 revenues will be exposed to the US dollar. Once a tender has been won, there is a period of between one and two years during which the company incurs an exchange risk on imported equipment. A 10% depreciation of the Yuan against the Dollar would decrease operating profits by 4-6%.

Tinci's results are expressed in Sterling and therefore its reported earnings are subject to fluctuations in the value of the pound in relation to the Yuan. Balance sheet dates are used for translating Yuan figures into Sterling.

Dependence on major contracts: The company is exposed to the performance of a small number of major projects. During 2005, two major power plant contracts (Gansu Jingyuan 2nd Power Plant and Zhanjiang Power Plant) accounted for 45% and 34% of company revenues respectively and 34% and 14% of company gross profits respectively. Zhanjiang was 47% complete as of the end of June 2006, with phase 2 of Gansu 80% complete and 70% of phase 3 complete at that point. These two contracts accounted for 92% of group revenues during the first half. The Nanhai Power Plant contract represented 8% of revenues.

Technological risk: The Chinese environmental technology market is driven by the ability of systems to deliver a suitable level of performance for a given price. It is a market which is very receptive to innovation and there is a need for companies to be able to respond to such innovations if and when they occur.

Political & economic risk: While China offers enormous opportunities risk factors include weak financial and legal systems, perceptions over human rights and the potential for currency revaluation. In the long run, deep social inequalities and the mis-match of growing personal wealth and limited "political" freedom is an unpredictable brew. While, at least in the next decade, external measures such as bond yields suggest a so far benign interpretation of these issues, particularly since accession to the WTO, it is unclear how these factors will develop.

Financials and Scenario Analysis

Tinci's core forecasts*					
YE 31 Dec., £ million	2005	2006E	2007F	2008F	2009F
Gross turnover	16.5	19.1	24.1	27.5	33.0
Less sales tax	0.5	0.6	0.8	0.9	1.1
Net turnover	16.0	18.5	23.3	26.6	32.0
made up of:					
- FGD procurement	5.2	8.5	6.5	0.0	0.0
- Small-Medium FGD & Water	3.1	2.7	10.1	14.8	16.8
- Large FGD	7.7	7.3	6.7	11.8	15.2
- DeNO _x	0.0	0.0	0.0	0.0	0.0
- Overhaul - DeNO _x	0.0	0.0	0.0	0.0	0.0
Total net turnover	16.0	18.5	23.3	26.6	32.0
Cost of sales	11.0	14.4	17.0	17.8	20.7
Gross margin					
- Large FGD	-	20%	22%	22%	22%
- Small-Med FGD & Water	-	35%	35%	35%	35%
- FGD procurement	-	20%	20%	20%	20%
- DeNO _x	-	28%	28%	28%	28%
Gross profit					
- Large FGD	-	1.5	1.5	2.6	3.3
- Small-Med FGD & Water	-	0.9	3.5	5.2	5.9
- FGD procurement	-	1.7	1.3	0.0	0.0
- DeNO _x	-	0.0	0.0	1.0	2.1
Gross profit	5.0	4.1	6.3	8.8	11.3
Provision for cost overruns	0.0	0.0	0.0	0.0	0.0
Staff costs	0.3	0.5	0.7	1.5	2.0
Staff benefit expenses	0.0	0.1	0.1	0.2	0.3
R&D (new programmes)	0.0	0.1	0.2	0.5	0.6
Depreciation and amortisation	0.1	0.1	0.1	0.1	0.2
Other operating expenses	0.6	0.7	0.8	1.1	1.3
Total operating expenses	0.9	1.5	2.0	3.4	4.4
Profit/(loss) from operations	4.1	2.6	4.3	5.4	6.9
<i>Operating margin</i>	<i>25%</i>	<i>14%</i>	<i>18%</i>	<i>20%</i>	<i>22%</i>
Interest received	0.0	0.0	0.0	0.1	0.1
Interest paid	0.0	-0.1	0.0	0.0	0.0
Finance costs	0.0	0.0	0.0	0.1	0.1
Exchange gains (losses)	0.5	0.8	0.0	0.0	0.0
Non-operating income	0.0	0.0	0.0	0.0	0.0
Profit/(loss) before taxation	4.5	3.3	4.3	5.5	7.1
<i>Pre-tax margin</i>	<i>28%</i>	<i>18%</i>	<i>19%</i>	<i>21%</i>	<i>22%</i>
Taxation	0.6	0.5	0.6	0.8	1.1
Tax rate	14%	15%	15%	15%	15%
Profit/(loss) for the year	3.9	2.8	3.7	4.7	6.0
<i>Net margin</i>	<i>24%</i>	<i>15%</i>	<i>16%</i>	<i>17%</i>	<i>19%</i>
EPS (p)	7.77	5.46	6.92	8.78	11.37
Cash flow	4.12	2.66	4.42	5.59	7.22
CFS (p)	8.23	5.14	8.34	10.56	13.63

* Forecasts shown at a currency rate of RMB14.85 per £

[1] Risk issues

Foreign exchange and the cost of equipment. The company is seeking to maximise the local sourcing of equipment, which will assist in maintaining gross margins and minimising currency risk in the longer term. The only limit to this strategy will be where licences to use foreign technologies are conditional on the import of certain goods. This is in keeping with a broad trend towards the local sourcing of environmental technology in China which will start to make an impact in the overall market from 2010.

Tinci's Balance Sheet

FY 31 Dec., £ million	2004	2005	2006E	2007F	2008F	2009F
Sales	0.7	16.0	18.5	23.3	26.6	32.0
Fixed Assets						
Intangible assets	0.0	0.4	0.4	0.3	0.3	0.2
Property, plant & equipment	0.1	1.1	1.2	1.3	1.5	1.7
	0.1	1.5	1.6	1.7	1.8	1.9
Current Assets						
Cash	0.3	2.1	0.9	4.9	7.2	11.3
Trade receivables, prepayments & deposits	2.8	10.7	9.0	9.6	14.0	17.7
Amount due from a related company	0.0	2.4	0.0	0.0	0.0	0.0
	3.1	15.2	9.9	14.5	21.3	29.0
Current Liabilities						
Accruals [1] & account payable	0.1	10.5	2.7	2.5	4.3	5.5
Tax payable [2]	0.0	0.6	1.8	2.3	2.7	3.3
	0.1	11.2	4.5	4.8	7.0	8.8
Bank loan & other loans	0.0	2.2	0.0	0.0	0.0	0.0
Capital and reserves						
Share capital	3.2	0.5	1.6	1.6	1.6	1.6
Merger reserve	0.0	-0.5	-0.5	-0.5	-0.5	-0.5
Exchange reserve	0.0	-0.5	-0.8	0.0	0.0	0.0
Retained profit	-0.1	3.8	6.6	10.3	14.9	20.9
Total	3.1	3.3	7.0	11.4	16.0	22.1
Ratios						
Debtors / sales	406.5%	66.9%	48.7%	41.2%	52.7%	55.3%
Creditors / sales	12.9%	65.9%	14.7%	10.8%	16.3%	17.3%

[2] Comments on the balance sheet

Capital spending, R&D and depreciation. Tinci Holdings is a consulting engineering company, whose assets lie in its staff, track record, access to technologies and the ability to manage major projects for clients. As a result, capital spending and depreciation are set to remain low, with the only upward pressure coming from possible future acquisitions of new technology licences and similar companies. R&D spending will need to increase, especially as the company seeks to diversify away from FGD. The medium term target of 1.5% of revenues being devoted to R&D spending is likely to prove conservative and is likely to rise to 2.0-3.0% by 2010.

Scenario analysis

Forecasts FY 31 Dec., RMB million	Core Scenario			Best Case Scenario			Pessimistic Scenario		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Assumptions:									
Projects gained									
New projects started - Small-Medium FGD	2	5	8	2	7	9	2	6	7
New projects started - Large FGD	0	1	1	0	1	2	0	0	1
New projects started - DeNO _x	0	0	1	0	0	2	0	0	1
Average project size (£ million)									
New projects - Small-Medium FGD	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
New projects - Large FGD	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
New projects - DeNO _x	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Overhaul - DeNO _x	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Proforma P&L (£ million)									
Net turnover									
- FGD procurement	8.5	6.5	0.0	8.5	6.5	0.0	8.5	6.5	0.0
- Small-Medium FGD & Water	2.7	10.1	14.8	2.7	14.1	16.7	2.7	12.1	13.0
- Large FGD	7.3	6.7	11.8	7.3	6.7	11.8	7.3	6.7	11.8
- DeNO _x	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Overhaul - DeNO _x	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total net turnover	18.5	23.3	26.6	18.5	27.3	28.5	18.5	25.3	24.7
Cost of sales	14.4	17.0	17.8	14.4	19.6	18.0	14.4	18.3	16.6
Gross margins									
- Large FGD	20%	22%	22%	20%	22%	22%	20%	22%	22%
- Small-Med FGD & Water	35%	35%	35%	35%	35%	35%	35%	35%	35%
- FGD procurement	20%	20%	20%	20%	20%	20%	20%	20%	20%
- DeNO _x	28%	28%	28%	28%	28%	28%	28%	28%	28%
Gross profits									
- Large FGD	1.5	1.5	2.6	1.5	1.5	2.6	1.5	1.5	2.6
- Small-Med FGD & Water	0.9	3.5	5.2	0.9	4.9	5.8	0.9	4.2	4.5
- FGD procurement	1.7	1.3	0.0	1.7	1.3	0.0	1.7	1.3	0.0
- DeNO _x	0.0	0.0	1.0	0.0	0.0	2.1	0.0	0.0	1.0
Gross profits	4.1	6.3	8.8	4.1	7.7	10.5	4.1	7.0	8.2

Appendix 1: Management

Directors

There are six directors, three of whom are non-executive directors:

Sir David William Brewer CMG, FCII (aged 66), *Non-executive Chairman*. Sir David was appointed Chairman in July 2006. He has 25 years of experience in China, including opening the Chinese office of the Sedgwick Group, the first Western insurance broker to trade domestically in China. In 1993 he was responsible for obtaining the first authorisation of an insurance broker in China. Sir David was Lord Mayor of the City of London in 2005-06. He is a non-executive director of London Asia Capital plc which is traded on AIM. He was knighted in the 2007 New Year honours list.

Mr Xu Jin Fu (41), *Chief Executive Officer*. Mr Xu is responsible for Tinci's strategic planning, execution, organic growth and operations. He is also responsible for relationship management with Tinci's various banks. Mr. Xu received his BSc in Organic Chemistry from the Hangzhou University and a MSc from the China Academy of Science.

Mr Pan Wen Zhong (36), *Chief Financial Officer*. Mr Pan joined Tinci in November 2005. He is a graduate from Guangzhou Zhongshan University and is qualified as a Chinese Certified Public Accountant (CCPA) and as a Chinese Certified Tax Agent (CCTA). He has been in the accounting profession in China for over fifteen years, of which ten years were spent with Guangdong Yangcheng Certified Public Accountants Company Limited.

Ms Wang Keer (33), *Chief Operating Officer*. Ms Wang oversees the operation of the company and is responsible for Tinci's marketing and customer relationships. Prior to joining Tinci, Ms Wang had been the manager of the advertising department of the Guangzhou Nanfang Daily, one of the principal newspapers in Guangzhou.

Dr Cheng Shifa (42), *Non-executive Director*. Dr Cheng is a US permanent resident based in Austin, Texas. He has acted as a senior consultant to Tinci since 2003. He was awarded a PhD in Chemistry by Mississippi State University and an E-MBA from the IC2 Institute of the University of Texas.

Mr David William Howitt Steeds (57), *Non-executive Director*. Mr Steeds is a UK resident and qualified as a Chartered Accountant with Coopers & Lybrand (now PricewaterhouseCoopers) in 1974. Mr Steeds has extensive experience in both the public and private sectors and an in-depth knowledge of the support services industry. He currently represents HBOS plc on the Board of ALIS, the French company building the A28 Rouen-Alencon motorway in Normandy and is a non-executive director of The PFI Infrastructure Company plc and Jarlway Holdings plc which are traded on AIM. He is a former Chief Executive of the Private Finance Panel, the UK Government Agency formerly responsible for the Private Finance Initiative.

Senior Management

Mr Su Wen Yi, *Operating Financial Officer*. Mr Su has 15 years financial accounting and management experience. He was CFO and vice president of Shenzhen New Era Enterprise Co., Ltd., the CFO of Zhongshan Public Utilities Group RMB 6 billion assets) and CEO of Zhongshan Public Science and Technology Co., Ltd (a Shenzhen Stock Exchange listed company). After he finished his study at the University of Western Ontario, he joined McVicar Resources Inc., a Canadian listed company, as a senior financial officer.

Mr Sun Huliang (43), *Deputy General Manager*. Mr. Sun is Tinci's Chief Engineer and is responsible for technology development and quality control. He has a BSc in Petroleum Refining from the Huadong Industrial Institute and an MSc in Management from Zhejiang University. He has been certified as a FGD engineer by Ducon EEC and IDRECO of Italy. Prior to joining Tinci in May 2004, Mr. Sun had been the Deputy Chief Engineer and Project Director with China Petrochem Zhenghai Petroleum Refining and Chemical Engineering Co. Ltd.

Mr Zhang Shao Xun (38), *Deputy General Manager*. Mr. Zhang is the Technology Director and is responsible for the initial design work for Tinci's small scale FGD projects. He has over 18 years of experience in chemical engineering and is a Ducon EEC certified FGD engineer. Before joining Tinci in May 2002, he worked as a chemical engineer with Guangzhou Petrochem Co. Ltd and has a BSc in Chemical Engineering from Zhejiang University.

Mr Zhao Jin Ping (48), *Engineering Director*. Mr Zhao is responsible for the initial design work for Tinci's large scale FGD projects. Prior to joining Tinci in September 2005, he was the Deputy General Manager of Qingdao Guodian Lande Environmental Engineering Co., Ltd (2004-05), previously working at the Second Design Institute of Chemical Industry, rising to Assistant Chief Engineer (1992-2004); and as a Civil Engineer at the Third Design Institute of Chemical Industry (1982-92).

Mr Deng Jin Ching (32), *Deputy General Manager*. Mr. Deng assumes responsibility for general administration, human resources, legal affairs and information management of the Company. He is a graduate in marketing from the China People's University. Prior to joining the Company in August 2004, Mr. Deng was the Sales Manager of Wuhan Wuzhou Trading co. Ltd, Human Resources Director of Zhongshan One Plus One Group and the General Manager of Guangzhou Longmei Cultural Communications Co. Ltd.

Ms Pan Ying (Mrs Xu, 35), *Deputy General Manager & Purchases Director*, assists Mr Xu in procurement for Guangzhou Tinci Hi-Tech Materials Technology Co. Ltd and Tinci. She has over 15 years of experience in procurement.

We are pleased to bring you this report on **Tinci Holdings**.



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David Lloyd Owen has followed the technology and environmental services sectors as an equity analyst and consultant since 1986. He worked at Savory Miln (UBS) and Paribas before co-founding Ecofin in 1991 and has been active in environmental finance consultancy since. David has a first degree in Environmental Biology at Liverpool University and a DPhil in Applied Ecology from Oxford University.

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