
Company Jetion Holdings Limited
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Jetion Holdings Limited

24 April 2009

For Immediate Release
24 April 2009

Jetion Holdings Limited
("Jetion or "the Company")

Preliminary Results for the year ended 31 December 2008

Jetion Holdings Limited (AIM: JHL), a leading designer, manufacturer and supplier of high quality solar cells and modules, today announces its preliminary results for the twelve months ended 31 December 2008.

HIGHLIGHTS

Sales up 141% to US\$250.9m (2007 : US\$104.0m (restated*))

Gross profit up 168% to US\$40.8m, (2007 : US\$15.2m (restated*))

Gross margin up 11.6% to 16.3%, (2007 : 14.6% (restated*))

Pre Tax Profit up 328% to US\$20.1m (2007 : US\$4.7m (restated*))

Adjusted EBITDA (excl. foreign exchange losses) up 315% to US\$34.5m (2007: US\$8.3m (restated*))

Pro-forma earnings per share up 160% to US 24.0 cents (2007 : US 9.2 cents (restated*))

Cell manufacturing capacity doubled in the year to 100MW pa (2007: 50MW); module capacity increased to 60MW pa (2007: 40MW).

Total PV module shipments were 45.2MW, representing an increase of 451% from 8.2MW in 2007.

Jetion was named the Fastest-Growing Company in Deloitte Technology Fast 50 China 2008 and #2 in Deloitte Technology Fast 500 Asia Pacific 2008.

2007 reporting figures have been restated, please refer to below for the details of prior year adjustments.

Commenting on the results Chairman Gabriel Kow said:

"I am delighted to report another year of strong growth during 2008. Despite the turbulent market conditions that emerged in Q4 2008, the Company has established a strong foundation to deal with the challenges ahead. I continue to be optimistic about the Company in 2009 and strongly believe that we will continue to move forward in accomplishing our goals."

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CHAIRMAN'S STATEMENT

2008 has been a year of fast growth for Jetion Holdings Limited. In the second half of 2008, the solar cell production capacity of the Company doubled from 50MW p.a. to 100MW p.a. and the module capacity increased from 40MW p.a. to 60MW p.a. This expansion of our production capacity has enabled Jetion to capture a greater proportion of the value chain by increasing the proportion of solar modules in its product and revenue mix.

In 2008, the Company made significant improvements to its cost controls, conversion efficiency rates, brand building and customer relations. All these have enabled the Company to meet its performance targets for the year and to steadily improve its market profile and enhance its service to customers.

The integration of the production chain has transformed the Company into a manufacturer of both solar cells and modules. The Company is now equipped with wafer slicing capacity as well as solar cell and module production, allowing us to offer high quality module products to our customers.

The solar industry remains one of the world's fastest growing industries. We continue to achieve substantial sales growth and increasing recognition from customers in Europe where solar applications are becoming sophisticated. We aim to expand our customer base in Europe and are well-positioned to enter new overseas markets, such as the US. It is highly encouraging to see many governments implementing plans to encourage solar applications such as the subsidy policy issued by the PRC government in March 2009 for PV applications market in China.

Since its listing on AIM in July 2007, the majority of the Company's short term growth plans have been achieved. Despite unsettled market conditions, particularly in the last quarter of 2008. During the year, the Company recorded sales revenue of US\$250.9 million and adjusted EBITDA (excluding foreign exchange losses) of US\$34.5 million, representing increases of 141.3% and 315.6% respectively over 2007, a highly credible financial performance in the current economic conditions

The Company has been facing the challenges of falling prices, and slowing demand from Europe since Q4 2008. Nevertheless, the partial offset of falling input prices and the overall performance for the preceding three quarters has enabled us to meet our annual performance targets. The efforts of our staff have helped us operate soundly and safely through this difficult time with enthusiasm, confidence and relentless efforts.

As Chairman, I am delighted to witness the strong growth of the Company during 2008. Despite the turbulent market conditions that emerged from Q4 2008, the Company has established strong foundations to deal with the challenges ahead. I continue to be optimistic about the Company in 2009 and strongly believe that we will continue to move forward in accomplishing our goals.

I would like to take this opportunity to thank our directors, officers and staff for their passion in the solar business and their perseverance in achieving our objectives and solid results in 2008. At the same time, I would also like to thank all our investors for their continued support and trust in the Company.

Gabriel Kow
Chairman
24 April 2009

CHIEF EXECUTIVE'S REVIEW

2008 has been an extraordinary year for the team during which we achieved very satisfactory results despite turbulent market conditions. As a result of our production capacity expansion, our solar cell production capacity reached 100MW p.a. in mid-2008. The solar cell output for the year amounted to 65.3MW (2007: 35.2MW) and solar module output amounted to 43.3MW (2007: 8.2MW) with an average conversion efficiency of 17% (2007: 16.5%). Shipments of solar cells were 18.2MW (excluding processing income) and shipments of solar modules were 45.2MW. Sales revenue for the year reached US\$250.9 million (2007: restated* US\$104.0 million) and gross profit was US\$40.8 million (2007: restated* US\$15.2 million). Both the sales revenue and profitability of the Company have increased significantly when compared to 2007.

Strategy

According to an independent research report issued by Solarbuzz for 2009, the solar industry will continue to achieve very strong growth with solar energy applications gaining further recognition from numerous countries throughout the year. Capitalising on the opportunities arising from the fast growing solar industry, we aim to become one of the leading designers and manufacturers of solar system solutions in the world. We will continue to increase our product quality, enhance our vertical integration within the value chain and establish a comprehensive and effective global sales network. In addition, we will continue to provide high quality services to our customers whilst maintaining technology development to further develop our professional brand.

Operations

In 2008, the Company recorded significant improvements in the majority of its performance targets. In particular, we have made substantial progress as regards to our product mix, technology standards, product quality and inventory control.

Sales of solar modules increased from 22.6% of total sales in 2007 to 76.6% in 2008, which contributed to the overall increase in profit margins. The Company has transformed itself into a major manufacturer of solar modules having had market sales of predominately solar cells prior to 2008. As we have developed our sales channels, the Company further expanded its sales coverage from Germany and Spain to other European countries. In 2008, the revenue breakdown was between China (c. 24%), Germany (c.

56%), Spain (c. 16%), Italy (c. 2%) and other emerging markets (c. 2%). Through our expanding sales channels, we have widened our customer base and have established a sound relationship with a number of respected solar buyers, such as Schüco, Mage Solar and Bayerische Solar.

In 2008, we substantially improved the conversion efficiency of our solar cells. Our average conversion efficiency rate reached 17% compared to the maximum conversion efficiency rate under mass production of 18%. This improvement is attributable to our continued emphasis on and efforts into R&D, process upgrades and technical excellence. Through consistent improvement, our technology team not only generated a significant increase in the conversion efficiency rate of monocrystalline solar cells, but it also fully mastered the technology of high efficiency polycrystalline solar cells and UMG solar cells. These technological advances have enabled us to offer a more diversified product mix to our customers and provided strong post-sales support and services for our customers.

After obtaining the European TUV accreditation in October 2007, we applied for the key (Underwriters Laboratories) UL product certification for the US and Canadian markets. The company was granted this accreditation in March 2009, providing validation that the Company's products are in compliance with the same strict international requirements on product quality and safety as our counterparts in Europe and the US and will provide the Company with significant leverage for entering into new markets such as the US and Canada. Concurrently, ongoing improvements in our product quality and efficiency also bore fruit with a yield of over 98% and a utilization rate of over 90%. We believe that the quality of our product compares favorably with our most advanced competitors worldwide.

Inventory control was also one of the key development areas in 2008. As a result of stringent inventory controls, the possible downside risk of falling raw material prices and product selling prices since Q4 2008 was controlled and managed effectively. The inventory of raw materials and finished products were kept at a minimum which avoided the uncertainties involving market price volatility. Despite the losses incurred as a result of the foreign exchange fluctuations in 2008, such losses were minimized due to the adjustment of product mix and customer base and appropriate foreign exchange hedging by the Company. As a result of our efforts, the Company maintained a sound net cash position of US\$3.6 million (2007: US\$9.4 million) at the year end. We fully understand the importance of maintaining sufficient cash under current unstable economic conditions.

The Company was granted the Fastest-Growing Company in Deloitte Technology Fast 50 China and the second prize in Deloitte Technology Fast 500 Asia Pacific 2008 in November and December 2008, respectively. These awards provide significant motivation and encouragement to the Company. We truly believe that our efforts will lead to an increase in shareholder value as we strive towards achieving our long-term goals.

Outlook

The falling raw material prices and product prices since Q4 2008 are a direct result of the global economic crisis. We believe that the decrease in solar product prices is favourable to gaining governments' confidence and support for solar power generation from which our end users will benefit. We are encouraged to see an increasing number of families across the globe using clean and more affordable solar energy. We aim to maintain our profitability amid price and currency fluctuations based on our market judgment and through establishing sound relationships with our suppliers and customers.

Looking ahead, the global economy is widely expected to shrink further due to the current crisis and there are still many uncertainties ahead of us. However, we remain confident that the solar industry will take a lead in recovering from the economic downturn. Since March 2009, the operating conditions of the Company have substantially returned to the same level as the corresponding period last year and we have had steady orders from our customers. Coupled with the increasing demand from the emerging markets, we will be confident that we are able to accomplish our targets in 2009.

Lijin Gai
Chief Executive Officer
24 April 2009

FINANCIAL REVIEW

Overview

Total group sales during the year, with the benefit of an additional 50MW of capacity, increased to US\$250.9 million (2007: restated* US\$104.0 million). This increase in turnover reflects an increase in cell production to 65.3MW (2007: 35.2MW) and an increase in conversion of cells to modules of 43.3MW (2007: 8.2MW) following the addition of two production lines in mid-2008.

Gross profit increased to US\$40.8 million (2007: restated* US\$15.2 million) and the gross margin was 16.3% (2007: restated* 14.6%). Gross margin compared with the prior year reflects improvements in efficiency and yield and the increase in the proportion of solar cells converted into solar modules that were sold at higher margins. However, the impact of the global distressed economy was felt during the fourth quarter of 2008 when gross margin for the last three months fell significantly to 9.6%. This fall was due to market price reductions, which, because of the time lags, was not counteracted by a fall in input prices until later.

Operating profit before share-based expense for the year rose to US\$31.5 million (2007: restated* US\$5.6 million) after taking into account provisions for inventory of US\$1.2 million (2007: Nil) and provisions for prepayment to suppliers of US\$1.8 million (2007: Nil). Adjusted EBITDA in 2008 (excluding foreign exchange losses) amounted to US\$34.5 million (2007: restated* US\$8.3 million). Net finance costs were US\$9.7 million (2007: US\$0.1 million). This reflects the impact of substantial amounts of cash and cash equivalents denominated in Euros being pledged for bank debts and notes denominated in Renminbi for hedging purposes; the adverse effect of foreign exchange losses of US\$7.8 million (2007: restated* US\$0.06 million) due to exposure of sales in Euros and costs in Renminbi and U.S. dollars; and net fair value losses of leveraged foreign exchange contracts.

Income tax for 2008 was US\$3.7 million (2007: Nil) with an effective tax rate for 2008 of 12.5% (2007: Nil). 2008 was the first year of tax being chargeable at the preferential rate of 12.5% (being a 50% reduction of the statutory tax rate of 25%) upon expiry of the tax-free holiday.

The profit attributable to the equity holders of the Company amounted to US\$16.4 million (2007: restated* US\$4.7 million). Basic and diluted earnings per share before the adjustment for share-based expenses amounted to US24.0 cents (2007: restated* US15.1 cents). Pro forma earnings per share, which best shows the trend in earnings per share, amounted to US24.0 cents (2007: restated* US9.2 cents).

Prior year adjustments

Following further consultation with its advisors, the Company has decided to change the accounting treatment of the reorganization which took place before the listing of its shares on AIM on 6 July 2007, from a merger accounting basis to an acquisition accounting basis. As a result of this change, there has been an upward revaluation of net assets, which has been dealt with as a prior year adjustment. Consequently, the depreciation and amortization charge has increased by around US\$2.2 million for the current period. The comparative figures for 2007 have been restated to reflect this change.

Balance sheet & cash flow

At the year end, total equity was US\$107.5 million (2007: restated* US\$83.4 million). The Group had net cash of US\$3.6 million at the year end (2007: US\$9.4 million). The decrease in net cash in the year was due to the costs of expanding the production facilities.

Prepayments to suppliers for silicon raw materials amounted to US\$34.3 million at 31 December 2008 (2007: restated* US\$39.5 million). The return on invested capital calculated as profit after tax before finance charges, divided by the average of opening and closing shareholders equity and net debt was 26.3% (2007 restated* 8.0%).

The net cash inflow in the year from operating activities after interest and taxation payments was US\$15.4 million (2007: restated* outflow of US\$30.4 million). Net cash used in investing activities in 2008 was US\$19.2 million (2007: restated* US\$11.6 million) being principally the addition of 50MW of solar cell production capacity and fixed assets in construction relating to the planned production capacity.

Going concern

In accordance with the recommendations of the Combined Code, the Directors have considered the budgets, forecasts, cash flows and the outlook from the operating companies and consider that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Stephen Hon Cheung So
Chief Financial Officer

* 2007 reporting results have been restated, please refer to below for the details of prior year adjustments.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	2008 US\$'000	2007 US\$'000 (restated)
Turnover	250,913	104,043
Cost of sales	<u>(210,111)</u>	<u>(88,866)</u>
Gross profit	40,802	15,177
Other operating income	989	167
Distribution costs	(1,646)	(1,052)
Administrative expenses	(6,476)	(7,312)
Research and development expenses	(1,225)	(2,395)
Other operating expenses	<u>(2,391)</u>	<u>-</u>
Results from operating activities	30,053	4,585
	-----	-----
Interest income	358	905
Interest expense	(2,259)	(938)
Net foreign exchange loss	(7,323)	(62)
Net fair value losses of leveraged foreign exchange contracts	<u>(454)</u>	<u>-</u>
Net financing expenses	(9,678)	(95)
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Share of (losses)/profits of a jointly controlled entity	(236)	207
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Profit before taxation	20,139	4,697
Income tax	<u>(3,717)</u>	-
Profit for the year attributable to equity shareholders of the Company	16,422	<u>4,697</u>
Earnings per share (US cents)		
Basic and diluted earnings per share (2007: restated)	<u>22.13</u>	12.50
Pro forma earnings per share (2007: restated)	<u>24.03</u>	9.18

CONSOLIDATED BALANCE SHEET
at 31 December 2008

	2008 US\$'000	2007 US\$'000 (restated)
Non-current assets		
Property, plant and equipment	43,247	19,078
Lease prepayments	2,768	3,221
Prepayments for acquisition of property, plant and equipment	855	5,911
Intangible assets	3,042	4,687
Interest in a jointly controlled entity	<u>17</u>	-
	49,929	32,897
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Current assets		
Inventories	9,803	7,763
Trade and other receivables	56,576	48,167
Pledged bank deposits	27,144	1,452
Cash and cash equivalents	<u>21,180</u>	21,047
	114,703	78,429
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Current liabilities		
Bank loans		
- unsecured	14,097	6,936
- secured	30,601	6,151
Trade and other payables	6,503	11,441
Amount due to a shareholder	979	1,691
Current tax payable	<u>2,773</u>	-
	54,953	26,219
	-----	-----
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Net current assets	59,750	52,210

Total assets less current liabilities	109,679	85,107
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CONSOLIDATED BALANCE SHEET (continued)
at 31 December 2008

	2008 US\$'000	2007 US\$'000 (restated)
Non-current liabilities		
Deferred tax liabilities	2,213	1,735
Net assets	107,466	83,372
Capital and reserves		
Share capital	-	-
Reserves	107,466	83,372
Total equity attributable to equity shareholders of the Company	107,466	83,372

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	General reserve fund US\$'000	Treasury shares US\$'000	Exchange reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
At 1 January 2007	4,947	-	-	-	-	223	4,530	9,700
Prior year adjustments in respect of:								
- business combination	(4,946)	-	-	-	-	118	9,005	4,177
- appropriation	-	-	-	462	-	-	(462)	-
As restated, after prior year adjustments	1	-	-	462	-	341	13,073	13,877
Shares issued	9	-	-	-	-	-	-	9
Cancellation of ordinary shares of \$1 each	(10)	10	-	-	-	-	-	-
Shares issued upon exercise of convertible notes	-	5,000	-	-	-	-	-	5,000
Shares issued to employee benefit trust	-	3,395	-	-	(3,395)	-	-	-
Shares issued by way of placement	-	63,294	-	-	-	-	-	63,294
Share issuing costs	-	(6,313)	-	-	-	-	-	(6,313)
Equity-settled share based transactions (restated)	-	(958)	958	-	-	-	-	-
Exchange differences on translation of the financial statements of a subsidiary (restated)	-	-	-	-	-	2,808	-	2,808
Profit for the year (restated)	-	-	-	-	-	-	4,697	4,697
Appropriation (restated)	-	-	-	1,095	-	-	(1,095)	-
At 31 December 2007 (restated)	-	64,428	958	1,557	(3,395)	3,149	16,675	83,372

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

for the year ended 31 December 2008

	Share capital	Share premium	Capital reserve	General reserve	Treasury shares	Exchange reserve	Retained earnings	Total equity
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	fund					e	gs	US\$'000
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
At 1 January 2008	-	65,386	-	-	(3,395)	3,230	12,426	77,647
Prior year adjustments in respect of:								
- business combination	-	-	-	-	-	620	7,179	7,799
- appropriation	-	-	-	1,557	-	-	(1,557)	-
- elimination of unrealised profits	-	-	-	-	-	-	(394)	(394)
- share warrants	-	(958)	958	-	-	-	-	-
- phantom share options	-	-	-	-	-	-	(979)	(979)
- advance from a shareholder of the Company	-	-	-	-	-	(701)	-	(701)
As restated, after prior year adjustments	-	64,428	958	1,557	(3,395)	3,149	16,675	83,372
Equity-settled share-based transactions	-	(1,477)	-	-	3,395	-	-	1,918
Exchange differences on translation of the financial statements of								
- a subsidiary	-	-	-	-	-	5,779	-	5,779
- a jointly-controlled entity	-	-	-	-	-	(25)	-	(25)
Profit for the year	-	-	-	-	-	-	16,422	16,422
Appropriation	-	-	-	2,330	-	-	(2,330)	-
At 31 December 2008	-	62,951	958	3,887	-	8,903	30,767	107,466

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2008

	2008 US\$'000	2007 US\$'000
Operating activities		
Profit before taxation	20,139	4,697
Adjustments for:		
- Depreciation and amortisation	4,289	2,750
- Loss on disposal of lease prepayments	67	-
- Loss on disposal of property, plant and equipment	27	-
- Impairment loss on intangible assets	347	-
- Impairment loss on prepayments and other receivables	1,816	-
- Interest expense	2,259	938
- Interest income from bank deposits	(358)	(905)
- Net fair value losses of leveraged foreign exchange contracts	454	-
- Share of (losses)/profits of a jointly controlled entity	236	(207)
- Unrealised gains from transactions with a jointly controlled entity	5	394
- Foreign exchange loss	118	1,172
Operating profit before changes in working capital	29,399	8,839
Increase in inventories	(1,517)	(3,681)
Increase in trade and other receivables	(5,963)	(38,440)
(Decrease)/increase in trade and other payables	(5,890)	2,862
Net cash generated from/(used in) operations	16,029	(30,420)
PRC Enterprise Income Tax paid	(582)	-
	15,447	(30,420)
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Investing activities		

Payment for the acquisition of property, plant and equipment	(20,062)	(12,503)
Proceeds from disposal of lease prepayments	534	-
Interest received	358	905
Net cash used in investing activities	(19,170)	(11,598)

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2008

	2008 US\$'000	2007 US\$'000 (restated)
Financing activities		
Proceeds from issuing convertible notes	-	5,000
Uplift of pledged deposits	87,601	3,194
Placement of pledged deposits	(113,195)	(4,243)
Proceeds from bank loans	90,870	27,163
Repayment of bank loans	(60,140)	(27,531)
Proceeds from issue of shares	-	63,304
Share issuing costs	-	(6,313)
Repayment of amount due to a shareholder	(438)	-
Interest paid	(2,259)	(938)
Net cash generated from financing activities	2,439	59,636
Net (decrease)/increase in cash and cash equivalents	(1,284)	17,618
Cash and cash equivalents at the beginning of the year	21,047	2,570
Effect of foreign exchange rate changes	1,417	859
Cash and cash equivalents at the end of the year	21,180	21,047

GENERAL INFORMATION

Jetion Holdings Limited ("the Company") was incorporated in the British Virgin Islands ("BVI") under the BVI Business Companies Act, 2004 on 18 July 2006. The address of its registered office is 2nd floor, Abbott Building, Road Town, Tortola, British Virgin Islands and its principal place of business is at No. 1011, Zhencheng Road, Shengang Industrial District, Jiangyin 214443, The People's Republic of China. The Company's shares were listed on the Alternative Investment Market ("AIM") operated by London Stock Exchange plc. on 6 July 2007.

The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a jointly controlled entity.

BASIS OF PREPARATION

The financial statements are presented in United States Dollars ("USD"), rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair values:

- derivative financial instruments;
- compound financial instruments; and
- cash-settled share-based payment transactions.

The preparation of financial statements in conformity with IFRSs 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, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

PRIOR YEAR ADJUSTMENTS

The Group underwent a reorganisation before the listing of its shares on the AIM on 6 July 2007. In the prior year, the reorganisation was considered to be a business combination of entities under common control and, therefore, merger accounting was applied.

During the current year, management of the Group has revisited the substance of the reorganisation. Based on a legal opinion obtained from the Company's lawyers and all information available to date, management now considers that there was a change in equity ownership in a subsidiary, Jiangyin Jetion Science and Technology Company Limited ("Jiangyin Jetion"), during the reorganisation. Due to this change of equity ownership, the then shareholder of Jiangyin Jetion could no longer exercise the power to govern the financial and operating policies so as to obtain benefits from Jiangyin Jetion. All economic benefits relating to Jiangyin Jetion were attributable to the new shareholders. As such, in accordance with prevailing accounting standards, the change in ownership in Jiangyin Jetion should have been treated as an acquisition using purchase accounting. The change in the application of accounting policy has been applied retrospectively.

The acquisition had the following effect on the Group's assets and liabilities under purchase accounting in September 2006 ("the acquisition date"):

	Pre- acquisition carrying amount	Fair value adjustment	Recognised values on acquisition
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Property, plant and equipment	7,126	3,480	10,606
Lease prepayments	1,292	1,318	2,610
Intangible assets	-	6,328	6,328
Inventories	8,378	397	8,775
Trade and other receivables	15,246	-	15,246
Cash and bank deposits	1,476	-	1,476
Bank loans	(11,498)	-	(11,498)
Trade and other payables	(13,959)	-	(13,959)
Deferred tax liabilities	-	(1,623)	(1,623)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	8,061	9,900	17,961
			<hr/>
Gain on acquisition			12,852
			<hr/>
Consideration paid, satisfied in cash			5,109
Less: Cash acquired			(1,476)
			<hr/>
Net cash outflow			3,633

As a result of the change in the application of accounting policy, the Group's profit before taxation for the year ended 31 December 2008 decreased by US\$2,193,000, with the corresponding amounts credited to fixed assets, lease prepayment, intangible assets and exchange reserves.

(b) In line with normal practice for PRC companies, Jiangyin Jetion had transferred 10% of its profits after taxation to the general reserve fund for the years ended 31 December 2006 and 2007 pursuant to a resolution passed by its board of directors. In prior years, no appropriation was recorded in the Company's consolidated financial statements. As a result of this prior year adjustment, an amount of US\$2,330,000 was transferred from retained earnings to general reserve fund for the year ended 31 December 2008.

(c) In the prior year, unrealised profits resulting from transactions between Jiangyin Jetion and the Group's jointly controlled entity were not eliminated to the extent of the Group's interest in the jointly controlled entity pursuant to IAS 31 "Interests in Joint Ventures". A prior year adjustment has been made to correct this. As a result of this prior year adjustment, the Group's profit before taxation for the year ended 31 December 2008 has decreased by US\$5,000, with the corresponding amount credited to interest in a jointly-controlled entity.

(d) As part of the consideration for the listing of its shares on the AIM, the Company granted certain share warrants to Collins Stewart Europe Limited ("Collins Stewart"), the nominated adviser and broker of the Company for its listing on the AIM, on 3 July 2007. Pursuant to the warrant agreement, Collins Stewart was granted the right to subscribe for the Company's shares at the placing price of 151 pence per ordinary share in an amount up to 1% in number of the issued shares of the Company. Such right may be exercised at any time during the period of three years following the admission of the Company's shares to trade on the AIM. In accordance with prevailing accounting standards, these share warrants should have been accounted for as equity-settled transactions in accordance with IFRS 2 "Share-based Payment". In the prior year, the Company did not account for these share warrants in its consolidated financial statements as there was no effect on either the profit for the year or shareholders' equity at 31 December 2007. In these financial statements, a prior year adjustment has been made to record the relevant amount in the appropriate reserves. There is no effect on the income statement for the year ended 31 December 2008 as a result of this prior year adjustment.

(e) As disclosed in the Company's AIM admission document, a major shareholder of the Company has granted a call option to an employee benefit trust ("EBT") to make available 4,796,211 ordinary shares to the EBT for the purpose of satisfying phantom share awards to be granted to certain employees of the Group and a former employee. The 4,796,211 ordinary shares made available by the major shareholder of the Company will be disposed of in the market by the EBT to fund payments under the scheme.

According to the scheme, the Company will make a cash payment to the grantees calculated as the difference between the market value of the Company's shares at the date of exercise and the exercise price of these phantom shares. The exercise of these phantom shares is subject to certain vesting and performance conditions.

On 6 December 2007, 4,720,000 phantom shares were granted to certain directors and employees of the Company at nil consideration with an exercise price of 151 pence per share.

In accordance with prevailing accounting standards, the above-mentioned phantom share arrangement should have been accounted for in accordance with IFRS 2 "Share-based Payment" and IAS 39 "Financial Instruments: Recognition and Measurement". In the prior year, the Company did not account for this arrangement in its consolidated financial statements and, accordingly, a prior year adjustment has been made to correct this.

As a result of this prior year adjustment, the Group's profit before taxation for the year ended 31 December 2008 increased by US\$507,000 with the corresponding amount debited to reserves.

(f) In the prior year, the Company had wrongly credited advances from a shareholder of the Company to the exchange reserve. A prior year adjustment has been made to correct this error.

(g) Certain comparative figures have been reclassified to conform with the current year's presentation in order to better reflect the nature of the balances, as follows:

(i) value added tax recoverable of US\$1,037,000 has been reclassified from tax refundable to trade and other receivables;

(ii) prepayments for acquisition of property, plant and equipment of US\$5,911,000 have been reclassified from current assets to non-current assets;

(iii) pledged deposits of US\$1,452,000 have been classified separately from cash and cash equivalents; and

(iv) research and development expenses of US\$2,395,000 have been reclassified separately from distribution costs.

The adjustments for each line item in the consolidated income statement affected for the year ended 31 December 2007 and each line item in the consolidated balance sheet affected as at 31 December 2007 are set out below:

Consolidated income statement for the year ended 31 December 2007

	2007 (as previously reported)		2007 (as restat ed)		US\$'000	US\$'000
	US\$'000	US\$'000 (Note (a))	US\$'000 (Note (c))	US\$'000 (Note (e))		
Turnover	106,860	-	(2,817)	-	-	104,043
Cost of sales	(89,848)	(1,151)	2,423	(290)	-	(88,866)
Gross profit	17,012	(1,151)	(394)	(290)	-	15,177
Other operating income	167	-	-	-	-	167
Distribution costs	(2,958)	(460)	-	(29)	2,395	(1,052)
Administrative expenses	(6,437)	(215)	-	(660)	-	(7,312)
Research and development expenses	-	-	-	-	(2,395)	(2,395)
Results from operating activities	7,784	(1,826)	(394)	(979)	-	4,585
Interest income	905	-	-	-	-	905
Interest expense	(938)	-	-	-	-	(938)
Net foreign exchange loss	(62)	-	-	-	-	(62)
Net financing expenses	(95)	-	-	-	-	(95)
Share of profits of a jointly controlled entity	207	-	-	-	-	207

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Profit before taxation	7,896	(1,826)	(394)	(979)	- 4,697
Income tax	-	-	-	-	-
Profit for the year attributable to equity shareholders of the Company	<u>7,896</u>	<u>(1,826)</u>	<u>(394)</u>	<u>(979)</u>	<u>- 4,697</u>
Earnings per share					
Basic and diluted earnings per share (US cents)	<u>21.02</u>	<u>(4.86)</u>	<u>(1.05)</u>	<u>(2.61)</u>	<u>- 12.50</u>

Consolidated balance sheet at 31 December 2007

	2007 (as previously reported)					2007 (as restated)	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
		(Note (a))	(Note (c))	(Note (e))	(Note (f))	(Note (g))	
Non-current assets							
Property, plant and equipment	15,603	3,475	-	-	-	- 19,078	
Lease prepayments	1,849	1,372	-	-	-	- 3,221	
Prepayments for acquisition of property, plant and equipment	-	-	-	-	-	5,911 5,911	
Intangible assets	-	4,687	-	-	-	- 4,687	
Interest in a jointly controlled entity	<u>283</u>	-	(283)	-	-	-	
	17,735	9,534	(283)	-	-	5,911 32,897	
	-	-	-	-	-	-	
Current assets							
Inventories	7,763	-	-	-	-	- 7,763	
Trade and other receivables	53,041	-	-	-	- (4,874)	48,167	
Tax refundable	1,037	-	-	-	- (1,037)	-	
Pledged deposits	-	-	-	-	-	1,452 1,452	
Cash and cash equivalents	<u>22,499</u>	-	-	-	- (1,452)	<u>21,047</u>	
	84,340	-	-	-	- (5,911)	78,429	
	-	-	-	-	-	-	
Current liabilities							
Bank loans							
- unsecured	6,936	-	-	-	-	- 6,936	
- secured	6,151	-	-	-	-	- 6,151	
Trade and other payables	10,351	-	111	979	-	- 11,441	
Amount due to a shareholder	<u>990</u>	-	-	-	<u>701</u>	<u>- 1,691</u>	
	24,428	-	111	979	701	- 26,219	
	-	-	-	-	-	-	

	-	-	(111)	(979)	(701)	(5,911)	52,210
Net current assets	59,912	-	(111)	(979)	(701)	(5,911)	52,210
	-	-	(394)	(979)	(701)	-	85,107
Total assets less current liabilities	77,647	9,534	(394)	(979)	(701)	-	85,107
Non-current liabilities							
Deferred tax liabilities	-	1,735	-	-	-	-	1,735
	-	-	(394)	(979)	(701)	-	83,372
Total assets	<u>77,647</u>	<u>7,799</u>	<u>(394)</u>	<u>(979)</u>	<u>(701)</u>	<u>-</u>	<u>83,372</u>
Capital and reserves							
Share capital	-	-	-	-	-	-	-
Reserves	<u>77,647</u>	<u>7,799</u>	<u>(394)</u>	<u>(979)</u>	<u>(701)</u>	<u>-</u>	<u>83,372</u>
Total equity attributable to equity shareholders of the Company	<u>77,647</u>	<u>7,799</u>	<u>(394)</u>	<u>(979)</u>	<u>(701)</u>	<u>-</u>	<u>83,372</u>

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