

JETE POWER HOLDINGS LIMITED

鑄能控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8133)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

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This announcement, for which the directors (the “Directors”) of Jete Power Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purposes only

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$22.79 million for the six months ended 30 June 2015 (six months ended 30 June 2014: approximately HK\$27.67 million).
- Loss attributable to the owners of the Company for the six months ended 30 June 2015 amounted to approximately HK\$7.91 million (six months ended 30 June 2014: loss of approximately HK\$2.28 million).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

FINANCIAL RESULTS

The board of directors (the “Board”) of Jete Power Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2015

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	12,639	14,124	22,794	27,668
Cost of sales		(8,910)	(8,584)	(16,664)	(18,373)
Gross profit		3,729	5,540	6,130	9,295
Other income		2	23	15	24
Selling and distribution expenses		(838)	(631)	(1,404)	(1,319)
Administrative expenses		(6,564)	(7,361)	(12,189)	(9,417)
Finance costs	5	(140)	(105)	(274)	(228)
Loss before tax		(3,811)	(2,534)	(7,722)	(1,645)
Income tax expense	6	(185)	(359)	(185)	(638)
Loss for the period attributable to the owners of the Company	7	(3,996)	(2,893)	(7,907)	(2,283)
Other comprehensive expense for the period					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operation		(35)	(59)	(59)	(741)
Total comprehensive expense for the period attributable to the owners of the Company		(4,031)	(2,952)	(7,966)	(3,024)
Basic and diluted loss per share	9	HK(0.61) cents	HK(0.53) cents	HK(1.31) cents	HK(0.42) cents

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	<i>10</i>	13,875	14,265
Rental deposit	<i>11</i>	874	874
		14,749	15,139
Current assets			
Inventories		17,315	18,520
Trade and other receivables, deposits and prepayments	<i>11</i>	12,359	10,760
Amount due from a shareholder		54	54
Tax recoverable		750	288
Pledged bank deposit		3,502	3,502
Bank balances and cash		21,254	2,183
		55,234	35,307
Current liabilities			
Trade and other payables	<i>12</i>	10,721	11,323
Income tax payables		–	63
Amount due to a shareholder		3,682	505
Bank borrowings	<i>13</i>	5,878	5,958
Obligation under a finance lease		–	94
		20,281	17,943
Net current assets		34,953	17,364
Total assets less current liabilities		49,702	32,503
Non-current liability			
Obligation under a finance lease		–	253
		49,702	32,250

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONTINUED)**

		30 June 2015	31 December 2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	<i>14</i>	7,000	78
Reserves		42,702	32,172
		49,702	32,250

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company						Total equity HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited) (Note (a))	Other reserve HK\$'000 (Unaudited) (Note (b))	Retained earnings HK\$'000 (Unaudited)	
Balance at 1 January 2015	78	27,572	4,289	(7,045)	–	7,356	32,250
Loss for the period	–	–	–	–	–	(7,907)	(7,907)
Exchange difference arising on translation of foreign operation	–	–	(59)	–	–	–	(59)
Total comprehensive expense for the period	–	–	(59)	–	–	(7,907)	(7,966)
Transfer upon a group reorganisation	(78)	(27,572)	–	–	27,650	–	–
Issue of new shares by way of placing	1,500	28,500	–	–	–	–	30,000
Capitalisation issue	5,500	(5,500)	–	–	–	–	–
Share issuance expenses	–	(4,582)	–	–	–	–	(4,582)
Balance at 30 June 2015	<u>7,000</u>	<u>18,418</u>	<u>4,230</u>	<u>(7,045)</u>	<u>27,650</u>	<u>(551)</u>	<u>49,702</u>
Balance at 1 January 2014	54	–	5,006	(7,045)	–	23,667	21,682
Loss for the period	–	–	–	–	–	(2,283)	(2,283)
Exchange difference arising on translation of foreign operation	–	–	(741)	–	–	–	(741)
Total comprehensive expense for the period	–	–	(741)	–	–	(2,283)	(3,024)
Issue of share capital	24	27,572	–	–	–	–	27,596
Balance at 30 June 2014	<u>78</u>	<u>27,572</u>	<u>4,265</u>	<u>(7,045)</u>	<u>–</u>	<u>21,384</u>	<u>46,254</u>

Note (a) Capital reserve of the Group represents the difference between the nominal value of the 47% issued capital of a subsidiary, G. Force (Hong Kong) Limited, held by Mr. Wong Thomas Wai Yuk, the ultimate controlling shareholder of the Group, acquired pursuant to the group restructuring in year 2012 and the consideration for acquiring 47% of the issued capital of the subsidiary from Mr. Wong Thomas Wai Yuk.

Note (b) Other reserve represented the difference between the nominal amount of the share capital and share premium of XETron Group Limited and the nominal amount of the share capital issued by the Company pursuant to a group reorganisation.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(12,335)	(2,196)
Net cash used in investing activities	(397)	(3,707)
Net cash generated from/(used in) financing activities	31,737	(11,125)
Net increase/(decrease) in cash and cash equivalents	19,005	(17,028)
Cash and cash equivalents at the beginning of period	2,183	22,009
Effect of foreign exchange rate changes	66	(370)
Cash and cash equivalents at the end of period	21,254	4,611
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	21,254	4,611

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 24 February 2014, as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. The Company's shares have been listed on the GEM of the Stock Exchange since 30 April 2015 (the "Listing").

Pursuant to a group reorganisation (the "Reorganisation") and capitalisation of 549,990,000 shares in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group on 10 April 2015, the details of which are as set out in the prospectus issued by the Company dated 23 April 2015 (the "Prospectus").

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited consolidated financial results are consistent with those adopted in the accountants' report included in the Prospectus for the year ended 31 December 2014, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs").

In the current period, the Group has adopted a number of new and revised HKFRSs, amendments to Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2015. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and financial position of the Group.

The preparation of the consolidated financial results in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The unaudited consolidated financial results should be read in conjunction with the Group's audited consolidated financial statements and notes thereto for the year ended 31 December 2014 as set out in the Prospectus.

3. REVENUE

Revenue represents the amounts received and receivable from cast metal products sold in the normal course of business, net of cash discount and sales related taxes.

4. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the directors) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: Manufacturing and sales of cast metal products. The directors monitor the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and results; and segment assets and liabilities are presented in the combined statements of profit or loss and other comprehensive income and combined statements of financial position respectively.

Information about geographical areas

The Group's operations are located in Hong Kong and the PRC.

- (a) Information about the Group's revenue from continuing operations from external customers is presented based on the location of the customers.

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Germany	18,940	19,270
Hong Kong	1,366	4,453
The PRC	1,058	1,801
The United States	644	834
Others	786	1,310
	<u>22,794</u>	<u>27,668</u>

- (b) Information about the Group's non-current assets is presented based on the geographical location of the assets.

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
	Hong Kong	348
The PRC	13,527	13,862
	<u>13,875</u>	<u>14,265</u>

Note: Non-current assets excluded financial instruments.

Information about major customers

Details of the customer accounting for 10% or more of aggregate revenue of the Group are disclosed as follows:

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Customer A	7,251	7,646
Customer B	5,912	6,537
Customer C	N/A ¹	3,075

¹ The corresponding revenue did not contribute over 10% of the total sales of the Group.

5. FINANCE COSTS

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Interest on:		
– Bank borrowings wholly repayable within five years	249	216
– Finance lease	25	12
	<u>274</u>	<u>228</u>

6. INCOME TAX EXPENSE

The amount of income tax charged to the profit or loss represents:

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Current tax:		
Hong Kong profits tax	87	638
PRC Enterprise Income Tax (“EIT”)	98	–
	<u>185</u>	<u>638</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong.

The subsidiary of the Group established in the People’s Republic of China (“PRC”) is subject to EIT. EIT has been provided at the rate of 25% (six months ended 30 June 2014: 25%) on the estimated assessable profits during the period arising in the PRC.

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Professional expenses incurred in connection with the Company's listing	7,245	5,844
Cost of inventories recognised as expense	16,664	18,373
Depreciation of plant and equipment	840	460
	<u> </u>	<u> </u>

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the six months ended 30 June 2015 and 2014.

The weighted average number of ordinary shares in issue during the six months ended 30 June 2015 used in the basic earnings per share calculation is determined on the assumption that the 10,000 ordinary shares with par value of HK\$0.01 each and the 549,990,000 shares with par value of HK\$0.01 each issued upon the capitalisation issue and Reorganisation as described in the Prospectus had been in issue since 1 January 2014.

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss attributable to the owners of the Company (HK\$'000)	<u>(3,996)</u>	<u>(2,893)</u>	<u>(7,907)</u>	<u>(2,283)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>652,198</u>	<u>550,000</u>	<u>601,381</u>	<u>550,000</u>
Basic and diluted loss per share (HK cents per share)	<u>(0.61)</u>	<u>(0.53)</u>	<u>(1.31)</u>	<u>(0.42)</u>

No adjustment has been made to the basic loss per share amount for the six months ended 30 June 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during these periods.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired at cost, leasehold improvements of approximately HK\$558,000 (six months ended 30 June 2014: HK\$942,000); plant and machinery of nil (six months ended 30 June 2014: HK\$513,000); office equipment of nil (six months ended 30 June 2014: HK\$289,000).

In addition, the Group disposed of plant and equipment of HK\$122,000 during the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade receivables	6,907	7,415
Other tax recoverable	1,539	1,910
Prepayments	3,705	1,080
Deposits and other receivables	1,082	1,229
	<hr/>	<hr/>
Trade and other receivables	13,233	11,634
Less: Rental deposit shown under non-current assets	(874)	(874)
	<hr/>	<hr/>
Current portion	12,359	10,760

The Group allows an average credit period of 30 to 60 days to its trade customers. The Group does not hold any collateral over its trade and other receivables. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 30 days	3,744	4,237
31 to 60 days	2,601	1,379
61 to 90 days	415	1,628
Over 90 days	147	171
	<hr/>	<hr/>
Total	6,907	7,415

12. TRADE AND OTHER PAYABLES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade payables	6,896	5,573
Other payables	3,825	5,750
	<hr/>	<hr/>
Trade and other payables	10,721	11,323

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period.

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 30 days	3,464	1,590
31 to 60 days	1,403	1,239
61 to 90 days	1,000	1,045
Over 90 days	1,029	1,699
	<hr/>	<hr/>
Trade payables	6,896	5,573

The average credit period granted is ranging from 30 to 90 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

13. BANK BORROWINGS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Secured bank borrowings (<i>note i</i>)	5,878	5,958
	<hr/>	<hr/>
Carrying amount of bank borrowings that is repayable within one year	4,970	4,436
Carrying amount of borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	908	1,522
	<hr/>	<hr/>
	5,878	5,958

Note:

- (i) As at 30 June 2015, bank borrowings with carrying amount of approximately HK\$3,844,000 (31 December 2014: HK\$3,425,000) and HK\$2,034,000 (31 December 2014: HK\$2,533,000) are secured by deposits with the carrying value of approximately HK\$1,502,000 (31 December 2014: HK\$1,502,000) and HK\$2,000,000 (31 December 2014: HK\$2,000,000) respectively. The secured bank borrowings carried interest at variable rate ranging from 1.0% to 5.1% per annum (31 December 2014: 1.0% to 5.1% per annum).

As at 31 December 2014, the bank borrowings were also secured by the personal guarantee from Mr. Wong Thomas Wai Yuk, the director of the Company. During the period, the personal guarantee provided by Mr. Wong Thomas Wai Yuk was released and a corporate guarantee was provided by the Company to secure the bank borrowings.

14. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2014	–	–
Incorporation of the Company on 24 February 2014	38,000,000	380
At 30 June 2014 and 31 December 2014	38,000,000	380
Increase in authorised share capital pursuant to written resolutions of the shareholders of the Company on 10 April 2015	962,000,000	9,620
At 30 June 2015 (Unaudited)	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2014	–	–
Issue of share upon incorporation	1	–
At 30 June 2014 and 31 December 2014	1	–
Issue of shares pursuant to a reorganisation (<i>Note (a)</i>)	9,999	–
Issue of shares by way of placing (<i>Note (b)</i>)	150,000,000	1,500
Capitalisation issue (<i>Note (c)</i>)	549,990,000	5,500
At 30 June 2015 (Unaudited)	<u>700,000,000</u>	<u>7,000</u>

Note (a) Pursuant to the Share Swap Agreement dated 10 April 2015 entered into amongst Pure Goal, Well Gainer and Bravo Luck as transferors, and the Company as transferee, Pure Goal, Well Gainer and Bravo Luck agreed to transfer the entire issued share capital in XETron Group Limited to the Company in consideration of and in exchange for 6,999 shares to Pure Goal, 2,337 shares to Well Gainer, and 663 shares to Bravo Luck credited as fully paid, respectively.

Note (b) On 30 April 2015, 150,000,000 new ordinary shares of HK\$0.01 each were issued to the public by way of placing at a price of HK\$0.20 per share raising gross proceeds of approximately HK\$30 million.

Note (c) On 30 April 2015, 549,990,000 shares were issued by way of capitalisation of share premium on the proceeds from the allotment of 150,000,000 shares stated in note (b) under the capitalisation issue as detailed in the Prospectus.

15. RELATED PARTY TRANSACTIONS

(a) Transactions with a related party:

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group has the following transactions with related company during the period.

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Purchase of machineries:		
– Kai-Tech Precision Machinery	–	362

Kai-Tech Precision Machinery is a company of which a director of a subsidiary of the Company is its controlling shareholder. The transactions were conducted in the ordinary and usual course of business at prices and terms as agreed between the transacting parties.

(b) Compensation to key management personnel

Other than the emoluments paid to the director of the Company, who is also considered as the key management of the Group, the Group did not have any other compensation to the key management personnel.

The remuneration of the director of the Company and key executives is determined with regards to the performance of individuals.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

The Group is principally engaged in the manufacturing of metal casting parts and components in the PRC. The products of the Group can be categorized into four main categories: (a) pump components; (b) valve components; (c) filter components; and (d) food machinery components, which are made of stainless steel, carbon steel, bronze and/or grey iron. Our largest market is Germany. We also have customers from the PRC, Hong Kong and the United States.

On 30 April 2015, the Company was successfully listed on GEM. The proceeds received have strengthened the Group's cash flow and the Group will implement its future plans and business strategies according to the schedule set out in the Prospectus. The net proceeds will be applied towards increasing the production capacity in the Qiuchang Foundry, enhancing the marketing effort to attract new customers and strengthen the quality control system to maintain the strong customer relationship with existing customers.

It is the Group's strategy to broaden the customer base by carrying out marketing activities such as participation in industry exhibitions. In June 2015, the Group joined theACHEMA exhibition which is the world forum for chemical engineering and process industry held in Frankfurt, Germany. The Group will continue to adopt a positive yet prudent approach in its business strategies aiming to enhance the Group's profitability and the shareholders' value in the long run.

Financial Review

Revenue

For the six months ended 30 June 2015, total revenue of the Group decreased by about 18% to approximately HK\$22.79 million as compared with the corresponding period in 2014. The decrease in total revenue was mainly due to the decrease in sales volume and the depreciation of Euro against RMB as compared to the corresponding period in 2014. The decrease in sales volume was mainly due to (i) the Chinese New Year's holiday of the Company was extended from 13 days in 2014 to 24 days in 2015 and hence the factory output in February 2015 was lower than February 2014; and (ii) the decrease in orders from valve components as compared to the same period in 2014.

Cost of sales and gross profit

The key components of the Group's cost of sales comprised principally the (i) raw materials used for production of metal casting parts and components, (ii) direct labour costs and (iii) manufacturing overheads such as depreciation for plant and equipment, consumables, utilities, maintenance costs and indirect labour costs. For the six months ended 30 June 2015, the cost of sales of the Group decreased by about 9% to approximately HK\$16.66 million as compared with the corresponding period in 2014. Such decrease was mainly attributable to the net effects of the decrease in sales volume and the increase in direct labour cost and manufacturing overheads.

The gross profit of the Group decreased from HK\$9.30 million, for the six months ended 30 June 2014 to HK\$6.13 million for the six months ended 30 June 2015. The gross profit margin for the period decreased to approximately 26.89% from approximately 33.59% for the corresponding period of last year. Such decrease was mainly due to (i) the decrease in sales from valve components which has a relatively higher gross profit margin and (ii) the depreciation of Euro during the current period as compared with the corresponding period in 2014.

The Group generally has a surcharge mechanism with the customers to protect the profitability against the fluctuation of the exchange rate of Euro vs RMB, or Euro vs USD, if the purchase price is to be settled by Euro. Thus, the gross profit margin of the Group was not significantly eroded by the same extent as the depreciation of Euro during the period.

Selling and distribution expenses

The Group's selling and distribution expenses for the six months ended 30 June 2015 amounted to approximately HK\$1.40 million, representing an approximately 6% increase as compared with the corresponding period in 2014 of approximately HK\$1.32 million. Selling and distribution expenses comprised mainly packaging, delivery, customs and insurance cost incurred in relation to the sales. Such increase was mainly due to the delivery of more urgent orders by air freight and the cost incurred for participation into exhibition in Germany.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2015 amounted to approximately HK\$12.19 million, representing an approximately 29% increase as compared with the corresponding period in 2014 of approximately HK\$9.42 million. Administrative expenses primarily consist of salaries and benefit payments paid to directors and staff, exchange loss, audit fee and non-recurring expenses in relation to the listing of the Company ("Listing Expenses").

For the six months ended 30 June 2015, Listing Expenses of approximately HK\$7.25 million was incurred (six months ended 30 June 2014: HK\$5.84 million). Excluding the effect of Listing Expenses, the Group's administrative expenses for the period increased by approximately HK\$1.37 million. Such increase was mainly due to the increase in staff cost and various professional fees after the listing of the Company.

Finance costs

Finance costs mainly represent the interest on bank borrowings. The slight increase for the six months ended 30 June 2015 was mainly due to the increase in the bank borrowings outstanding during the period as compared with the corresponding period in 2014.

Loss for the period

Loss attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately HK\$7.91 million (six months ended 30 June 2014: HK\$2.28 million). The increase was mainly attributable to the decrease in revenue and increase in Listing Expenses during the period.

Liquidity and financial resources

The Group's principal sources of funds are used to finance working capital, and the growth and expansion of the Group's operations and sales network. The Group's principal sources of funds are cash generated from operations and bank borrowings. The Group had cash and cash equivalents of approximately HK\$21.25 million as at 30 June 2015 (31 December 2014: HK\$2.18 million). As at 30 June 2015, the Group had total bank borrowings of approximately HK\$5.88 million (31 December 2014: HK\$5.96 million). All the bank borrowings contain a repayment on demand clause.

Gearing ratio

As at 30 June 2015, the Group's gearing ratio was 11.83% (31 December 2014: 18.47%), which is calculated based on the Group's total interest-bearing debt of approximately HK\$5.88 million (31 December 2014: HK\$5.96 million) and the Group's total equity of approximately HK\$49.70 million (31 December 2014: HK\$32.25 million).

Capital structure

The Company's shares were successfully listed on GEM on 30 April 2015 (the "Listing Date"). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this announcement. The capital of the Company only comprises of ordinary shares.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintain sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

Contingent liabilities

As at 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

Charge of assets

As at 30 June 2015, the Group had pledged its bank deposits of approximately HK\$3.50 million (31 December 2014: HK\$3.50 million) to certain banks in Hong Kong to secure the banking facilities granted to the Group.

Foreign currency risk

The Group mainly sells the products to customers in Germany, Hong Kong, the PRC and the United States. The Group is exposed to foreign currency risks as it receives a majority of revenue in Euro from its customers in Europe. From around 31 December 2014 to around 30 June 2015, the exchange rate of Euro against RMB decreased from around EUR1 to RMB7.51 to around EUR1 to RMB6.95. We generally have a surcharge mechanism with our customers to protect our future profitability in certain extent against the (i) fluctuation of the cost of certain raw materials; and (ii) fluctuation of the exchange rate of Euro vs RMB, or Euro vs USD, if the purchase price is to be settled by Euro. However, there is no assurance that such mechanism could protect the Group free from foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the Board will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Title defect risk in the leased properties

As mentioned in the “Business” section of the Prospectus, the Group has two foundries which are located at Danshui Town, Huiyang District, Huizhou City and Qiuchang Town, Huiyang District, Huizhou City (“Qiuchang Foundry”) respectively. The owner and both the landlords of the two foundries do not possess valid collective building land use rights certificates and building ownership certificates for the foundries. As a part of the risk management plan of the Group to mitigate the risk arising from the title defect of the leased properties in the PRC, the Group has entered into a legally binding memorandum of understanding (the “MOU”) with a landlord for a backup plant located at Qingyuan City, Guangdong Province, the PRC. As at date of this announcement, the owner of the Qiuchang Foundry is in the process of applying for the collective building land use rights of the land where the Qiuchang Foundry is located. The MOU remains valid and the backup plant was not occupied by any other party.

Capital Commitments

As at 30 June 2015, the Group did not have any significant capital commitments (31 December 2014: Nil).

Significant investment held

Except for investments in subsidiaries, as at 30 June 2015, the Group did not hold any significant investment in equity interest in any other company.

Future plans for material investments and capital assets

Save as disclosed in the section “Future Plans and Use of Proceeds” of the Prospectus, the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the six months ended 30 June 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

Employee and Emolument Policies

As at 30 June 2015, the employee headcount (including Directors) of the Group was 219 (31 December 2014: 172) and the total staff costs, including directors’ emoluments, amounted to approximately HK\$6.72 million during the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$5.50 million). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company’s operating results, market competitiveness, individual performance and achievement, and approved by the Board.

SHARE OPTION SCHEME

The Company has a share option scheme (the “Share Option Scheme”) which was approved and adopted by the sole shareholder of the Company by way of written resolutions passed on 10 April 2015.

No share option has been granted under the Share Option Scheme since its adoption.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period from the Listing Date to 30 June 2015.

COMPETING INTERESTS

As at 30 June 2015, none of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 2015, neither Kingsway Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with the written terms of reference in compliance with the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Wong Ka Shing, who has the appropriate accounting and financial related management expertise and serves as the chairman of the audit committee, Ms. Leung Shuk Lan and Mr. Tang Yiu Wing. The audit committee has reviewed this announcement and has provided advice and comments thereon.

CORPORATE GOVERNANCE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules.

The Company was listed on 30 April 2015. To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code throughout the period from 30 April 2015 (the Listing Date) to 30 June 2015.

By Order of the Board
Jete Power Holdings Limited
Choi Chiu Ming, Jimmy
Chairman and executive Director

Hong Kong, 11 August 2015

As at the date of this announcement, the executive Directors are Mr. Wong Thomas Wai Yuk and Mr. Choi Chiu Ming Jimmy, and the independent non-executive Directors are Ms. Leung Shuk Lan, Mr. Tang Yiu Wing and Mr. Wong Ka Shing.

This announcement will remain at www.hkgem.com on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the Company website at www.jetepower.com.