

JETE POWER HOLDINGS LIMITED 鑄能控股有限公司*

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8133

First Quarterly Report
2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, 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 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 report 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 report misleading.

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$14.69 million for the three months ended 31 March 2018 (three months ended 31 March 2017: approximately HK\$9.23 million).
- Loss attributable to the owners of the Company for the three months ended 31 March 2018 amounted to approximately HK\$1.99 million (three months ended 31 March 2017: loss of approximately HK\$1.99 million).
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018.

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 ended 31 March 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

	Note	Three months ended 31 March	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	14,692	9,226
Cost of sales		(12,441)	(7,357)
Gross profit		2,251	1,869
Other income		3	27
Selling and distribution expenses		(1,104)	(718)
Administrative expenses		(3,114)	(2,986)
Share of losses of associates		-	(172)
Finance costs		(30)	(10)
Loss before tax		(1,994)	(1,990)
Income tax expense	4	-	-
Loss for the period attributable to the owners of the Company		(1,994)	(1,990)
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation		864	289
Total comprehensive expense for the period attributable to the owners of the Company		(1,130)	(1,701)
Basic and diluted loss per share	6	HK(0.06) cents	HK(0.06) cents

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Attributable to equity holders of the Company							
	Share capital	Share premium	Exchange reserve	Capital reserve	Warrants reserve	Other reserve	Accumulated loss	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(Note (a))	(Note (b))	(Note (c))		
Balance at 1 January 2018	7,000	18,418	3,390	(7,045)	13,720	27,650	(13,796)	49,337
Loss for the period	-	-	-	-	-	-	(1,994)	(1,994)
Exchange difference arising on translation of foreign operation	-	-	864	-	-	-	-	864
Total comprehensive expense for the period	-	-	864	-	-	-	(1,994)	(1,130)
Balance at 31 March 2018	7,000	18,418	4,254	(7,045)	13,720	27,650	(15,790)	48,207
Balance at 1 January 2017	7,000	18,418	1,904	(7,045)	13,720	27,650	(8,861)	52,786
Loss for the period	-	-	-	-	-	-	(1,990)	(1,990)
Exchange difference arising on translation of foreign operation	-	-	289	-	-	-	-	289
Total comprehensive expense for the period	-	-	289	-	-	-	(1,990)	(1,701)
Balance as at 31 March 2017	7,000	18,418	2,193	(7,045)	13,720	27,650	(10,851)	51,085

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), held by Mr. Wong Thomas Wai Yuk, 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): Warrant reserve represents the net proceeds received from the issue of unlisted warrants of the Company. This reserve will be transferred to the share capital and the share premium account upon exercise of the unlisted warrants, where the unlisted warrants remain unexercised at the expiry date, the amount recognised in the warrant reserve will be released to the accumulated losses.

Note (c): 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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

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 (the "Listing") on GEM of the Stock Exchange since 30 April 2015 (the "Listing Date").

The unaudited consolidated financial results of the Group for the three months ended 31 March 2018 (the "Consolidated Financial Results") are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

The Consolidated Financial Results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The Consolidated Financial Results have been prepared under the historical cost convention.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Consolidated Financial Results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the new and revised 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 2018. 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 Group is in the process of assessing their impact on the Group's results and financial position.

The preparation of the Consolidated Financial Results in conformity with HKFRS 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 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 2017.

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. INCOME TAX EXPENSE

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

Hong Kong profits tax ("HK Profits Tax") has been provided at the rate of 16.5% (three months ended 31 March 2017: 16.5%). No provision for HK Profits Tax has been made as the Group did not have assessable profits subject to HK Profits Tax during the current and prior periods.

The subsidiary of the Group established in the People's Republic of China ("PRC") is subject to PRC Enterprise Income Tax ("EIT"). EIT has been provided at the rate of 25% (three months ended 31 March 2017: 25%) on the estimated assessable profits during the period arising in the PRC. No provision for EIT has been made as the Group did not have assessable profits arising in the PRC during the current and prior periods.

5. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$1,994,000 (three months ended 31 March 2017: HK\$1,990,000) and the weighted average number of 3,500,000,000 (three months ended 31 March 2017: 3,500,000,000) ordinary shares in issue during the period.

(b) Diluted loss per share

The diluted loss per share for the three months ended 31 March 2018 is the same as the basic loss per share as the assumed exercise of the outstanding warrants has anti-dilutive effect.

The diluted loss per share for the three months ended 31 March 2017 is the same as the loss per share as there were no potential dilutive ordinary shares in issue.

	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(1,994)	(1,990)
Weighted average number of ordinary shares in issue (thousands)	3,500,000	3,500,000
Basic and diluted loss per share (HK cents per share)	(0.06)	(0.06)

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.

During the reporting period, the global economic environment remain challenging but the Group is positive about the prospects of the metal casting industry and will continue to focus on its core business. Resources will be reserved for the purpose of 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. Meanwhile, the Group will also explore other potential investment opportunities in order to diversify the Group's business and create new source of revenue to the Group.

The following is the major events incurred during the period ended 31 March 2018 and up to date of this report:

Conditional Cooperation Framework Agreement

On 4 April 2018, a wholly owned subsidiary of the Company entered into a cooperation framework agreement with Wuhan Haobo Technology Company Ltd* ("Wuhan Haobo") (武漢昊博科技有限公司). Pursuant to the cooperation framework agreement, Wuhan Haobo and the Group have conditionally agreed to cooperate with each other in respect of the patents owned by the Wuhan Haobo (the "Proposed Cooperation"). Further details of the Proposed Cooperation are set out in the Company's announcement dated 4 April 2018.

As at the date of this report, the conditions precedent for the completion of the cooperation as set out under the cooperation framework agreement has not yet been fulfilled. The Proposed Cooperation may or may not proceed.

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 three months ended 31 March 2018, total revenue of the Group increased about 59% to approximately HK\$14.69 million as compared with the corresponding period in 2017. The increase in total revenue was mainly due to the increase in sales volume as compared to the same period in 2017. The increase in sales volume was mainly due to 2017 Chinese New Year's holiday of the PRC subsidiary falls between mid-January 2017 and mid-February 2017 which affected the factory output in last year. The factory output in 2018 was higher than the corresponding period in 2017.

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 three months ended 31 March 2018, the cost of sales of the Group increased by about 69% to approximately HK\$12.44 million as compared with the corresponding period in 2017. Such increase was mainly due to the increase in sales volume and the increase in labour cost.

The gross profit of the Group increased from HK\$1.87 million, for the three months ended 31 March 2017 to HK\$2.25 million for the three months ended 31 March 2018. The gross profit margin for the period decreased to approximately 15% from approximately 20% for the corresponding period of last year. Such decrease was mainly due to the increase in labour cost during the period.

Selling and distribution expenses

The Group's selling and distribution expenses for the three months ended 31 March 2018 amounted to approximately HK\$1.10 million, representing an approximately 54% increase as compared with the corresponding period in 2017 of approximately HK\$0.72 million. Selling and distribution expenses comprised mainly packaging, delivery, customs, agency cost and insurance cost incurred in relation to the sales. The increase for the period was consistent with the increase in sales volume.

Administrative expenses

The Group's administrative expenses for the three months ended 31 March 2018 amounted to approximately HK\$3.11 million. Administrative expenses primarily consist of salaries and benefit payments paid to directors and staff, exchange loss, audit fee and legal and professional fees to ensure on going compliance with relevant rules and regulations. The administrative expenses remained constant during the period.

Loss for the period

Loss attributable to owners of the Company for the three months ended 31 March 2018 amounted to approximately HK\$1.99 million [three months ended 31 March 2017: Loss of approximately HK\$1.99 million]. This was mainly attributable to the net effects of (i) the decrease in gross profits of the Group's products during the period and (ii) the increase in selling and distribution expenses.

TITLE DEFECT RISK IN THE LEASED PROPERTIES

The Group has leased two foundries which are located at Danshui Town, Huiyang District, Huizhou City (“Danshui Foundry”) and Qiuchang Town, Huiyang District, Huizhou City (“Qiuchang Foundry”) respectively. As at date of this report, the lease of Danshui Foundry, which was previously used for research, design and development purpose only, was terminated. Qiuchang Foundry remains as the production base of the Group. The owner of the land where the Qiuchang Foundry is located (the “Owner”) and the landlord of the Qiuchang Foundry (the “Landlord”) do not possess valid collective land use rights certificates for construction land and building ownership certificates for the Qiuchang Foundry respectively. During the period, the Group has continued to actively liaise with the Owner and the Landlord for the progress of the rectification of the title defects for the leased property. However, the Owner and the Landlord are not able commit to a time frame to complete the rectification by reason that the relevant procedures are subject to approvals and inspections by the relevant authorities, which is not within the control of the Landlord. As a part of the risk management plan of the Group to mitigate the risk arising from the title defect of the leased property 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 report, the Owner is still in the process of applying for the collective land use rights certificates for construction land, being an important and necessary step for applying the building ownership certificate for the Qiuchang Foundry. The Group, the Owner and the Landlord had not received, and the relevant government authorities had not issued, any notice, letter or order, about the title defect of the Qiuchang Foundry. The MOU remains valid and the backup plant was not occupied by any other party.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2018, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long positions in shares of the Company:

Name of Director/ Chief Executive	Capacity	Number of shares held	Percentage of the Company's issued share capital
Mr. Choi Chiu Ming Jimmy ("Mr. Choi")	Interest of a controlled corporation	181,500,000 (Note 1)	5.18%

Long positions in shares of associated corporation:

Name of Director	Name of associated corporation	Capacity	Percentage of the associated corporation's issued share capital
Mr. Choi	Bravo Luck Limited ("Bravo Luck")	Directly beneficially owned (Note 1)	100%

Note:

- These 181,500,000 shares are held by Bravo Luck, which in turn is wholly and beneficially owned by Mr. Choi. As such, Mr. Choi is deemed under the SFO to be interested in these 181,500,000 shares held by Bravo Luck.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 March 2018, other than the Director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in shares of the Company:

Name	Note	Nature of interests	Number of shares held	Percentage of the Company's issued share capital
Bravo Luck	1	Beneficial interest	181,500,000	5.18%
Ms. Chan Suk Ha	2	Interest of spouse	181,500,000	5.18%

Notes:

- 1) Bravo Luck is wholly-owned by Mr. Choi.
- 2) Ms. Chan Suk Ha is the spouse of Mr. Choi. Under the SFO, Ms. Chan Suk Ha is deemed under the SFO, to be interested in all the shares in which Mr. Choi is interested.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the shareholders 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the three months ended 31 March 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2018, 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 during the three months ended 31 March 2018.

COMPETING INTERESTS

As at the date of this report, 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.

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 report 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.

To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code throughout the three months ended 31 March 2018.

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

Hong Kong, 8 May 2018