

# JETE POWER HOLDINGS LIMITED

## 鑄能控股有限公司\*

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

# 1<sup>ST</sup> QUARTERLY REPORT 2015

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 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 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\$10.12 million for the three months ended 31 March 2015 (three months ended 31 March 2014: approximately HK\$13.54 million).
- Loss attributable to the owners of the Company for the three months ended 31 March 2015 amounted to approximately HK\$3.91 million (three months ended 31 March 2014: profit of approximately HK\$0.61 million).
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 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 ended 31 March 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2015

	Note	Three months ended 31 March	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>10,155</b>	13,544
Cost of sales		<b>(7,754)</b>	(9,789)
<b>Gross profit</b>		<b>2,401</b>	3,755
Other income		<b>13</b>	1
Selling and distribution expenses		<b>(566)</b>	(688)
Administrative expenses		<b>(5,625)</b>	(2,056)
Finance costs		<b>(134)</b>	(123)
(Loss) profit before tax		<b>(3,911)</b>	889
Income tax expense	4	<b>-</b>	(279)
<b>(Loss) profit for the period attributable to the owners of the Company</b>		<b>(3,911)</b>	610
<b>Other comprehensive expense for the period</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation		<b>(24)</b>	(682)
<b>Total comprehensive (expense) income for the period attributable to the owners of the Company</b>		<b>(3,935)</b>	(72)
<b>Basic and diluted (loss)/earnings per share</b>	6	<b>HK(0.71) cents</b>	HK0.11 cents

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	Attributable to equity holders of the Company					
	Share capital	Share premium	Exchange reserve	Capital reserve	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(Note)		
Balance at 1 January 2015	78	27,572	4,289	(7,045)	7,356	32,250
Loss for the period	-	-	-	-	(3,911)	(3,911)
Exchange difference arising on translation of foreign operation	-	-	(24)	-	-	(24)
Total comprehensive expense for the period	-	-	(24)	-	(3,911)	(3,935)
Balance at 31 March 2015	78	27,572	4,265	(7,045)	3,445	28,315
Balance at 1 January 2014	54	-	5,006	(7,045)	23,667	21,682
Profit for the period	-	-	-	-	610	610
Exchange difference arising on translation of foreign operation	-	-	(682)	-	-	(682)
Total comprehensive (expense) income for the period	-	-	(682)	-	610	(72)
Issue of share capital	24	27,572	-	-	-	27,596
Balance at 31 March 2014	78	27,572	4,324	(7,045)	24,277	49,206

Note: 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, 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.

## 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 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 Group comprising the Company and its subsidiaries resulting from the Reorganisation continued to be controlled by Mr. Wong Thomas Wai Yuk is regarded as a continuing entity. Accordingly, the unaudited consolidated financial results of the Group for the three months ended 31 March 2015 has been prepared on a combined basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the Reorganisation had been completed at the beginning of the period.

The unaudited consolidated financial results of the Group for the three months ended 31 March 2015 are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

The unaudited consolidated financial results of the Group for the three months ended 31 March 2015 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, ("HKICPA") the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules. The unaudited consolidated financial results 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 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 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 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. INCOME TAX EXPENSE

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

	Three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
Hong Kong profits tax	-	279
PRC Enterprise Income Tax ("EIT")	-	-
	-	279

Hong Kong profits tax has been provided at the rate of 16.5% (three months ended 31 March 2014: 16.5%) on the estimated assessable profit during the period arising in or derived from Hong Kong. No provision for Hong Kong profits tax has been made for the current period as the Group did not generate any assessable profits arising in Hong Kong during the current period.

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% (three months ended 31 March 2014: 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 generate any 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 2015 (three months ended 31 March 2014: Nil).

#### 6. (LOSS)/EARNING PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during the three months ended 31 March 2015 and 2014.

The weighted average number of ordinary shares in issue during the three months ended 31 March 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 prior to the incorporation of the Company, which is the same assumption for the basic earnings per share calculation for the three months ended 31 March 2014.

	Three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(3,911)	610
Weighted average number of ordinary shares in issue (thousands)	550,000	550,000
Basic and diluted earnings per share (HK cents per share)	(0.71)	0.11

No adjustment has been made to the basic earnings per share amount for the three months ended 31 March 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during these periods.

## 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 of the Group, enhancing the marketing effort to increase the customer awareness of the Group and maintaining the long term customer relationship with the 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 2014, the Group has participated in exhibitions held in Germany and South Africa. In 2015, the Group plans to join theACHEMA exhibition which is the world forum for chemical engineering and process industry to be 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 three months ended 31 March 2015, total revenue of the Group decreased by about 25% to approximately HK\$10.12 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 same period in 2014. The decrease in sales volume was mainly due to (i) more orders by the end of 2013, compared to the end of 2014, were delivered and billed in early 2014; (ii) 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. In addition, some orders which were originally scheduled to be delivered by the end of March 2015 were delivered and billed in early April 2015 instead.

#### *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 2015, the cost of sales of the Group decreased by about 21% to approximately HK\$7.75 million as compared with the corresponding period in 2014. Such decrease was in line with the decrease in sales volume.

The gross profit of the Group decreased from HK\$3.76 million, for the three months ended 31 March 2014 to HK\$2.40 million for the three months ended 31 March 2015. The gross profit margin for the period decreased to approximately 23.64% from approximately 27.72% for the corresponding period of last year. Such decrease was mainly due to the depreciation of Euro during the current period as compared with the corresponding period in 2014.

The Group generally have 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 significant depreciation of Euro during the period.

#### *Selling and distribution expenses*

The Group's selling and distribution expenses for the three months ended 31 March 2015 amounted to approximately HK\$0.57 million, representing an approximately 18% decrease as compared with the corresponding period in 2014 of approximately HK\$0.69 million. Selling and distribution expenses comprised mainly packaging, delivery, customs and insurance cost incurred in relation to the sales. The decrease for the period was in line with the decrease in sales volume.

#### *Administrative expenses*

The Group's administrative expenses for the three months ended 31 March 2015 amounted to approximately HK\$5.63 million, representing an approximately 174% increase as compared with the corresponding period in 2014 of approximately HK\$2.01 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 three months ended 31 March 2015, Listing Expenses of approximately HK\$3.66 million was incurred (three months ended 31 March 2014: HK\$0.39 million). Excluding the effect of Listing Expenses, the Group's administrative expenses for the period increased by approximately HK\$0.31 million. Such increase was mainly due to (i) the increase in exchange loss by approximately HK\$0.20 million; and (ii) the increase in staff cost by approximately HK\$0.09 million due to business expansion during the period.

#### *Finance costs*

Finance costs mainly represent the interest on bank borrowing. The slight increase for the three months ended 31 March 2015 was mainly due to the increase in the bank borrowings outstanding during the period as compared with the corresponding period in 2014.

*(Loss) profit for the period*

Loss attributable to owners of the Company for the three months ended 31 March 2015 amounted to approximately HK\$3.91 million (three months ended 31 March 2014: profit of approximately HK\$0.61 million). The decrease was mainly attributable to the decrease in revenue and increase in Listing Expenses during the period.

## **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 2015, the shares of the Company were not listed on GEM. The respective Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable.

As at the date of this report, 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:**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued share capital</b>
Mr. Wong Thomas Wai Yuk ("Mr. Wong")	Interest of a controlled corporation	285,000,000 (Note 1)	40.71%
Mr. Choi Chiu Ming Jimmy ("Mr. Choi")	Interest of a controlled corporation	36,300,000 (Note 2)	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. Wong	Pure Goal Holdings Limited ("Pure Goal")	Directly beneficially owned (Note 1)	100%
Mr. Choi	Bravo Luck Limited ("Bravo Luck")	Directly beneficially owned (Note 2)	100%

Notes:

- 1) These 285,000,000 shares are held by Pure Goal, which in turn is wholly and beneficially owned by Mr. Wong Thomas Wai Yuk. As such, Mr. Wong is deemed under the SFO to be interested in these 285,000,000 shares held by Pure Goal.
- 2) These 36,300,000 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 36,300,000 shares held by Bravo Luck.

Save as disclosed above, as at the date of this report, 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

As at 31 March 2015, the shares of the Company were not listed on the GEM. So far as the Directors are aware, as at the date of this report, 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 (Note 7)
Pure Goal	1	Beneficial interest	285,000,000	40.71%
Well Gainer Limited	2	Beneficial interest	128,700,000	18.38%
Bravo Luck	3	Beneficial interest	36,300,000	5.18%
Mr. Chung Tsai Kin	2	Interest of a controlled corporation	128,700,000	18.38%
Ms. Yip Siu Yin	4	Interest of spouse	285,000,000	40.71%
Ms. Cheung Po Yuet	5	Interest of spouse	128,700,000	18.38%
Ms. Chan Suk Ha	6	Interest of spouse	36,300,000	5.18%

Notes:

- Pure Goal is wholly-owned by Mr. Wong.
- Well Gainer Limited is wholly-owned by Mr. Chung Tsai Kin.
- Bravo Luck is wholly-owned by Mr. Choi.
- Ms. Yip Siu Yin is the spouse of Mr. Wong. Under the SFO, Ms. Yip Siu Yin is deemed under the SFO, to be interested in all the shares in which Mr. Wong is interested.
- Ms. Cheung Po Yuet is the spouse of Mr. Chung Tsai Kin. Under the SFO, Ms. Cheung Po Yuet is deemed under the SFO, to be interested in all the shares in which Mr. Chung Tsai Kin is interested.
- 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.
- The percentage is calculated on the basis of 700,000,000 shares in issue as at the listing date.

Save as disclosed above, as at the date of this report, no other persons had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

## **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.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed above, at no time during the three months ended 31 March 2015 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 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 during the three months ended 31 March 2015.

## **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.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As at the date of this report, 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 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.

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 since the date of Listing.

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

Hong Kong, 14 May 2015