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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 RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2016

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.

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

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 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2016

		Three months ended	
		31 March	
	Note	2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	12,660	10,155
Cost of sales		<u>(9,436)</u>	<u>(7,754)</u>
Gross profit		3,224	2,401
Other income		29	13
Selling and distribution expenses		(904)	(566)
Administrative expenses		(2,915)	(5,625)
Finance costs		<u>(75)</u>	<u>(134)</u>
Loss before tax		(641)	(3,911)
Income tax expense	4	<u>—</u>	<u>—</u>
Loss for the period attributable to the owners of the Company		(641)	(3,911)
Other comprehensive income (expense) for the period			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation		<u>447</u>	<u>(24)</u>
Total comprehensive expense for the period attributable to the owners of the Company		<u>(194)</u>	<u>(3,935)</u>
Basic and diluted loss per share	6	<u>HK(0.09) cents</u>	<u>HK(0.71) cents</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Attributable to equity holders 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) <i>(Note (a))</i>	Other reserve HK\$'000 (Unaudited) <i>(Note (b))</i>	Accumulated loss HK\$'000 (Unaudited)	
Balance at 1 January 2016	7,000	18,418	2,995	(7,045)	27,650	(5,103)	43,915
Loss for the period	-	-	-	-	-	(641)	(641)
Exchange difference arising on translation of foreign operation	-	-	447	-	-	-	447
Total comprehensive expense for the period	-	-	447	-	-	(641)	(194)
Balance at 31 March 2016	<u>7,000</u>	<u>18,418</u>	<u>3,442</u>	<u>(7,045)</u>	<u>27,650</u>	<u>(5,744)</u>	<u>43,721</u>
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	<u>78</u>	<u>27,572</u>	<u>4,265</u>	<u>(7,045)</u>	<u>-</u>	<u>3,445</u>	<u>28,315</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), 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.

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

Pursuant to a group reorganisation (the "Reorganisation") and capitalisation issue 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 consolidated financial results of the Group for the three months ended 31 March 2016 (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 2015, 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 2016. 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 2015.

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 2015: 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 2015: 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 2016 (three months ended 31 March 2015: Nil).

6. LOSS PER SHARE

Basic loss per share for the three months ended 31 March 2016 is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the three months ended 31 March 2016. Basic loss per share for the three months ended 31 March 2015 is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the three months ended 31 March 2015.

In determining the weighted average number of ordinary shares deemed to be in issue during the three months ended 31 March 2015, the 10,000 ordinary shares with par value of HK\$0.01 each and the 549,990,000 shares with the 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 2015.

	Three months ended 31 March	
	2016	2015
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK\$’000)	<u>(641)</u>	<u>(3,911)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>700,000</u>	<u>550,000</u>
Basic and diluted loss per share (HK cents per share)	<u>(0.09)</u>	<u>(0.71)</u>

No adjustment has been made to the basic loss per share amount for the three months ended 31 March 2016 and 2015 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.

Looking ahead to 2016, the global economic environment is likely to remain challenging but the Group is positive about the prospects of the metal casting industry and will continue to focus on its core business. 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 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 2016, total revenue of the Group increased by about 25% to approximately HK\$12.66 million as compared with the corresponding period in 2015. The increase in total revenue was mainly due to the increase in sales volume as compared to the same period in 2015. The increase in sales volume was mainly due to the long Chinese New Year's holiday of the Company for the year 2015 and hence the factory output in February 2015 was lower than February 2016.

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 2016, the cost of sales of the Group increased by about 22% to approximately HK\$9.44 million as compared with the corresponding period in 2015. Such increase was mainly due to the increase in sales volume.

The gross profit of the Group increased from HK\$2.40 million, for the three months ended 31 March 2015 to HK\$3.22 million for the three months ended 31 March 2016. The gross profit margin for the period remained constant at around 25%.

Selling and distribution expenses

The Group's selling and distribution expenses for the three months ended 31 March 2016 amounted to approximately HK\$0.90 million, representing an approximately 60% increase as compared with the corresponding period in 2015 of approximately HK\$0.57 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 mainly due to the increase in sales volume and agency cost during the current period.

Administrative expenses

The Group's administrative expenses for the three months ended 31 March 2016 amounted to approximately HK\$2.92 million, representing an approximately 48% decrease as compared with the corresponding period in 2015 of approximately HK\$5.63 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"). The decrease for the period was mainly attributable to the net effect of (i) decrease in Listing Expenses by HK\$3.66 million and (ii) the increase in staff cost and various compliance and professional fees incurred after the Listing of the Company.

Finance costs

Finance costs mainly represent the interest on bank borrowing. The decrease for the three months ended 31 March 2016 was mainly due to the decrease in the bank borrowings outstanding during the period as compared with the corresponding period in 2015.

Loss for the period

Loss attributable to owners of the Company for the three months ended 31 March 2016 amounted to approximately HK\$0.64 million (three months ended 31 March 2015: Loss of approximately HK\$3.91 million). The decrease was mainly attributable to (i) the increase in revenue; (ii) the increase in staff cost and various compliance and professional fees incurred after the listing of the company and (iii) no Listing Expenses was incurred during the period.

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.

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 2016, 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	Capacity	Number of shares held	Percentage of the Company's issued share capital
Mr. Wong Thomas Wai Yuk ("Mr. Wong")	Interest of a controlled corporation	255,000,000 (Note 1)	36.43%
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 255,000,000 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 255,000,000 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 31 March 2016, 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 2016, 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
Pure Goal	1	Beneficial interest	255,000,000	36.43%
Well Gainer Limited	2	Beneficial interest	94,720,000	13.53%
Bravo Luck	3	Beneficial interest	36,300,000	5.18%
Mr. Chung Tsai Kin	2	Interest of a controlled corporation	94,720,000	13.53%
Mr. Fang Jinhua		Personal interest	39,000,000	5.57%
Ms. Yip Siu Yin	4	Interest of spouse	255,000,000	36.43%
Ms. Cheung Po Yuet	5	Interest of spouse	94,720,000	13.53%
Ms. Chan Suk Ha	6	Interest of spouse	36,300,000	5.18%

Notes:

1. Pure Goal is wholly-owned by Mr. Wong.
2. Well Gainer Limited is wholly-owned by Mr. Chung Tsai Kin.
3. Bravo Luck is wholly-owned by Mr. Choi.
4. 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.
5. 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.
6. 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 2016 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 2016, 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 2016.

COMPETING INTERESTS

As at the date of this announcement, 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 announcement, 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 nonexecutive 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.

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 2016.

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

Hong Kong, 9 May 2016

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.