JETE POWER HOLDINGS LIMITED
鑄能控股有限公司*

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

2018
Third Quarterly Report

* For identification purpose only

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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$49.96 million for the nine months ended 30 September 2018 (nine months ended 30 September 2017: approximately HK$33.90 million).
- Loss attributable to the owners of the Company for the nine months ended 30 September 2018 amounted to approximately HK$5.20 million (nine months ended 30 September 2017: loss of approximately HK$3.91 million).
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 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 and nine months ended 30 September 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

		Three months ended 30 September		**Nine months ended 30 September**	
		2018	2017	**2018**	2017
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	3	**22,114**	12,561	**49,958**	33,897
Cost of revenue		**(16,319)**	(9,496)	**(39,733)**	(25,602)
Gross profit		**5,795**	3,065	**10,225**	8,295
Other income		**7**	94	**10**	122
Selling and distribution expenses		**(1,460)**	(1,153)	**(3,693)**	(2,623)
Administrative expenses		**(5,097)**	(2,837)	**(11,468)**	(9,224)
Share of losses of associates		**—**	(2)	**—**	(175)
Finance costs	4	**(6)**	(28)	**(50)**	(48)
Loss before tax		**(761)**	(861)	**(4,976)**	(3,653)
Income tax expense	5	**(65)**	(45)	**(219)**	(257)
Loss for the period attributable to the owners of the Company		**(826)**	(906)	**(5,195)**	(3,910)
Other comprehensive income (expense) for the period					
Item that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operation		**(757)**	359	**(1,048)**	1,020
Total comprehensive expense for the period attributable to the owners of the Company		**(1,583)**	(547)	**(6,243)**	(2,890)
Basic and diluted loss per share	7	**HK(0.02) cents**	HK(0.03) cents	**HK(0.15) cents**	HK(0.11) cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Attributable to owners of the Company							
	Share capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Exchange reserve HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited) (Note (a))	Warrant reserve HK$'000 (Unaudited) (Note (b))	Other reserve HK$'000 (Unaudited) (Note (c))	Accumulated losses HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
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	**—**	**—**	**—**	**—**	**—**	**—**	**(5,195)**	**(5,195)**
Exchange difference arising on translation of foreign operation	**—**	**—**	**(1,048)**	**—**	**—**	**—**	**—**	**(1,048)**
Total comprehensive expense for the period	**—**	**—**	**(1,048)**	**—**	**—**	**—**	**(5,195)**	**(6,243)**
Balance at 30 September 2018	**7,000**	**18,418**	**2,342**	**(7,045)**	**13,720**	**27,650**	**(18,991)**	**43,094**
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	–	–	–	–	–	–	(3,910)	(3,910)
Exchange difference arising on translation of foreign operation	–	–	1,020	–	–	–	–	1,020
Total comprehensive expense for the period	–	–	1,020	–	–	–	(3,910)	(2,890)
Balance at 30 September 2017	7,000	18,418	2,924	(7,045)	13,720	27,650	(12,771)	49,896

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, 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 CONDENSED CONSOLIDATED 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").

The unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 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 disclosure requirements of the GEM Listing Rules. The 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 Consolidated Financial Results are consistent with those adopted 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. Except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements, the adoption of these new and revised HKFRSs has had no material effect on how the Group's results for the current and prior periods have been prepared or presented in the Consolidated Financial Results.

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 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 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 (i) the amounts received and receivable from cast metal products sold in the normal course of business, net of cash discount and sales related taxes; and (ii) the revenue arising from concerts organization.

An analysis of the Group's revenue is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales of cast metal products	**18,199**	12,561	**46,043**	33,897
Income from concerts organization	**3,915**	—	**3,915**	—
	22,114	12,561	**49,958**	33,897

4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest on:				
— Bank borrowings wholly repayable within five years	**6**	28	**50**	48

5. INCOME TAX EXPENSE

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

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax:				
Hong Kong profits tax	**—**	45	**—**	257
PRC Enterprise Income Tax ("EIT")	**65**	—	**219**	—
	65	45	**219**	257

Hong Kong profits tax has been provided on the basis at 8.25% of the estimated assessable profits up to HK$2,000,000 and 16.5% on any part of the estimated assessable profits over HK$2,000,000 in or derived from Hong Kong for the period. (nine months ended 30 September 2017: 16.5%).

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% (nine months ended 30 September 2017: 25%) on the estimated assessable profits during the period arising in the PRC.

6. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

7. LOSS PER SHARE

Basic and diluted 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 nine months ended 30 September 2018 and 2017.

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss attributable to the owners of the Company (HK$'000)	**(826)**	(906)	**(5,195)**	(3,910)
Weighted average number of ordinary shares in issue (thousands)	**3,500,000**	3,500,000	**3,500,000**	3,500,000
Basic and diluted loss per share (HK cents per share)	**(0.02)**	(0.03)	**(0.15)**	(0.11)

For the purpose of determining the diluted loss per share amount, no adjustment has been made to the basic loss per share amount for the nine months ended 30 September 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during these periods.

8. SHARE CAPITAL

	Note	Number of shares	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 January 2017		5,000,000,000	10,000
Increase in authorised share capital	(a)	45,000,000,000	90,000
At 31 December 2017 and 30 September 2018 (Unaudited)		50,000,000,000	100,000
Ordinary shares, issued and fully paid:			
At 1 January 2017, 31 December 2017 and 30 September 2018 (Unaudited)		3,500,000,000	7,000

Note (a)

Increase in authorised share capital in 2017

By an ordinary resolution passed at the annual general meeting on 26 May 2017, the authorised share capital of the Company changed from HK$10,000,000 divided into 5,000,000,000 Shares to HK$100,000,000 divided into 50,000,000,000 Shares. The Directors have no present intention to issue any part of the increased authorised share capital of the Company.

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. The Group will endeavor to improve its revenue performance on its core business by executing flexible strategies to face the market challenges. 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.

On 4 April 2018, a wholly owned subsidiary of the Company entered into a cooperation framework agreement with a potential partner. Pursuant to the cooperation framework agreement, the potential partner and the Group have conditionally agreed to cooperate with each other in respect of the patents owned by the potential partner. However, as certain conditions precedent under the cooperation framework agreement were not satisfied on or before 30 June 2018, the cooperation framework agreement has been automatically terminated and ceased to have any effect.

Aiming to diversify the business profile of the Group, the Group has through its wholly owned subsidiary, successfully organized three shows under one concert title in Hong Kong in September 2018 and recorded a gross profit of approximately HK$1.64 million. In October 2018, another two shows under one concert title has successfully organized by the Group. It is expected the concert organization business will have a positive impact on the financial results and profitability of 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 nine months ended 30 September 2018, total revenue of the Group increased by about 47% to approximately HK$49.96 million as compared with the corresponding period in 2017. The increase in total revenue was mainly due to (i) the increase in sales volume of cast metal products as compared to the same period in 2017 and (ii) the new source of income arising from concerts organization of approximately HK$3.91 million. The increase in sales volume of cast metal products 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 revenue and gross profit

For the nine months ended 30 September 2018, the cost of revenue of the Group increased by approximately 55% to approximately HK$39.73 million as compared with the corresponding period in 2017. The increase was primarily due to (i) the increase in sales volume and labour costs for the metal casting business; and (ii) the cost of services rendered for the new concerts organization business of approximately HK$2.27 million.

The gross profit of the Group increases from HK$8.30 million for the nine months ended 30 September 2017 to HK$10.23 million for the nine months ended 30 September 2018. Such increase was mainly due to the gross profit arising from the concerts organization of approximately HK$1.64 million.

Selling and distribution expenses

The Group's selling and distribution expenses for the nine months ended 30 September 2018 amounted to approximately HK$3.69 million, representing an approximately 41% increase as compared with the corresponding period in 2017 of approximately HK$2.62 million. Selling and distribution expenses comprised mainly packaging, delivery, customs and insurance cost incurred in relation to the sales. The increase for the period was mainly due to the delivery of more urgent orders by air freight.

Administrative expenses

The Group's administrative expenses for the nine months ended 30 September 2018 amounted to approximately HK$11.47 million, representing an approximately 24% increase as compared with the corresponding period in 2017 of approximately HK$9.22 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 increase for the period was mainly due to addition staff recruited for the new business.

Finance costs

Finance costs mainly represented the factoring charges. The finance costs remained constant during the period.

Loss for the period

Loss attributable to owners of the Company for the nine months ended 30 September 2018 amounted to approximately HK$5.20 million (nine months ended 30 September 2017: HK$3.91 million). This was mainly attributable to the increase in labour cost and the increase in selling and distribution expenses as mentioned above.

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. During the period, 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 30 September 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	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:

1. These 181,500,000 shares are held by Bravo Luck, which in turn is wholly and beneficially owned by Mr. Choi Chiu Ming, Jimmy, the executive director of the Company. 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 30 September 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 30 September 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.

Save as disclosed above, as at 30 September 2018, 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 nine months ended 30 September 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 nine months ended 30 September 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 throughout the nine months ended 30 September 2018.

COMPETING INTERESTS

As at 30 September 2018, 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 nine months ended 30 September 2018.

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

Hong Kong, 8 November 2018