

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

2020

** For identification purpose only*

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\$19.85 million for the three months ended 31 March 2020 (three months ended 31 March 2019: approximately HK\$18.02 million).
- Loss attributable to the owners of the Company for the three months ended 31 March 2020 amounted to approximately HK\$3.28 million (three months ended 31 March 2019: loss of approximately HK\$1.05 million).
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020.

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 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

		Three months ended 31 March	
	Note	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	19,850	18,017
Cost of sales		(15,827)	(14,689)
Gross profit		4,023	3,328
Gain on disposal of a subsidiary		1,015	-
Other income		846	148
Selling and distribution expenses		(1,738)	(1,013)
Administrative expenses		(8,018)	(3,510)
Finance costs		(254)	(5)
Loss before tax		(4,126)	(1,052)
Income tax expense	4	-	-
Loss for the period		(4,126)	(1,052)
Other comprehensive expenses for the period			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation		(421)	(544)
Total comprehensive expense for the period		(4,547)	(1,596)
Loss for the period attributable to:			
Owners of the Company		(3,275)	(1,052)
Non-controlling interests		(851)	-
		(4,126)	(1,052)
Total comprehensive expenses attributable to:			
Owners of the Company		(3,696)	(1,052)
Non-controlling interests		(851)	-
		(4,547)	(1,052)
Basic and diluted loss per share	6	HK(0.08) cents	HK(0.03) cents

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to equity holders of the Company							Sub-total HK\$'000 (Unaudited)	Non- controlling interest HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited) (Note (a))	Warrants reserve HK\$'000 (Unaudited) (Note (b))	Other reserve HK\$'000 (Unaudited) (Note (c))	Accumulated loss HK\$'000 (Unaudited)			
Balance at 1 January 2020	7,000	18,418	1,991	(7,045)	-	27,650	(20,274)	27,740	-	27,740
Loss for the period	-	-	-	-	-	-	(3,275)	(3,275)	(851)	(4,126)
Other comprehensive expenses for the period	-	-	(421)	-	-	-	-	(421)	-	(421)
Total comprehensive expenses for the period	-	-	(421)	-	-	-	(3,275)	(3,696)	(851)	(4,547)
Issue of new shares by way of placing, net of expenses (Note (d))	1,320	16,698	-	-	-	-	-	18,018	-	18,018
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	(776)	(776)
Balance as at 31 March 2020	8,320	35,116	1,570	(7,045)	-	27,650	(23,549)	42,062	(1,627)	40,435
Balance at 1 January 2019	7,000	18,418	2,868	(7,045)	13,720	27,650	(23,507)	39,104	-	39,104
Loss for the period	-	-	-	-	-	-	(1,052)	(1,052)	-	(1,052)
Exchange difference arising on translation of foreign operation	-	-	(544)	-	-	-	-	(544)	-	(544)
Total comprehensive expense for the period	-	-	(544)	-	-	-	(1,052)	(1,596)	-	(1,596)
Balance at 31 March 2019	7,000	18,418	2,324	(7,045)	13,720	27,650	(24,559)	37,508	-	37,508

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.

Note (d): Pursuant to the placing agreement entered into between the Company and Topper Dragon Securities Limited, an independent third party, on 9 September 2019, the Company issued, on 6 January 2020, an aggregate of 660,000,000 new shares at a price of HK\$0.028 per placing share to not less than six places who were independent of, and not connected to the Group. The gross proceeds from the said placement amounted to approximately HK\$18,480,000 and the related issue expense was approximately HK\$462,000.

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 are listed on GEM of the Stock Exchange since 30 April 2015.

The unaudited consolidated financial results of the Group for the three months ended 31 March 2020 (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 2019, 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 2020. 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 2019.

3. REVENUE

	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of cast metal products	11,069	15,472
Concerts and events income	309	2,545
Financial printing services income	8,472	-
	19,850	18,017

Revenue from sales of cast metal products represents the sales value of goods supplied to customers, net of discounts, returns and value added tax or other sales 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.

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of a qualifying corporation, which only one qualifying corporation within the Group is selected, is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

Accordingly, the provision for Hong Kong Profits Tax for the qualifying corporation for the period ended 31 March 2020 is calculated in accordance with the two-tiered profits tax rate regime (31 March 2019: two-tiered profits tax rate regime) whereas the provision for other Hong Kong incorporated corporations are charged at 16.5% (31 March 2019: 16.5%).

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 2019: 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 2020 (three months ended 31 March 2019: 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\$3,275,000 (three months ended 31 March 2019: HK\$1,052,000) and the weighted average number of 4,116,483,516 (three months ended 31 March 2019: 3,500,000,000) ordinary shares in issue during the period.

(b) Diluted loss per share

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 three months ended 31 March 2020 as the Group had no potentially dilutive ordinary shares in issue during these periods.

For the three months ended 31 March 2019, diluted loss per share was the same as the basic loss per share because the exercises of the Company's warrants outstanding during the period would have an anti-dilutive effect.

	Three months ended 31 March 2020 (Unaudited)	2019 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(3,275)	(1,052)
Weighted average number of ordinary shares in issue (thousands)	4,116,484	3,500,000
Basic and diluted loss per share (HK cents per share)	(0.08)	(0.03)

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.

Stepping into 2020, the outbreak of the novel coronavirus (COVID-19) and its escalation on a global scale has triggered unprecedented disruptions in business operations and to the global economy. The Group is closely monitoring the market conditions and taking appropriate measures to respond to the challenges. During the reporting period, the Group's foundry in the PRC have been affected by the work suspension and reduced workforce mobility as a result of the COVID-19 epidemic, thereby experienced a temporary decrease in production. The Group will continue to monitor the development of the COVID-19 epidemic and its impact on the operations and results of the Group, if any. The Group will continue to strengthen its cost control and resources management by executing flexible strategies to face the challenges in order to maintain its competitiveness in the market. 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 6 January 2020, the Group successfully completed the acquisition of Solomon Holdings Group Limited which is principally engaged in the provision of financial printing services in Hong Kong. The Group is of the view that the increase in the number of new listings in equity fund raising activities on the Stock Exchange is expected to bring growth of the financial printing services and the Group would benefit from diversifying its revenue source through the acquisition.

In last year, the Group has also engaged in the concerts and events organization business in Hong Kong (the "Entertainment Business"). However, the recent social unrest, low sentiment, and the downward pressure on economic growth in Hong Kong since the third quarter of 2019 has negatively impacted the results in the Entertainment Business. Some events and concerts have been either cancelled or re-scheduled. Together with the recent outbreak of the COVID-19, the Group expects that such unfavorable and uncertain market conditions in the Entertainment Business shall persist for a period of time.

On 6 February 2020, the Group has discontinued the entire Entertainment Business through the disposal of a subsidiary in order to prevent the Group from suffering further losses and cash outflow for the non-performing Entertainment Business. Our management will closely monitor the business environment and explores new and value-added businesses from time to time in order to diversify the risk of the Group and, hence, to provide a stable return to the Group in the long run.

Financial Review

Revenue

For the three months ended 31 March 2020, total revenue of the Group increased about 10% to approximately HK\$19.85 million as compared with the corresponding period in 2019. The increase in total revenue was mainly due to the combine effects of (i) the decrease in sales volume of cast metal products as a result of the outbreak of the COVID-19 and (ii) the new source of income arising from financial printing business of approximately HK\$8.47 million.

Gross profit

Gross profit of approximately HK\$4.02 million was recorded for the three months ended 31 March 2020, increased by approximately HK\$0.70 million as compared with the corresponding period in 2019 of approximately HK\$3.33 million. The Group's overall gross profit margin remained stable at approximately 20%.

Selling and distribution expenses

The Group's selling and distribution expenses for the three months ended 31 March 2020 amounted to approximately HK\$1.74 million, representing an approximately 72% increase as compared with the corresponding period in 2019 of approximately HK\$1.01 million. The increase for the period was mainly due to the selling and distribution expenses arising from the financial printing business which was acquired during the period.

Administrative expenses

The Group's administrative expenses for the three months ended 31 March 2020 amounted to approximately HK\$8.02 million, representing an approximately 128% increase as compared with the corresponding period in 2019 of approximately HK\$3.51 million. Administrative expenses primarily consist of salaries and benefit payments paid to directors and staff, depreciation, 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 the administrative expenses arising from the financial printing business which was acquired during the period.

Finance costs

Finance costs mainly represented the interest on lease liabilities and factoring charges.

Loss for the period

Loss attributable to owners of the Company for the three months ended 31 March 2020 amounted to approximately HK\$3.28 million (three months ended 31 March 2019: Loss of approximately HK\$1.05 million). Such increase was mainly due to the increase in selling and administrative expenses as mentioned above.

TITLE DEFECT RISK IN THE LEASED PROPERTIES

As at the date of this report, the Group has leased a foundry which is located at Qiuchang Town, Huiyang District, Huizhou City ("Qiuchang Foundry") as the Group's production base. 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 2020, 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)	4.36%

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 2020, 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 2020, 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	Nature of interests	Number of shares held	Percentage of the Company's issued share capital
Mr. Fang Jinhua	Personal interest	739,240,000	17.77%
Mr. Yuan Andy Yun Nan	Personal interest	660,000,000	15.87%
Mr. Xu Sheng	Personal interest	218,260,000	5.25%

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 2020 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 2020, 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 2020.

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 2020.

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

Hong Kong, 12 May 2020