眾誠能源

UNITED STRENGTH POWER HOLDINGS LIMITED
眾誠能源控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2337)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 36% to RMB348.2 million (2017: approximately RMB256.1 million (restated)).
- Profit attributable to equity shareholders of the Company was RMB43.0 million (2017: approximately RMB9.5 million (restated)).
- Basic earnings per share amounted to RMB0.18 (2017: RMB0.05 (restated)).
- The Board proposed a final dividend of HK$20 million for the year ended 31 December 2018. Shareholders will receive a dividend of HK$0.0852 per ordinary share.

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of United Strength Power Holdings Limited (the "**Company**"), together with its subsidiaries (collectively, the "**Group**"), hereby announces the audited consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for 2017 as follows:

Consolidated statement of profit or loss
For the year ended 31 December 2018
(Expressed in Renminbi ("RMB"))

	Note	**2018** *RMB'000*	2017 *RMB'000* (Restated)
Revenue	*3*	**348,166**	256,147
Cost of sales		**(199,320)**	(144,805)
Gross profit		**148,846**	111,342
Other income	*4*	**7,556**	9,481
Staff costs		**(44,234)**	(34,583)
Depreciation and amortisation expenses		**(16,989)**	(18,408)
Operating lease charges		**(8,115)**	(7,062)
Other operating expenses		**(27,952)**	(15,651)
Profit from operations		**59,112**	45,119
Finance costs		**(619)**	(426)
Costs incurred in connection with the initial listing of the Company's shares		**–**	(21,339)
Profit before taxation	*5*	**58,493**	23,354
Income tax	*6*	**(14,946)**	(12,739)
Profit for the year		**43,547**	10,615
Attributable to:			
Equity shareholders of the Company		**42,971**	9,525
Non-controlling interests		**576**	1,090
Profit for the year		**43,547**	10,615
Earnings per share			
– Basic and diluted *(RMB)*	*7*	**0.18**	0.05

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018
(Expressed in RMB)

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**43,547**	10,615
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	**7,079**	(241)
Total comprehensive income for the year	**50,626**	10,374
Attributable to:		
Equity shareholders of the Company	**50,050**	9,284
Non-controlling interests	**576**	1,090
Total comprehensive income for the year	**50,626**	10,374

Consolidated statement of financial position
At 31 December 2018
(Expressed in RMB)

		At 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
			(Restated)
Non-current assets			
Property, plant and equipment		**73,791**	74,093
Lease prepayments		**44,937**	44,129
Deferred tax assets		**1,601**	2,974
		120,329	121,196
Current assets			
Inventories		**2,336**	1,665
Trade receivables	*8*	**3,724**	7,845
Prepayments, deposits and other receivables		**68,690**	17,650
Income tax recoverable		**325**	929
Cash and cash equivalents		**127,918**	151,265
		202,993	179,354
Current liabilities			
Bank loans		**25,000**	15,000
Trade and bills payables	*9*	**4,922**	21,951
Accrued expenses and other payables		**23,297**	22,545
Income tax payable		**6,974**	2,648
		60,193	62,144

Consolidated statement of financial position *(continued)*
At 31 December 2018
(Expressed in RMB)

		At 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
			(Restated)
Net current assets		**142,800**	117,210
Total assets less current liabilities		**263,129**	238,406
Non-current liabilities			
Deferred tax liabilities		**7,661**	7,998
NET ASSETS		**255,468**	230,408
CAPITAL AND RESERVES			
Share capital	*10*	**19,794**	19,794
Reserves		**229,026**	204,077
Total equity attributable to equity shareholders of the Company		**248,820**	223,871
Non-controlling interests		**6,648**	6,537
TOTAL EQUITY		**255,468**	230,408

Notes

(Expressed in RMB unless otherwise indicated)

1. CORPORATE INFORMATION

United Strength Power Holdings Limited (the "Company") was incorporated in the Cayman Islands on 19 December 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2017. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the sale of natural gas to vehicular end-users by operating refuelling stations and provision of petroleum and gas transportation services.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

Prior to the incorporation of the Company, the Group's business were conducted through Changchun Sinogas Company, Ltd. ("Changchun Sinogas") and certain of the then subsidiaries of Changchun Yitonghe Petroleum Distribution Company Limited ("Changchun Yitonghe"), both of which were owned as to 74% by Mr Zhao Jinmin. Pursuant to a group reorganisation to rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange which was completed on 15 March 2017 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group. All companies now comprising the Group that took part in the Reorganisation were controlled by Mr Zhao Jinmin and owned by Mr Zhao Jinmin and other equity shareholders in the same proportionate interest before and after the Reorganisation, there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting the newly formed entities with no substantive operations as the new holding companies of the companies now comprising the Group. Accordingly, the consolidated financial statements for the years ended 31 December 2018 and 2017 have been prepared and presented as a continuation of the financial information of the companies now comprising the Group with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9.

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and the related tax impact at 1 January 2018.

Retained earnings	*RMB'000*
Recognition of additional expected credit losses on financial assets measured at amortised cost	(66)
Related tax	16
Net decrease in retained earnings at 1 January 2018	(50)

(ii) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to IFRS 15 on retained earnings and the related tax at 1 January 2018.

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the sale of natural gas to vehicular end-users by operating refuelling stations and provision of petroleum and gas transportation services.

Further details regarding the Group's principal activities are disclosed in Note 3(b).

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Disaggregated by major products or service lines		
– Sales of natural gas by operating refuelling stations	**275,474**	213,634
– Revenue from the provision of transportation services	**60,025**	42,513
– Revenue from the trading of LPG and LNG	**12,667**	–
	348,166	256,147

Note: The Group has initially applied IFRS15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS18 and IAS11.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 3(b).

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Sale of natural gas: this segment sells CNG, LPG and LNG to vehicular end-users by operating refuelling stations and trading of LPG and LNG.

– Provision of transportation services: this segment provides petroleum and gas transportation services by managing dangerous goods transportation vehicles.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, attributable to each reportable segment on the following bases:

Revenue are allocated to the reportable segments with reference to sales and revenue generated by those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment is gross profit. The Group's other income, staff costs, depreciation and amortisation expenses, operating lease charges and other operating expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below.

		2018	
	Sale of natural gas	**Provision of transportation services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Disaggregated by timing of revenue recognition			
Point in time	**288,141**	**–**	**288,141**
Over time	**–**	**60,025**	**60,025**
Revenue from external customers	**288,141**	**60,025**	**348,166**
Inter-segment revenue	**2,159**	**12,562**	**14,721**
Reportable segment revenue	**290,300**	**72,587**	**362,887**
Reportable segment profit (gross profit)	**99,560**	**49,286**	**148,846**

		2017	
	Sale of natural gas	Provision of transportation services	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(Restated)
Revenue from external customers	213,634	42,513	256,147
Inter-segment revenue	1,777	6,597	8,374
Reportable segment revenue	215,411	49,110	264,521
Reportable segment profit (gross profit)	80,107	31,235	111,342

(ii) Reconciliations of reportable segment revenues, profit or loss

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Reportable segment revenue	**362,887**	264,521
Elimination of inter-segment revenue	**(14,721)**	(8,374)
Consolidated revenue *(Note 3(a))*	**348,166**	256,147

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Profit		
Reportable segment profit (gross profit)	**148,846**	111,342
Other income	**7,556**	9,481
Staff costs	**(44,234)**	(34,583)
Depreciation and amortisation expenses	**(16,989)**	(18,408)
Operating lease charges	**(8,115)**	(7,062)
Other operating expenses	**(27,952)**	(15,651)
Finance costs	**(619)**	(426)
Costs incurred in connection with the initial listing of the Company's shares	**–**	(21,339)
Consolidated profit before taxation	**58,493**	23,354

4. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Rental income from operating leases	**3,466**	3,031
Entrustment fee in connection with petroleum refuelling stations entrusted to a related party	**1,100**	1,100
Management fee in connection with provision of management service over petroleum transportation vehicles owned by a related party	**4,000**	4,000
Net gain on disposal of property, plant and equipment and land use rights	**13**	132
Net foreign exchange losses	**(2,768)**	–
Government grants	**1,129**	103
Interest income	**288**	469
Others	**328**	646
	7,556	9,481

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Interests on bank loans	**619**	426

No borrowing costs have been capitalised during the year ended 31 December 2018 (2017: RMBNil).

(b) Staff costs:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Salaries, wages and other benefits	**39,835**	30,797
Contributions to defined contribution retirement plans	**4,399**	3,786
	44,234	34,583

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at a rate of 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollars ("HK$") 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligations for payment of other retirement benefits beyond the above contributions.

(c) Other items:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Depreciation and amortisation	**16,989**	18,408
Operating lease charges in respect of property, plant and equipment and land use rights	**8,115**	7,062
Reversal of impairment losses on trade receivables	**(19)**	–
Auditors' remuneration – audit services	**3,000**	2,450
Cost of inventories	**191,997**	135,305

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current tax		
Provision for the year	**13,894**	7,413
Deferred tax		
– Origination and reversal of temporary differences	**1,052**	2,026
– Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**–**	3,300
	1,052	5,326
	14,946	12,739

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Profit before taxation	**58,493**	23,354
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**15,676**	7,426
Tax effect of non-deductible expenses	**2,026**	3,848
Tax concessions *(Note (iv))*	**(3,092)**	(2,125)
Tax effect of unused tax losses and temporary differences not recognised	**336**	290
Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**–**	3,300
Actual tax expense	**14,946**	12,739

Notes:

(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2018 (2017: 16.5%).

(ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% during the year ended 31 December 2018 (2017: 25%).

(iv) One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with tax incentive for development of the western region for the calendar years from 2011 to 2020 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2018 (2017: 15%).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for year ended 31 December 2018 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB42,971,000 and the weighted average of 234,502,000 ordinary shares in issue during the year.

The basic earnings per share for the year ended 31 December 2017 is calculated based on the profit attributable to equity shareholders of the Company of RMB9,525,000 and the weighted average of 188,244,000 ordinary shares, comprising:

(i) 1,000 ordinary shares in issue as at the date of the prospectus of the Company dated 29 September 2017 (the "Prospectus") and 175,875,000 ordinary shares issued pursuant to the capitalisation issue on the completion of the initial public offering, as if the above total of 175,876,000 ordinary shares were outstanding throughout the year ended 31 December 2017; and

(ii) 58,626,000 ordinary shares issued on 16 October 2017 by initial public offering.

The calculation of the weighted average number of ordinary shares are as follows:

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**234,502**	1
Effect of capitalisation issue on the completion of the initial public offering	**–**	175,875
Effect of shares issued by initial public offering on 16 October 2017	**–**	12,368
Weighted average number of ordinary shares at 31 December	**234,502**	188,244

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2018 and 2017.

8. TRADE RECEIVABLES

	Note	**31 December 2018** *RMB'000*	1 January 2018 *RMB'000*	At 31 December 2017 *RMB'000* (Restated)
Trade receivables, net of loss allowance, due from:	*(i)*			
– related parties		**3,446**	6,675	6,732
– third parties		**278**	1,104	1,113
		3,724	7,779	7,845

Note:

(i) Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables.

All of the trade receivables are expected to be recovered within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Within 1 month	**3,638**	7,823
1 to 3 months	**86**	22
	3,724	7,845

9. TRADE AND BILLS PAYABLES

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Trade payables due to:		
–related parties	**1,199**	–
–third parties	**3,723**	1,951
	4,922	1,951
Bills payables	**–**	20,000
	4,922	21,951

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**4,922**	1,951
3 to 6 months	**–**	20,000
	4,922	21,951

10. SHARE CAPITAL AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Final dividend proposed after the end of the reporting period of HK$0.0852 per ordinary share (2017: HK$0.05 per ordinary share)	**17,465**	9,801

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.05 per ordinary share (2017:HK$Nil per ordinary share)	**9,801**	–

(b) Share capital

	2018		2017	
	No. of shares		No. of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**800,000**	**80,000**	800,000	80,000

	2018		2017	
	No. of shares		No. of shares	
	'000	***RMB'000***	*'000*	*RMB'000*
			(Restated)	(Restated)
Ordinary shares, issued and fully paid:				
At 1 January	**234,502**	**19,794**	–	–
Issuance of shares	**–**	**–**	1	–
Capitalisation issue	**–**	**–**	175,875	14,849
Issuance of shares by initial public offering	**–**	**–**	58,626	4,945
At 31 December	**234,502**	**19,794**	234,502	19,794

11. ACQUISITION OF A SUBSIDIARY UNDER COMMON CONTROL

On 19 January 2018, Changchun Sinogas, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Changchun Yitonghe, pursuant to which Changchun Sinogas acquired the entire equity interests in Jilin Province Jieli Logistics Company Limited ("Jieli Logistics"), a related party, with a cash consideration of RMB15,250,000. The acquisition was completed on 6 March 2018, and Jieli Logistics became a wholly-owned subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

In recent years, the Chinese government has, in the "13th Five Year Plan on Natural Gas Development" (《天然氣發展「十三五」規劃》) and the "Three-year Action Plan for Winning the Battle of Blue Sky" (《打贏藍天保衛戰三年行動計劃》) as well as other documents, repeatedly stressed promoting the upgrading of the energy structure, and the construction of a sound system for the production, supply, storage and marketing of natural gas, aiming to achieve the goal of natural gas accounting for 10% of the total energy consumption by 2020. It is evident that the increase of the proportion of natural gas use has risen to the national strategic height, and the growth in demand of natural gas has become the general trend. In 2018, the national natural gas consumption reached 276.6 billion cubic meters, with a growth rate of up to 16.6%.

On the supply side, the government has attached great importance to the sustainable development of clean energy and low-carbon economy within the reporting period, developed a series of positive policies in the industry, such as subsidizing gas storage construction, and putting tax cuts on natural gas mining enterprises etc. The State Council issued Several Opinions on Promoting Harmonious and Stable Development of Natural Gas (《關於促進天然氣穩定發展的若干意見》), which emphasized the enhancement of the building of production, supply, storage and sales system, while striving to produce more than 200 billion cubic meters of natural gas by the end of 2020. Meanwhile, with the continuous development of China's urbanization construction, natural gas infrastructure will be further expanded, thus continuously accumulating new power for the high-quality and rapid development of the industry.

In the transportation sector, by the end of 2017, China already had the world's largest number of natural gas vehicles. Compared to gasoline and diesel, natural gas has higher unit calorific value and creates less environmental pollution. Compared to other new energy vehicles, such as electric vehicles, natural gas vehicles perform better in terms of technology maturity, range, safety and cold boot. Due to this, natural gas vehicles have been popularized in the energy market in the field of transportation. During the reporting period, with the increase in international oil price, the economy of natural gas as power fuel had been further enhanced, and the automobile gas market has also developed well.

In Jilin Province, a focus of the Group, the government will continue to promote the "Gasification of Jilin「氣化吉林」" project, accelerate the construction of natural gas infrastructure, and strive to increase the proportion of non-fossil energy consumption to 9.5% and natural gas consumption to 6% by 2020, thus creating opportunities in Jilin Province for the development of the natural gas vehicles and gas refuelling station market. At present, the application of natural gas in transportation in Jilin Province is mainly concentrated on urban public transportation (taxis and buses), heavy trucks (urban logistics vehicles, sanitation vehicles and logistics transport trucks) and intercity buses. The number of gas-powered vehicles (primarily CNG vehicles) in Jilin Province has grown steadily in recent years, and is expected to further increase to about 116,500 vehicles by 2021, accounting for about 2.4% of the total number of vehicles in the province. This has brought about opportunities for the prosperity of gas refuelling station market.

2. BUSINESS AND FINANCIAL REVIEW

Our Group is a leading operator of CNG refuelling stations for vehicles in Jilin Province of China. We run 22 CNG refuelling stations in Northeastern China as at 31 December 2018. Apart from the gas refuelling stations, we have also diversified into the transportation of liquefied petroleum gas and petroleum by relying on the powerful transportation capability of Jieli Logistics which was acquired by the Group during the year, which has brought good returns and is expected to have room for growth in the future.

Sales of natural gas business

The sales of natural gas are mainly conducted by our gas refuelling stations in China. For 2018, the Group recorded the sales of natural gas income of RMB288.1 million, representing a year-on-year growth of 35% and accounted for 83% of the total revenue of the same year. During the year, the sales volume of CNG reached 66.7 million cubic meters (2017: 51.2 million cubic meters), representing an increase of 30% as compared with last year. The increase in sales volume was mainly due to more marketing campaigns were carried out to stimulate the sales during a year.

The table below shows the location of and product offering at our refuelling stations as at 31 December 2018:

City, Province	CNG	LPG	Mixed (LNG and CNG)	Total Number of stations
Changchun City, Jilin Province	11	0	1	12
Jilin City, Jilin Province	2	0	0	2
Liaoyuan City, Jilin Province	1	0	0	1
Helong City, Jilin Province	0	1	0	1
Longjing City, Jilin Province	1	0	0	1
Yanji City, Jilin Province	2	0	1	3
Wangqing, Jilin Province	0	1	0	1
Meihekou, Jilin Province	1	0	0	1
Antu, Jilin Province	0	0	1	1
Baicheng, Jilin Province	1	0	0	1
Songyuan, Jilin Province	1	0	0	1
Siping City, Jilin Province	1	0	0	1
Total station(s) in Jilin Province	**21**	**2**	**3**	**26**

City, Province	CNG	LPG	Mixed (LNG and CNG)	Total Number of stations
Wuchang City, Heilongjiang Province	0	1	0	1
Jixi City, Heilongjiang Province	1	0	0	1
Total station(s) in Heilongjiang Province	**1**	**1**	**0**	**2**
Total:	**22**	**3**	**3**	**28**

Provision of transportation services

The provision of transportation services are conducted by Jieli Logistics. For 2018, the Group recorded the transportation income of RMB60.0 million, representing a year-on-year growth of 41% and accounted for 17% of the total revenue of the same year.

During the reporting period, Changchun Sinogas Co., Ltd., a wholly-owned subsidiary of the Group, completed the acquisition of all the equity interests of Jieli Logistics, and Jieli Logistics became an indirect wholly-owned subsidiary of the Group. The Group expects to meet its demand for safe and stable gas transport services in a cost-effective manner, and develop new and stable revenue sources for providing gas transport services. At present, the business has generated good revenue, and it expects to have plentiful room for growth in the future.

At present, Jieli Logistics and its subsidiary own and manage a fleet of over 100 dangerous goods transport vehicles, including 25 locomotives, 31 trailers and 23 head-mounted integrated vehicles (oil transport), as well as 20 locomotives and 47 trailers (gas transport). In addition to its own vehicles, Jieli Logistics also (i) manages and operates 12 locomotives, 5 trailers and 12 headstock trucks (oil transport) for Changchun Yitonghe and (ii) leases a total of 30 locomotives, 28 trailers (gas transport) and 1 headstock truck from Changchun Yitonghe and its subsidiaries ("**Yitonghe Group**") for its business.

In addition, the Company plans to invest HK$50 million to set up an industry acquisition fund, focusing on the growing trends in the industry, mergers and acquisitions, business integration, and improvement and consolidation of the Company's position in the industry. The Company and external fund managers with rich industry experience will establish the proposed fund. In addition, the proposed fund will be invested in energy and new energy businesses closely related to the Company's main businesses, such as natural gas pipeline network, gas stations, master stations, storage facilities, transportation facilities, oil and gas fields, natural gas supply and other gas-related businesses. In addition, the fund will focus on electricity and energy saving, energy management, charging stations and other clean energy projects.

During the Board meeting on 27 November 2018, the Directors discussed and agreed to seek future opportunities of energy and new energy businesses closely related to the Group's main businesses, such as natural gas pipeline networks, petroleum stations, mother stations, storage facilities, transportation facilities, oil and gas fields, natural gas supply and other businesses related to the gas industry. The Board agreed to further study the viability regarding the investment, development, promotion or collaboration in the potential new business market, with a view to, amongst others, diversifying the Group's source of income, increasing the Group's customer base, generating additional income and in return, bringing reasonable returns to the Shareholders. For details, please refer to the announcement of the Company dated 27 November 2018.

Operating Results

Revenue

The Group's principal business activities are sales of natural gas to vehicular end-users by operating refuelling stations and provision of petroleum and gas transportation services. For 2018, the Group's revenue amounted to RMB348.2 million, representing an increase of RMB92.1 million or 36% from RMB256.1 million in 2017. The increase in revenue was mainly attributable to the increase in the sales volume of the Company's products and income from provision of transportation services.

Cost of Sales and Gross Profit

The Group's cost of sales primarily represents all costs of purchase of CNG, LPG and LNG from our suppliers and other costs incurred in transporting the inventories to their present location and condition and transportation costs. In 2018, the Group's cost of sales increased by 38% to RMB199.3 million from RMB144.8 million in 2017 due to the combination of (i) the increase in the unit cost of procurement; and (ii) the increase in total purchase of the products as a result of the increase in sales volume of Company's products during 2018.

The gross profit for 2018 was RMB148.8 million (2017: RMB111.3 million), with a gross profit margin of 43% (2017: 43%). The gross profit was relatively stable compared with that of the previous year.

Other Income

Other income mainly comprises rental income, management fee and foreign exchange losses. For 2018, other income amounted to RMB7.6 million, representing a decrease of RMB1.9 million from RMB9.5 million in 2017. The decrease in other income was mainly attributable to the increase in foreign exchange losses during 2018.

Staff Costs

Staff costs mainly consisted of salaries, wages and other benefits and defined contributions retirement plan. For 2018, staff costs amounted to RMB44.2 million, representing an increase of RMB9.6 million from RMB34.6 million in 2017. The increase in staff costs was principally attributable to the increase in number of staff and average salary payable for staff during 2018.

Operating Lease Charges, Other Operating Expenses and Finance Costs

For 2018, the operating lease charge increased by 14%, from RMB7.1 million in 2017 to RMB8.1 million in 2018. Such increase was mainly attributable to increase in operating lease charges for property, equipment and equipment and motor vehicles.

Other operating expenses, including utilities expenses related to gas refuelling stations, expenses for entrusted refuelling stations and other general office expenses increased by 78%, from RMB15.7 million to RMB28.0 million. The increase was mainly attributable to combined effect of the increase entrustment fees expenses and the increase in legal and professional fees for the year ended 31 December 2018.

The increase in finance costs was mainly due to the increase of bank borrowings during 2018.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2018 increased by RMB35.1 million, constituting a profit of RMB58.5 million (2017: RMB23.4 million).

Income Tax Expenses

In 2018, income tax expenses increased by RMB2.2 million, or 17%, to RMB14.9 million from RMB12.7 million in 2017. Such increase was mainly due to higher profit recorded during 2018.

Non-controlling Interests

In 2018, non-controlling interests amounted to RMB0.6 million, representing a decrease of RMB0.5 million, or 45%, from RMB1.1 million in 2017 primarily due to a decrease in profit contribution from the refuelling stations under Jilin Chinese Petroleum Clean Energy Environmental Protection Company Limited (吉林中油潔能環保有限責任公司).

Profit for the Year

For 2018, the net profit of the Group amounted to RMB43.5 million, representing an increase of RMB32.9 million from RMB10.6 million in 2017.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial position for the year ended 31 December 2018. Total assets increased by 8% to RMB323.3 million (31 December 2017: RMB300.6 million) while total equity increased by 11% to RMB255.5 million (31 December 2017: RMB230.4 million).

Bank Balances and Cash

As at 31 December 2018, the Group's bank balances and cash amounted to RMB127.9 million (31 December 2017: RMB151.3 million).

Capital Expenditure

Capital expenditure for the year ended 31 December 2018 amounted to RMB20.5 million and capital commitments as at 31 December 2018 amounted to RMB11.1 million. Both the capital expenditure and capital commitments mainly related to the purchases of plant and equipment. The Group anticipates that funding for those commitments will come from the proceeds from initial public offerings ("**IPO**"), future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2018 and 2017 are summarised below:

	As at 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Short-term borrowings	25,000	**100**	15,000	100
Currency denomination				
– RMB	25,000	**100**	15,000	100
Borrowings				
– secured	25,000	**100**	15,000	100
– unsecured	**–**	**–**	–	–
Interest rate structure				
– fixed-rate borrowings	25,000	**100**	15,000	100
Interest rate				
– fixed-rate borrowings		**4.79%**		4.79%

As at 31 December 2018, the Group's gearing ratio was 21% (31 December 2017: 23%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2018 and 2017 respectively. The gearing ratio was relatively stable.

Use of proceeds

The Company has received net proceeds of approximately HK$115.6 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 16 October 2017. On 27 November 2018 and 31 January 2019, the Board resolved to change the proposed use of proceeds from that originally set out in the Prospectus for the global offering. Details of which are set out in the announcements of the Company dated 27 November 2018 and 31 January 2019 respectively. The unutilised proceeds have been placed with the licensed banks and financial institutions in Hong Kong and the PRC as interest-bearing deposits. Set out below is a summary of the original allocation of the net proceeds, the revised allocation of net proceeds and the utilisation of the net proceeds:

	Original allocation	**Revised allocation**	**Utilization as at 31 December 2018**	**Remaining balance at at 31 December 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finance the expansion of the CNG refuelling station network	104,000	19,500	13,105	6,395
Strengthen the marketing and promotion strategies	5,800	5,800	437	5,363
General working capital	5,800	5,800	5,800	–
Establishment of an industry merger and acquisition fund	–	50,000	–	50,000
Acquisition of the Silver Spring Green Energy and assignment of the shareholder's loan	–	34,500	–	34,500
Total	115,600	115,600	19,342	96,258

The Board considers that the changes in the use of proceeds and the treatment of unutilised proceeds are fair and reasonable, and would meet the financial needs of the Group more efficiently and enhance the flexibility in financial management of the Company. The Board is of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interests of the Company and the Shareholders as a whole. The Directors will continuously assess the business objectives of the use of proceeds and will revise or amend such plans to cope with the changing market conditions to ensure the business growth of the Group.

Pledge of Assets

As at 31 December 2018, the Group's bank loan of RMB25.0 million was secured by property, plant and equipment and land use rights with an aggregate carrying value of RMB14.6 million.

Contingent Liabilities

As at the date of this announcement and as at 31 December 2018, the Board is not aware of any material contingent liabilities (2017: Nil).

Human Resources

As at 31 December 2018, the Group had 486 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the PRC and made contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the share option scheme on 21 September 2017 (the "**Share Option Scheme**"), under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2018, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

On 19 January 2018, Changchun Sinogas, an indirect wholly-owned subsidiary of the Company, as purchaser, and Changchun Yitonghe as vendor, entered into the sales and purchase agreement, pursuant to which Changchun Sinogas acquired the entire equity interests in Jieli Logistics at the consideration of RMB15,250,000. For details of the transactions, please refer to the Company's announcements dated 19 January 2018, 9 February 2018 and 6 March 2018, and the Company's circular dated 14 February 2018 respectively.

Save as disclosed in this announcement, the Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2018.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally as well as the demand and supply of RMB. The appreciation or devaluation of RMB against foreign currencies may have an impact on the operating results of the Group.

The Group currently does not maintain a foreign currency hedging policy. However, the Group's management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

3. BUSINESS PROSPECTS

At present, the natural gas industry as a whole is showing a rising trend. In the reporting period, China further strengthened investment in the natural gas industry, investment in the construction of three long-distance natural gas transmission pipelines of Sino-Russia eastern pipeline, Erdos-Anping-Cangzhou pipeline and Xinjiang-Guangdong-Zhejiang pipeline, investment in the construction of 10 underground gas storage depots, the expansion of a large number of coastal LNG receiving station tanks, and built more city gas peak shaving tanks, thus promoting the natural gas engineering sector's infrastructure construction, as well as creating more opportunities for the development of the Group's downstream industry.

In December 2018, the construction of Heilongjiang cross-border river bottom pipeline-crossing project of Sino-Russia eastern line completed smoothly, representing the largest energy cooperation project between China and Russia and a major strategic project of global natural gas cooperation. When the project is put into operation in 2019, it will directly benefit about 9.19 million people along Heilongjiang and Jilin provinces. At the same time, growing demand for natural gas has spurred growth in China's gas imports, which the international energy agency predicts will overtake Japan as the world's largest importer by 2019.

The increase in upstream gas sources will reduce the market's concern regarding "gas shortage", improve market stability, and promote the growth of natural gas market volume, which is conducive to the long-term sustainable development of the industry. The Group believes that the expansion of the market will expand the customer base of the Group, while the stable market environment has laid a good external condition foundation for the expansion of the Group.

Looking ahead to 2019, it is believed that the Chinese government will continue to adhere to the ecological civilization construction and green and low-carbon energy strategy, and maintain the support for the natural gas industry at the central and local government levels. Taking advantage of the rising cycle of the industry, the number of auto natural gas refuelling stations is expected to continuously grow in 2019, and the sales volume of natural gas refuelling stations is expected to increase continuously.

With the rapid growth of the industry, the Group will rely on the rich industry experience, mature management system and business strategy of advancing with the times and, while maintaining the stable growth of the main business, actively expand the business scope, and develop new performance growth points.

On 31 January 2019, United Strength Power International Limited ("**United Strength BVI**"), a wholly-owned subsidiary of the Company, announced to acquire the entire issued share capital of Silver Spring Green Energy Limited ("**Silver Spring Green Energy**") and to accept the assignment of the shareholder's loan (the "**Acquisition**"). Silver Spring Green Energy is the holder of 30% equity interests in China Travel Service International Financial Leasing Company Limited ("**CTS Financial Leasing**"). By becoming a beneficial owner of CTS Financial Leasing which engages in the financial leasing business, it would provide a more favorable financial platform which could provide necessary and cost-efficient financial support to the Group for its potential expansion in the potential new business in future. Meanwhile, the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity for the Group to expand and diversify its business/investment portfolio and to enhance the Group's long-term development potential.

In the future, besides continuously carrying out the gas transport business through Jieli Logistics, the Group will actively explore new development opportunities in the energy and new energy fields closely related to natural gas, and seek the appropriate time to enter a new market with the potential to increase business, thus diversifying the source of income of the Group, increasing the Group's customer base, developing new source of income, and bringing about reasonable return for shareholders.

OTHER INFORMATION

Final Dividend

In acknowledging the continuous support from the Group's shareholders, the Board recommends the payment of a final dividend of HK$0.0852 per ordinary share in respect of the year ended 31 December 2018, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on 5 July 2019 to shareholders whose names appear on the register of members of the Company on 20 June 2019.

Annual General Meeting and Closure of Register of Members

The annual general meeting of the Company is scheduled to be held on 6 June 2019. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

The register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 31 May 2019.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Thursday, 20 June 2019 being the record date for determination of entitlement to the final dividend. The register of members of the Company will be closed from Friday, 14 June 2019 to Thursday, 20 June 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 13 June 2019.

Corporate Governance

The Company has complied with all of the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018, except the following:

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the extraordinary general meeting and annual general meeting of the Company that held on 6 March 2018 and 6 June 2018 respectively due to their overseas commitments.

Audit Committee

The Company established the Audit Committee on 21 September 2017 with written terms of reference in compliance with the CG Code as set forth in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review of the financial reporting, risk management and internal control system of the Group. Currently, the Audit Committee comprises Mr. Lau Ying Kit (Chairman), Ms. Su Dan and Mr. Zhang Zhifeng, all of whom are independent non-executive Directors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, risk management and internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2018, together with the management.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry with all Directors, confirms that its Directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Sufficiency of Public Float

Since the date of Listing and up to the date of this announcement, the Company has maintained a sufficient public float.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the Laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

Scope of Work of the Auditor

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Group's auditor in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Group's auditor on the preliminary announcement.

Important Events That Have Occurred since the End of 2018

On 31 January 2019, United Strength BVI, as purchaser, Wang Jiawei (王嘉偉) as vendor and Wang Jiantao (王健濤) as guarantor of the Vendor, entered into the sales and purchase agreement, pursuant to which United Strength BVI acquired the entire issued share capital of Silver Spring Green Energy Limited and accepted the assignment of the shareholder's loan at the total consideration of HK$84,500,000.

For the details of the transaction mentioned above, please refer to the paragraph headed "3. Business Prospects" above and the Company's announcement dated 31 January 2019.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.united-strength.com). The annual report for the financial year ended 31 December 2018 of the Company will be dispatched to the Company's shareholders and published on the aforesaid websites in due course.

Appreciation

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditors for their support to the Group throughout the reporting period.

By order of the Board
United Strength Power Holdings Limited
Mr. Zhao Jinmin
Chairman

Hong Kong, 11 March 2019

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Zhao Jinmin, Mr. Liu Yingwu, Mr. Xu Huilin and Mr. Yuan Limin and three independent non-executive Directors, being Ms. Su Dan, Mr. Lau Ying Kit and Mr. Zhang Zhifeng.