

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Canggang Railway Limited

滄港鐵路有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2169)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS

The Board of Canggang Railway Limited is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	355,990	361,474
Operating profit	128,079	116,815
Profit before taxation	104,769	89,729
Profit for the year	77,758	64,555
Earnings per share, basic and diluted (RMB)	0.08	0.08

The Board recommended the payment of a final dividend of HK3.8 cents per share (equivalent to approximately RMB3.0 cents per share) for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(For the year ended 31 December 2021)

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Revenue	3	355,990	361,474
Operating expenses:			
Staff costs	5(b)	(61,554)	(53,458)
Outsourcing service charges and other labor costs		(46,704)	(45,191)
Cargo logistics		(31,751)	(31,986)
Depreciation	5(c)	(36,735)	(36,745)
Fuel used		(24,304)	(23,094)
Repairs and maintenance		(17,577)	(20,128)
General and administration expenses		(13,052)	(25,671)
Impairment reversal/(loss) on trade receivables		1,541	(3,615)
Other expenses		(9,178)	(7,957)
Total operating expenses		(239,314)	(247,845)
Other income	4	11,403	3,186
Operating profit		128,079	116,815
Finance costs	5(a)	(23,255)	(26,043)
Share of loss of associates		(55)	(1,043)
Profit before taxation	5	104,769	89,729
Income tax	6	(27,011)	(25,174)
Profit for the year		77,758	64,555
Attributable to:			
Equity shareholders of the Company		77,394	63,649
Non-controlling interests		364	906
Profit for the year		77,758	64,555
Earnings per share (RMB)			
– Basic and diluted	8	0.08	0.08

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(For the year ended 31 December 2021)

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	77,758	64,555
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	(2,820)	(4,009)
Total comprehensive income for the year	74,938	60,546
Attributable to:		
Equity shareholders of the Company	74,574	59,640
Non-controlling interests	364	906
Total comprehensive income for the year	74,938	60,546

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(At 31 December 2021)

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	9	783,638	766,727
Right-of-use assets	10	188,919	193,387
Interests in associates		10,523	6,459
Deferred tax assets		5,516	7,421
Prepayments and other receivables	13	2,457	2,734
		991,053	976,728
Current assets			
Inventories	11	5,585	5,904
Trade and bills receivables	12	98,720	96,568
Prepayments and other receivables	13	25,760	12,583
Cash and cash equivalents		160,794	227,143
		290,859	342,198
Current liabilities			
Bank and other loans	17	160,525	118,051
Trade payables	14	27,757	26,833
Other payables	15	61,936	55,483
Contract liabilities	16	2,501	2,524
Current taxation		11,673	9,262
		264,392	212,153
Net current assets		26,467	130,045
Total assets less current liabilities		1,017,520	1,106,773
Non-current liabilities			
Bank and other loans	17	213,087	337,185
		213,087	337,185
NET ASSETS		804,433	769,588
CAPITAL AND RESERVES			
Share capital	18	8,607	8,607
Reserves		766,131	731,650
Total equity attributable to equity shareholders of the Company		774,738	740,257
Non-controlling interests		29,695	29,331
TOTAL EQUITY		804,433	769,588

NOTES

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 October 2018 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. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 23 October 2020. The Company and its subsidiaries are principally engaged in the provision of rail freight transportation and related ancillary services by operating freight railway and railway yards in the People’s Republic of China (the “PRC”).

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”). Significant accounting policies adopted by the Group are disclosed below.

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 2021 comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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 Group has applied the following amendments to IFRSs, issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of these developments have had a material effect on the Group's financial performance and financial position for current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

The Group is principally engaged in the provision of rail freight transportation and related ancillary services by operating freight railway and railway yards. All of the revenue of the Group is recognized over time.

- (i) Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers		
Disaggregated by major service lines:		
– Rail freight transportation	<u>260,250</u>	<u>260,585</u>
– Ancillary services		
– Loading and unloading	58,512	59,814
– Road freight transportation	15,833	30,305
– Construction, maintenance and repair	14,207	5,358
– Others	<u>7,188</u>	<u>5,412</u>
Subtotal	<u>95,740</u>	<u>100,889</u>
	<u><u>355,990</u></u>	<u><u>361,474</u></u>

- (ii) For the years ended 31 December 2021 and 2020, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years are set out below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A	47,190	41,152
Customer B	40,903	51,166
Customer C	40,835	*
Customer D	*	63,122

- * Transactions with these customers did not exceed 10% of the Group's revenue in the respective years.

4 OTHER INCOME

	2021	2,020
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	7,093	1,432
Interest income	2,128	1,370
Net gains/(losses) on disposal of property, plant and equipment	1,464	(12)
Others	718	396
	<u>11,403</u>	<u>3,186</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Total interest expense on bank and other loans	<u>23,255</u>	<u>26,043</u>

(b) Staff costs:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	54,343	52,764
Contributions to defined contribution retirement plans	<u>7,211</u>	<u>694</u>
	<u>61,554</u>	<u>53,458</u>

(c) **Other items:**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation		
– property, plant and equipment (<i>Note 9</i>)	32,267	32,277
– right-of-use assets (<i>Note 10</i>)	4,468	4,468
	<u>36,735</u>	<u>36,745</u>
Short-term lease charges with remaining lease term of not more than 12 months	404	323
Auditors' remuneration		
– annual audit services	1,360	1,260
– services in connection with the initial listing of the Company's shares	–	1,432
Cost of inventories (<i>Note 11(b)</i>)	29,791	25,093
	<u>29,791</u>	<u>25,093</u>

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
Provision for the year	25,106	24,386
Deferred tax		
Origination and reversal of temporary differences	1,905	788
	<u>27,011</u>	<u>25,174</u>

7 DIVIDENDS

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend declared of HK4.83 cents per ordinary share (2020: Nil)	40,093	–
Final dividend proposed after the end of the Reporting Period of HK3.80 cents per ordinary share (2020: Nil)	<u>30,000</u>	<u>–</u>
	<u><u>70,093</u></u>	<u><u>–</u></u>

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 year

The directors of the Company have not approved or paid dividends in respect of the previous year during the year ended 31 December 2021(2020: Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2021 is calculated based on the profit attributable to equity shareholders of the Company of RMB77,394,000 (2020: RMB63,649,000) and the weighted average of 1,000,000,000 ordinary shares in issue during the year (2020: 797,814,000 ordinary shares in issue during the year), calculated as follows:

	2021	2020
Issued ordinary shares at 1 January	1,000,000,000	10,000
Effect of capitalisation issue on the completion of the initial public offering	–	749,990,000
Effect of shares issued by initial public offering	<u>–</u>	<u>47,814,000</u>
Weighted average number of ordinary shares at 31 December	<u><u>1,000,000,000</u></u>	<u><u>797,814,000</u></u>

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2021 and 2020.

9 PROPERTY, PLANT AND EQUIPMENT

	Tracks, bridges and other railway assets <i>RMB'000</i>	Buildings and other properties <i>RMB'000</i>	Locomotives and rolling stock <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:							
At 1 January 2020	527,231	183,674	34,444	52,449	121,884	1,011	920,693
Additions	-	-	3,682	527	1,512	3,760	9,481
Transfer in/(out)	1,032	-	-	-	437	(1,469)	-
Disposals	-	-	-	(38)	(85)	-	(123)
At 31 December 2020	528,263	183,674	38,126	52,938	123,748	3,302	930,051
Additions	-	-	2,187	7,090	6,187	40,470	55,934
Disposals	(4,490)	-	-	(13,239)	(301)	-	(18,030)
At 31 December 2021	523,773	183,674	40,313	46,789	129,634	43,772	967,955
Accumulated depreciation and impairment losses:							
At 1 January 2020	(29,915)	(23,280)	(13,141)	(20,583)	(44,204)	-	(131,123)
Charge for the year	(6,774)	(6,033)	(2,918)	(5,506)	(11,046)	-	(32,277)
Written back on disposals	-	-	-	14	62	-	76
At 31 December 2020	(36,689)	(29,313)	(16,059)	(26,075)	(55,188)	-	(163,324)
Charge for the year	(7,070)	(6,039)	(3,500)	(5,311)	(10,347)	-	(32,267)
Written back on disposals	960	-	-	10,028	286	-	11,274
At 31 December 2021	(42,799)	(35,352)	(19,559)	(21,358)	(65,249)	-	(184,317)
Carrying amount:							
At 31 December 2021	480,974	148,322	20,754	25,431	64,385	43,772	783,638
At 31 December 2020	491,574	154,361	22,067	26,863	68,560	3,302	766,727

Notes:

- (i) The Group's property, plant and equipment are all located in the PRC.
- (ii) At 31 December 2021, property certificates of certain items of the Group's properties with carrying amounts of RMB62,859,000 (2020: RMB66,855,000), were not obtained. The directors of the Company consider that there is no legal restriction for the Group to access and use such properties and it should not lead to any significant adverse impact on the operations of the Group.
- (iii) At 31 December 2021, certain amount of the Group's bank loans were secured by buildings of the Group with carrying amount of RMB7,938,000 (2020: RMB8,261,000).

- (iv) At 31 December 2021, certain amount of the Group's other loans were secured by other property, plant and equipment of the Group with carrying amount of RMB109,008,000 (2020: RMB138,336,000)

10 RIGHT-OF-USE ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost:		
At 1 January and 31 December	223,651	223,651
Accumulated depreciation:		
At 1 January	30,264	25,796
Charge for the year	4,468	4,468
At 31 December	34,732	30,264
Carrying amount:		
At 31 December	188,919	193,387

Notes:

- (i) Right-of-use assets represents lump sum considerations paid or payable by the Group to acquire leasehold lands located in the PRC. These leasehold lands are with lease periods of 48–50 years and there are no ongoing payments to be made under the terms of the land leases.
- (ii) At 31 December 2021, certain amount of the Group's bank loans were secured by the Group's interests in leasehold land with carrying amount of RMB117,466,000 (2020: RMB119,327,000). At 31 December 2021, one of the Group's other loans was secured by the Group's interests in leasehold land with carrying amount of RMB6,966,000 (2020: RMB7,128,000).
- (iii) At 31 December 2021, land use right certificate of certain pieces of land of the Group with carrying amount of RMB31,865,000 (2020: RMB32,530,000), were yet to be obtained. The directors of the Company consider that there is no legal restriction for the Group to access and use such land and it should not lead to any significant adverse impact on the operations of the Group.

11 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fuel	1,725	1,971
Materials and consumables	<u>3,860</u>	<u>3,933</u>
	<u><u>5,585</u></u>	<u><u>5,904</u></u>

(b) The analysis of the amounts of inventories recognized as an expense and included in profit or loss is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount of inventories used	<u><u>29,791</u></u>	<u><u>25,093</u></u>

12 TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	55,569	50,364
Bills receivables (<i>Notes (ii) and (iii)</i>)	<u>43,151</u>	<u>46,204</u>
	<u><u>98,720</u></u>	<u><u>96,568</u></u>

Notes:

- (i) All of the trade and bills receivables, net of loss allowance, are expected to be recovered within one year.
- (ii) At 31 December 2021, the carrying amounts of the Group's bills receivables that have been endorsed to the Group's suppliers and other creditors for the settlement of the Group's trade and other payables but have not been derecognized in the consolidated financial statements were RMB15,500,000 (2020: RMB9,903,000).
- (iii) At 31 December 2021, the carrying amounts of the Group's bills receivables that have been factored to banks but have not been derecognized in the consolidated financial statements were RMB2,000,000 (2020: RMB5,000,000).

Aging analysis

At the end of the Reporting Period, the aging analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	32,637	26,858
1-6 months	18,373	15,722
6-12 months	4,142	2,873
more than 12 months	417	4,911
	<u>55,569</u>	<u>50,364</u>

Trade receivables are mainly due within 30 days from the date of billing. Bills receivables are with maturity of 180 to 360 days.

13 PREPAYMENTS AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Receivables relating to disposal of property, plant and equipment	9,644	10,142
Receivables relating to government grants	2,000	–
	<u>11,644</u>	<u>10,142</u>
Financial assets measured at amortized cost	11,644	10,142
Value-added tax recoverable	2,350	1,830
Deposits for loans	3,675	–
Deposits for other purpose	1,998	1,179
Prepayments for purchase of inventories and prepaid expenses	8,550	2,166
	<u>28,217</u>	<u>15,317</u>
Less: Non-current portion		
– Receivables relating to disposal of property, plant and equipment	<u>(2,457)</u>	<u>(2,734)</u>
Current portion of prepayments and other receivables	<u>25,760</u>	<u>12,583</u>

14 TRADE PAYABLES

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

As of the end of the Reporting Period, the aging analysis of the Group's trade payables, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	12,773	8,851
1 to 3 months	6,837	6,254
3 to 6 months	4,486	4,454
6 to 12 months	1,233	3,367
Over 12 months	2,428	3,907
	<u>27,757</u>	<u>26,833</u>

15 OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Payables for acquisitions of property, plant and equipment	21,196	7,265
Payables for acquisitions of right-of-use assets	29,484	29,484
Payables for staff costs	5,253	12,636
Payables for other labor costs	1,923	1,634
Payables for expenditures incurred in connection with the initial listing of the Company's shares	–	400
Dividends payable	889	–
Others	3,191	4,064
	<u>61,936</u>	<u>55,483</u>
Financial liabilities measured at amortized cost	<u>61,936</u>	<u>55,483</u>

16 CONTRACT LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayments received from customers for rail freight transportation and related ancillary services	2,501	2,524
	<u>2,501</u>	<u>2,524</u>

17 BANK AND OTHER LOANS

(a) The Group's bank and other loans comprise:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank loans:		
– Secured	360,025	369,086
– Unsecured	–	30,045
	<u>360,025</u>	<u>399,131</u>
Other loans:		
– Secured	11,107	37,028
– Unsecured	2,480	19,077
	<u>13,587</u>	<u>56,105</u>
	<u><u>373,612</u></u>	<u><u>455,236</u></u>

All of the bank and other loans are carried at amortized costs.

(b) The bank and other loans were repayable as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year or on demand	<u>160,525</u>	<u>118,051</u>
After 1 year but within 2 years	175,087	163,085
After 2 years but within 5 years	<u>38,000</u>	<u>174,100</u>
	<u><u>213,087</u></u>	<u><u>337,185</u></u>
	<u><u>373,612</u></u>	<u><u>455,236</u></u>

- (c) At 31 December 2021, the Group's secured bank loans of RMB360,025,000 (2020: RMB369,086,000) were secured by the following assets of the Group:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount:		
Right-of-use assets (<i>Note 10(ii)</i>)	117,466	119,327
Property, plant and equipment (<i>Note 9(iii)</i>)	7,938	8,261
Bills receivables (<i>Note 12(iii)</i>)	2,000	5,000
	<u>127,404</u>	<u>132,588</u>

Included in the Group's secured bank loans as at 31 December 2021, RMB75,104,000 were also guaranteed by Cangzhou Logistics (2020: RMB85,115,000).

- (d) At 31 December 2021, the Group's secured other loans of RMB11,107,000 (2020: RMB37,028,000) were secured by the following assets of the Group:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount:		
Property, plant and equipment (<i>Note 9(iv)</i>)	109,008	138,336
Right-of-use assets (<i>Note 10(ii)</i>)	6,966	7,128
	<u>115,974</u>	<u>145,464</u>

Included in the Group's secured other loans as at 31 December 2021, RMB Nil (2020: RMB16,563,000) were also guaranteed by Cangzhou Logistics and secured by equity interests of Canggang Company held by Cangzhou Logistics.

- (e) Included in the Group's unsecured other loans as at 31 December 2021, RMB2,480,000 (2020: RMB2,551,000) are unsecured, interest-bearing at 4.75% per annum. The remaining other loans as at 31 December 2020 are unsecured, interest-bearing at 1% per annum.
- (f) The following table details the interest rate profile of the Group's borrowings at the end of each Reporting Period:

	2021		2020	
	Effective interest rate		Effective interest rate	
	%	<i>RMB'000</i>	%	<i>RMB'000</i>
Fixed rate borrowings				
Bank loans	1.60% - 5.94%	360,025	3.00% - 6.18%	399,131
Other loans	4.75%	2,480	1.00% - 4.75%	19,077
		<u>362,505</u>		<u>418,208</u>
		-----		-----
Variable rate borrowings				
Other loans	6.01%	11,107	6.01% - 6.92%	37,028
		<u>11,107</u>		<u>37,028</u>
Total borrowings		<u>373,612</u>		<u>455,236</u>
		=====		=====
Fixed rate borrowings as a percentage of total borrowings		<u>97%</u>		<u>92%</u>
		=====		=====

18 SHARE CAPITAL

(i) Authorised share capital

On 16 June 2020, the Company passed resolutions to increase the authorized share capital of the Company from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each.

(ii) Issue of shares

On 23 October 2020, 250,000,000 ordinary shares with par value of HK\$0.01 each were issued at a price of HK\$0.95 each by initial public offering. The proceeds of HK\$2,500,000 (equivalent to approximately RMB2,152,000), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses, of approximately HK\$217,580,000 (equivalent to approximately RMB186,905,000) were credited to the share premium account.

(iii) Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 16 June 2020, the Company allotted and issued a total of 749,990,000 shares credited as fully to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 16 June 2020 by way of capitalisation of the sum of HK\$7,500,000 (equivalent to approximately RMB6,455,000) standing to the credit of the share premium account of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is an established and expanding local railway operator based in Hebei Province. With our Canggang Railway Line, we continue to provide our customers with comprehensive services and one-stop solutions of our freight transportation, extended our leading position in rail freight transportation business and continued to maintain our leading market position in Hebei Province. We are preparing to further expand our railway to enhance our services to our existing customers and to seek potential customers.

2021 was a challenging year for our Group. Following the outbreak of COVID-19 in 2020, the pandemic remained to exert material impacts on China's economy throughout 2021, under which consumption and operation continued to be adversely affected.

The year of 2021 marked the beginning of a new journey of building a modernized socialist China and the launch of the 14th Five-Year Plan. It was also a crucial year for the Group to start a new journey after its Listing and stride forward towards its objectives. Throughout the year, the Company scientifically coordinated the prevention and control of the pandemic as well as transportation and production safety. Guided by the market and propelled by innovation, the Company strictly aligned itself with its missions and objectives set at the beginning of the year, by which it overcame various unfavorable factors, such as the COVID-19 outbreak and the tight market supply of coal, actively expanded its market, strictly monitored production safety, optimized its management system, tapped into potential and raised efficiency, scientifically deployed its development, as well as cultivated and promoted its corporate culture. The amount of freight transportation handled reached a new height and the economic efficiency and management standard of the Company has achieved a new leap.

During the course of 2021, all employees of the Company worked together to achieve the Company's business objectives and responded effectively to various risk and challenges. In September and October 2021, the tight coal supply in China led to electricity rationing in southern regions. In view of this, the Company stepped up efforts to maintain its customer relationships by helping clients to coordinate coal suppliers and opening green railway channels, which successfully satisfied customers' demand of coal in November and December 2021 and secured the coal transportation needs of power plants and other customers throughout the year, as well as maintained the stability of the Company's coal rail freight transportation volume. For the year ended 31 December 2021, we completed rail freight transportation of 8.7 million tonnes of coal, representing a year-on-year increase of 6% or 0.5 million tonnes. For the year ended 31 December 2021, we completed rail freight transportation of 1.7 million tonnes of ore fines, representing a year-on-year decrease of 38.9% or 1.1 million tonnes, primarily due to the outbreak of COVID-19 in Shijiazhuang under which one of our customers suspended its operation during the year. The Company continued to expand its eastbound non-coal rail freight transportation market to increase rail freight transportation volume of oil products, semi-coke, coke, building materials and chemical materials. For the year ended 31 December 2021, we completed rail freight transportation of 7.3 million tonnes of oil

products, semi-coke, coke, building materials and chemical materials, representing a year-on-year increase of 22% or 1.3 million tonnes, offsetting the year-on-year decrease of rail freight transportation volume of ore fines. Rail freight transportation as our core business has recorded a decent performance during the Reporting Period. We have completed transportation of 17.7 million tonnes of cargo for the year ended 31 December 2021 comparing to 16.9 million tonnes of cargo for the year ended 31 December 2020 with an increase of 4.4% or 0.7 million tonnes.

The Directors are of the view that the hygiene measures adopted by our Group can effectively prevent and control the COVID-19 infections, and safeguard the occupational health and safety of our employees. To the best of the Directors' knowledge, during the Reporting Period and up to the date of this announcement, none of our employees had been infected with COVID-19.

The Directors considered that, like any other disaster, the outbreak is likely to be temporary and when it is over, the economy in China will return to normal as the general course. The Directors will continue to closely monitor the effect of the outbreak and evaluate the impact to our business.

FUTURE DEVELOPMENT

As at 31 December 2021, we operated one local railway, the Canggang Railway Line. One of our business strategies is to construct additional branch lines to expand our business scale, including expanding our geographic presence and business to the Northern Shandong Industrial Park and Comprehensive Industrial Park in Bohai New Area. However in the midst of the continuous impacts caused by COVID-19, the Directors expected to begin the construction of the new branch lines in the second half of 2022.

We are also in the process of upgrading and renovating the relevant infrastructure of our Canggang Railway Line to enhance the safety and increase the overall capacity of our railway operation.

FINANCIAL REVIEW

Revenue

	Year ended 31 December			
	2021		2020	
	<i>RMB in thousands, other than percentages</i>			
Rail freight transportation	260,250	73.1%	260,585	72.1%
Ancillary services				
Loading and unloading	58,512	16.4%	59,814	16.5%
Road freight transportation	15,833	4.5%	30,305	8.4%
Construction, maintenance and repair	14,207	4.0%	5,358	1.5%
Others	7,188	2.0%	5,412	1.5%
Subtotal	95,740	26.9%	100,889	27.9%
Total	355,990	100.0%	361,474	100.0%

Our revenue decreased by 1.5% or RMB5.5 million from RMB361.5 million for the year ended 31 December 2020 to RMB356.0 million for the year ended 31 December 2021, primarily due to the decrease in revenue from ancillary businesses of RMB5.1 million.

Our revenue from rail freight transportation remained relatively stable at RMB260.6 million for the year ended 31 December 2020 and RMB260.3 million for the year ended 31 December 2021. Among which, revenue from rail freight transportation of ore fines decreased by 40.5% or RMB9.7 million, such decrease was offset by an increase of RMB10.2 million in revenue from our transportation of other products such as semi-coke.

Our revenue from ancillary businesses decreased from RMB100.9 million for the year ended 31 December 2020 to RMB95.7 million for the Reporting Period. Such decrease was mainly related to the decrease in revenue from road freight transportation of RMB14.5 million primarily due to the outbreak of COVID-19 in Shijiazhuang under which one of our customers suspended its operation during the year, and was offset by the increase in revenue from construction, maintenance and repair of RMB8.8 million primarily due to the construction of roadbed of a special railway line which was completed for a customer during the Reporting Period. Revenue from other ancillary services increased by 32.8% or RMB1.8 million. The increase was primarily due to an increase in the provision of warehousing services.

Operating expenses

Our operating expenses include staff costs, outsourcing service charges and other labor costs, cargo logistics, depreciation, fuel used, repair and maintenance, general and administration expenses, impairment loss on trade receivables and other expenses. The operating expenses decreased by 3.4% or RMB8.5 million from RMB247.8 million for the year ended 31 December 2020 to RMB239.3 million for the year ended 31 December 2021. The decrease was primarily due to a decrease in listing expenses of RMB14.0 million and a reversal of impairment loss on trade receivables of RMB1.5 million during the Reporting Period, compared to the impairment loss on trade receivables of RMB3.6 million for the year ended 31 December 2020 (as stated in the following paragraph), and offset by an increase in staff costs of RMB8.1 million as a result of the withdrawal of favourable government policy during the COVID-19 outbreak and an increase in fuel costs of RMB1.2 million which was mainly due to the increase in fuel prices and rail freight transportation volume.

Due to the disruption to the PRC economy caused by the COVID-19 outbreak, as to improve our liquidity, we seek to maintain strict control over outstanding receivables and our senior management regularly reviews overdue balance to reduce our credit risk. As a result of our efforts, the recovery of our trade receivables was improved as compared to the previous year and hence we have reversed the impairment loss on trade receivables of RMB1.5 million during the Reporting Period, compared to the impairment loss on trade receivables of RMB3.6 million for the year ended 31 December 2020. Our trade and bills receivables increased by 2.2% or RMB2.1 million from RMB96.6 million for the year ended 31 December 2020 to RMB98.7 million for the year ended 31 December 2021.

Other income

Our other income increased by 257.9%, or RMB8.2 million from RMB3.2 million for the year ended 31 December 2020 to RMB11.4 million for the year ended 31 December 2021, primarily due to the government grants received in relation to the global offering of the Company.

Segment result and segment margin

For our rail freight transportation, the segment result was RMB132.4 million and RMB122.2 million and the segment margin was 50.8% and 46.9%, for the years ended 31 December 2020 and 2021, respectively. The decrease in segment margin was primarily due to the increase in staff costs as the government withdrew the special supportive policies in relation to the COVID-19 outbreak and also the increase in fuel costs which was mainly due to the increase in fuel prices and rail freight transportation volume.

For our ancillary businesses, the segment result was RMB10.5 million and RMB6.0 million and the segment margin was 10.4% and 6.3%, for the years ended 31 December 2020 and 2021, respectively. The decrease in segment margin was primarily due to the sharp decline in road freight transportation business during the year.

Finance costs

Our finance costs decreased by 10.7%, or RMB2.7 million from RMB26.0 million for the year ended 31 December 2020 to RMB23.3 million for the year ended 31 December 2021, primarily due to an decrease in our average monthly loan balance and the lowered interest rates on our bank loans.

Income tax expense

Our income tax expense remained relatively stable at RMB25.2 million for the year ended 31 December 2020 and RMB27.0 million for the year ended 31 December 2021. Our effective tax rate decreased from 28.1% for the year ended 31 December 2020 to 25.8% for the year ended 31 December 2021 primarily because more non-deductible listing expenses were incurred during the year ended 31 December 2020.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by 20.5% or RMB13.2 million from RMB64.6 million for year ended 31 December 2020 to RMB77.8 million for the year ended 31 December 2021. Our net profit margin increased from 17.9% for the year ended 31 December 2020 to 21.8% for the year ended 31 December 2021. The increase in our profit for the year and net profit margin for 2021 as compared to 2020 was mainly due to the listing expenses incurred in 2020, which were no longer recorded in 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the Group had net current assets of approximately RMB26.5 million (2020: net current assets of approximately RMB130.0 million). The Group continued to maintain a strong financial position. During the Reporting Period, our cash and cash equivalent dropped by RMB66.3 million to RMB160.8 million as at 31 December 2021 from RMB227.1 million as at 31 December 2020, which was mainly due to 1) our investment in upgrading and renovating the relevant infrastructure of our Canggang Railway Line in accordance with our expansion plan as stated in the Prospectus to enhance the safety and increase the overall capacity of railway operation; and 2) loan repayment. With our steady cash generated from operations and the banking facilities available to the Group, we have adequate financial resources to meet our working capital needs as well as to fund our budgeted construction and upgrade plans in 2022 and 2023.

As at 31 December 2021, our interest-bearing borrowings amounted to RMB373.6 million, of which RMB213.1 million was long-term borrowing. We had unutilized and unrestricted banking facilities of RMB62.5 million, none of which were guaranteed or secured by our related parties.

The gearing ratio, which is calculated by dividing total debt (being bank and other loans) by total equity as at the end date of the respective year and multiplying the result by 100%, was approximately 46.4% as at 31 December 2021 (2020: 59.2%). The decrease was mainly attributed to the decrease in the closing balance of bank and other loans as well as the increase in the total equity.

Pledge of assets

As at 31 December 2021, certain of our property, plant and equipment with carrying amount of approximately RMB7.9 million (2020: RMB8.3 million), were pledged for our bank loans. Also, our property, plant and equipment with carrying amount of approximately RMB109.0 million (2020: RMB138.3 million) were pledged for our other loans.

As at 31 December 2021, a certain portion of our right-of-use assets with carrying amount of approximately RMB117.5 million (2020: RMB119.3 million) were pledged for our bank loans, and our right-of-use assets with carrying amount of approximately RMB7.0 million (2020: RMB7.1 million) were pledged for our other loans.

Contingent liabilities

As at 31 December 2021, the Group did not have any contingent liabilities.

Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. It is expected that the Group will not be subjected to any material adverse effects arising from exchange rate fluctuation except a few listing compliance transactions as well as the settlement of dividend and demand deposits in Hong Kong dollars. The Group currently does not have any foreign currency hedging policies. Nevertheless, the Group will continue to monitor foreign exchange risk exposure and will take appropriate action when needed.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

During the Reporting Period, we have invested RMB42.0 million for our capital expenditure which were mainly related to upgrading and renovating the relevant infrastructure of our Canggang Railway Line. We financed our capital expenditure through the proceed from the global offering of the Company, cash generated from operations and banking facilities.

Capital Commitments

As at 31 December 2021, our outstanding capital commitments in respect of property, plant and equipment amounted to approximately RMB7.2 million (2020: RMB7.7 million). Save as disclosed in this announcement, we did not have any other material capital commitment.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

Save as disclosed in this announcement and the Prospectus, there were no significant investments held by the Group during the Reporting Period, nor was there any material acquisition or disposal of subsidiaries, associates and joint venture during the Reporting Period. Save as disclosed in this announcement and the Prospectus, there was no other plan for significant investments or additions of capital assets as at 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

On 6 January 2022, Cangzhou Canggang Railway Co., Ltd.* (滄州滄港鐵路有限公司) (the “**Lessee**”), an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreement with China Railway Financial Leasing Company Limited* (中鐵融資租賃有限公司) (the “**Lessor**”), a company established in the PRC with limited liability whose the ultimate beneficial owner is controlling more than one-third of its equity interest is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), pursuant to which the Lessee agreed to sell the Facilities to the Lessor at Sale Price and to lease back the Facilities from the Lessor for a term of fifty-four (54) months in accordance with the terms and conditions therein. For more details, please refer to the announcement of the Company dated 6 January 2022. Unless the context otherwise requires, capitalized terms used in the above paragraph shall have the same meanings as those defined in the aforesaid announcement.

Save as disclosed above, the Group did not have any other material subsequent event after the Reporting Period and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 778 employees (2020: 787 employees) (including two executive Directors but excluding three independent non-executive Directors).

The Group offers attractive remuneration package to the employees as the Directors believe the consistency and quality of our staffs is the key to success. In order to retain our staffs and motivate them for better performance, the remuneration package, including basic salary and other employee benefits such as bonus, are reviewed annually according to their individual performance. We are also committed to provide a caring environment to retain our staffs and for better performance. We provided sufficient trainings and persuaded our staffs to attend other courses to maintain their professionalism and qualifications.

CORPORATE GOVERNANCE

Since the Listing of our shares on the Stock Exchange on 23 October 2020, the Company has been committed to maintaining high standard of corporate governance. The Board believes that good corporate governance is the basis in ensuring the proper management in the interest of all our stakeholders. Improvement of the corporate governance is a long and systematic project, which requires strong commitment and perseverance. As it always has, the Company will continuously improve the risk assessment and monitoring procedures, internal control policy, enhancing our transparency and disclosures quality to our shareholders to promote the sustainable and robust development of the Company in light of evolving business and regulatory environment and to meet the expectations of stakeholders.

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has complied with all the applicable code provisions under the CG Code (version up to 31 December 2021) as set out in Appendix 14 to the Listing Rules during the Reporting Period.

The Board considers that the Company's corporate governance functions are adequate and appropriate for the Company's current business strategy. The Board will continue to review the changes of legal and regulatory environment and the business environment.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securitized transactions by the Directors. Specific enquiry has been made to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in Model Code during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, namely Ms. Lyu Qinghua (Chairlady of the Audit Committee) and Mr. Liu Changchun, and a non-executive Director, namely Mr. Xu Zhihua.

The Audit Committee has reviewed the Group's consolidated financial statements for the Reporting Period. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and the Audit Committee is of the opinion that such consolidated financial statements comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF KPMG

The financial figures in respect of Group's consolidated statement of financial position as at 31 December 2021, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

ANNUAL GENERAL MEETING

The AGM will be held on 22 June 2022. A notice convening the AGM will be published and despatched to the Shareholders in accordance with the requirements under the Articles of Association and the Listing Rules in due course.

FINAL DIVIDEND

As a token of the Group's gratitude for the support of our Shareholders, the Board recommended the payment of a final dividend of HK3.8 cents (equivalent to approximately RMB3.0 cents) per share for the year ended 31 December 2021 (2020: Nil). Subject to the approval of the Shareholders in the AGM, the final dividend will be payable on or around Thursday, 18 August 2022 to Shareholders whose names appear on the register of members of the Company on Monday, 27 June 2022.

CLOSURES OF REGISTER OF MEMBERS

For Determining the Eligibility to Attend and Vote at the AGM

To determine the entitlement of the Shareholder to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 June 2022.

For Determining the Eligibility to the Proposed Final Dividend

To determine the entitlement of the Shareholder to receive the proposed final dividend, subject to the Shareholders' approval on the proposed final dividend at the AGM, the register of members of the Company will also be closed from Tuesday, 28 June 2022 to Thursday, 30 June, 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to receive the proposed final dividend, all transfer share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 June 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.czcgtl.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report for the year ended 31 December 2021 will be dispatched to the Shareholders and made available on the above websites in due course.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contribution, and to our Shareholders, investors and business partners for their support.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“AGM”	the forthcoming annual general meeting of the Company to be held on 22 June 2022
“Articles of Association”	the amended and restated articles of association of the Company adopted on 16 June 2020 and as amended, supplemented and otherwise modified from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“Canggang Railway Line”	a local freight railway line in Cangzhou, Hebei Province, which connects Cangzhou and Bohai New Area which contains Port Huanghua, from Cangzhou Station* (滄州站) to Gangkou Station* (港口站)

“CG Code”	corporate governance code contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China excluding for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	Canggang Railway Limited (滄港鐵路有限公司) (stock code: 2169), an exempted company incorporated in the Cayman Islands with limited liability on 19 October 2018
“Director(s)”	the director(s) of the Company
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries from time to time, or where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“Prospectus”	the prospectus of the Company dated 12 October 2020

“Reporting Period”	the year ended 31 December 2021
“RMB”	Renminbi, the lawful currency of the PRC
“share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“%”	per cent

By Order of the Board
Canggang Railway Limited
Yi Weiming
Chief Executive Officer

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Mr. Liu Yongliang and Mr. Yi Weiming as the executive Directors; Mr. Xu Zhihua and Mr. Qin Shaobo as the non-executive Directors; and Mr. Liu Changchun, Mr. Zhao Changsong and Ms. Lyu Qinghua as the independent non-executive Directors.

* *The English translation of company names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*