

CANGGANG RAILWAY LIMITED

滄港鐵路有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2169

Interim Report
2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Yongliang (劉永亮) (*Chairman*)

Mr. Yi Weiming (衣維明)

(*Chief Executive Officer*)

Non-executive Directors

Mr. Xu Zhihua (徐志華)

Mr. Qin Shaobo (秦少博)

Independent non-executive Directors

Mr. Liu Changchun (劉長春)

Mr. Zhao Changsong (趙長松)

Ms. Lyu Qinghua (呂清華)

AUDIT COMMITTEE

Ms. Lyu Qinghua (呂清華) (*Chairman*)

Mr. Xu Zhihua (徐志華)

Mr. Liu Changchun (劉長春)

REMUNERATION COMMITTEE

Mr. Liu Changchun (劉長春)

(*Chairman*)

Mr. Xu Zhihua (徐志華)

Ms. Lyu Qinghua (呂清華)

NOMINATION COMMITTEE

Mr. Liu Yongliang (劉永亮) (*Chairman*)

Mr. Xu Zhihua (徐志華)

Mr. Liu Changchun (劉長春)

JOINT COMPANY SECRETARIES

Mr. Kwok Che Chung (郭芝聰) (*CPA*)

Mr. Li Juncheng (李俊呈)

AUTHORISED REPRESENTATIVES

Mr. Yi Weiming (衣維明)

Mr. Kwok Che Chung (郭芝聰)

COMPLIANCE ADVISOR

Innovax Capital Limited

Room 2002, 20th Floor

Chinachem Century Tower

178 Gloucester Road

Wanchai

Hong Kong

AUDITOR

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered

in accordance with the

Financial Reporting Council Ordinance

8th Floor, Prince's Building

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Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Morgan, Lewis & Bockius

Suites 1902–09, 19/F

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The Landmark

15 Queen's Road Central

Hong Kong

PRINCIPAL BANKS**Hong Kong**

Bank of China (Hong Kong) Limited

The PRC

Bank of Cangzhou, Station Branch

Agricultural Bank of China,

Cangzhou Yunhe Branch

Cangzhou Rural Commercial Bank

**CAYMAN ISLANDS SHARE
REGISTRAR AND
TRANSFER OFFICE**

Conyers Trust Company (Cayman)
Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

**HONG KONG BRANCH SHARE
REGISTRAR**

Computershare Hong Kong

Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

**HEADQUARTERS AND
PRINCIPAL PLACE OF
BUSINESS IN PRC**

Yangzhuang Station

Yangerzhuang Town, Huanghua

Cangzhou, Hebei Province, China

**PRINCIPAL PLACE OF
BUSINESS IN HONG KONG**

Room 09-10, 41/F

China Resources Building

26 Harbour Road

Wan Chai

Hong Kong

COMPANY'S WEBSITE

<http://www.czcgtl.com>

STOCK CODE

2169



DEFINITIONS AND GLOSSARY

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

“associate”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Canggang Company”	Cangzhou Canggang Railway Co., Ltd.* (滄州滄港鐵路有限公司) (previously known as Huanghua Jinghai Logistics Co., Ltd. (黃驊京海物流有限公司), a limited liability company established under the laws of the PRC on 22 October 2009 and a wholly-owned subsidiary of our 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 I4 to the Listing Rules
“China” or “PRC”	the People’s Republic of China excluding for the purposes of this interim report 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
“Greenport BVI”	Greenport Railway Limited, a limited liability company incorporated under the laws of the BVI on 12 October 2018 and wholly owned by Mr. Yi Weiming
“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
“Jinghai BVI”	Jinghai Group Investment Limited (京海集團投資有限公司), a limited liability company incorporated under the laws of the BVI on 12 October 2018 and wholly owned by Mr. Liu Yongliang
“Listing”	the Shares were listed on the Main Board of the Stock Exchange
“Listing Date”	23 October 2020, since which the Shares of the Company have been listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange



DEFINITIONS AND GLOSSARY

“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 six months ended 30 June 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 section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“%”	per cent



The Board of Directors of Canggang Railway Limited is pleased to announce the unaudited consolidated interim results of the Group for six months ended 30 June 2021, together with the comparative figures for the six months ended 30 June 2020.

BUSINESS OVERVIEW

The Group is an established and expanding local railway operator based in Hebei Province. With our Canggang Railway Line, we continued 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.

Rail freight transportation as our core business has recorded a good performance during the Reporting Period. We have completed transportation of 9.7 million tonnes of cargo for the six months ended 30 June 2021 compared to 8.3 million tonnes of cargo for the six months ended 30 June 2020 with an increase of 16.6% or 1.4 million tonnes.

For the first half year of 2021, the pandemic continue affecting China's economy and is bringing negative effect on consumption and operation. In January 2021, the resurgence of COVID-19 in Hebei Province forced the government to lock down parts of the province neighboring Beijing. As a result, some of our clients' operations were forced to suspend temporarily. Fortunately, the period of suspension was short and in February 2021, the cities have resumed work with COVID-19 prevention measures.

Despite the decrease in revenue from our ancillary services by 12.3% in 2021 as compared with the corresponding period in 2020, which was mainly due to the significant drop in our road transportation because one of our customers temporary suspended its operation under the outbreak of COVID-19 in Shijiazhuang, revenue from our rail freight transportation services recorded an increase of 8.8% under our continuous development of our westbound transportation business.

Our 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 our Directors' knowledge, during the Reporting Period and up to the date of this interim report, none of our employees had been infected with COVID-19. Our Directors will continue closely monitor the effect of the outbreak and evaluate the impact to our business.

Our Directors expect that there will be no material changes to the Group's future development compare to our annual strategy.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

	Six months ended 30 June			
	2021		2020	
	<i>RMB in thousands, other than percentages</i>			
Rail freight transportation	141,007	74.8%	129,598	70.5%
Ancillary services				
Loading and unloading	32,024	17.0%	31,122	16.2%
Road freight transportation	9,530	5.1%	17,537	10.3%
Construction, maintenance and repair	1,010	0.5%	2,330	1.4%
Others	4,959	2.6%	3,171	1.6%
Subtotal	47,523	25.2%	54,160	29.5%
Total	188,530	100.0%	183,758	100%

Our revenue increased by 2.6% or RMB4.8 million from RMB183.8 million for the six months ended 30 June 2020 to RMB188.5 million for the six months ended 30 June 2021, primarily due to the increase in revenue from our core rail freight transportation business of RMB11.4 million relating to the increase in transportation of coal by 5.8% or RMB5.4 million and increase in transportation of asphalt and gravel by 103.8% or RMB5.1 million; which was partially offset by the decrease in transportation of ore by 40.9% or RMB5.3 million as the outbreak of COVID-19 in Shijiazhuang in early 2021 which temporarily suspended the operation of one of our key customers, reduced the use of our railway for transporting their ore.

Revenue from our road transportation decreased by 45.7% or RMB8.0 million. The decrease was primarily due to the temporary suspension of operation of one of our key customers, who has contributed over 70% of our Group's revenue for the six months ended 30 June 2020 in road transportation services.



Operating expenses

Our operating expenses include staff costs, outsourcing service charges and other labour costs, cargo logistics, depreciation, fuel used, repair and maintenance, general and administration expenses, impairment loss on trade receivables and other expenses. The operating expenses increased by 1.8% or RMB2.3 million from RMB123.1 million for the six months ended 30 June 2020 to RMB125.3 million for the six months ended 30 June 2021. The increase was primarily due to the increase from our staff cost by 23.7% or RMB6.6 million because we enjoyed the favourable government policy during the outbreak of COVID-19 in the six months ended 30 June 2020; which was partially offset by the drop in our general and administration expenses by 20.1% or RMB2.2 million in relation to the listing expenses incurred for our global offering of the Shares in the six months ended 30 June 2020.

During the COVID-19, we noted that a longer settlement period may be needed for some of our customers. We have received notification of requests for delay in settlement of trade receivables from some of our major customers as a result of the outbreak. 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. Our trade and bills receivables increased by 15.1% or RMB14.6 million from RMB96.6 million for the year ended 31 December 2020 to RMB111.1 million for the six months ended 30 June 2021. Nevertheless, the impairment loss on trade receivables was decreased by 36.4% or RMB0.7 million from RMB1.9 million for the six months ended 30 June 2020 to RMB1.2 million for the six months ended 30 June 2021 as the trade receivables as at 30 June 2021 were mainly generated from our services rendered in the six months ended 30 June 2021.

Segment result and segment margin

For our rail freight transportation, the segment result was RMB65.0 million and RMB69.4 million and the segment margin was 50.1% and 49.2%, for the six months ended 30 June 2020 and 2021, respectively. The decrease in segment margin was primarily due to the increase in staff costs as a result of special supportive government policy in relation to the COVID-19 outbreak was enjoyed in the six months ended 30 June 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

For our ancillary businesses, the segment result was RMB8.5 million and RMB3.8 million and the segment margin was 15.8% and 8.0%, for the six months ended 30 June 2020 and 2021, respectively. The decrease in segment margin was primarily due to less revenue was generated from our road transportation business which possess of high fixed cost because of the depreciation of vehicle.

Other income

Our other income increased by 182.0%, or RMB3.8 million from RMB2.1 million for the six months ended 30 June 2020 to RMB5.8 million for the six months ended 30 June 2021, primarily due to the government grants received in related to the global offering of the Shares.

Finance costs

Our finance costs remained relative stable at RMB12.1 million for the six months ended 30 June 2020 and RMB11.9 million for the six months ended 30 June 2021.

Income tax expense

Our income tax expense remained relatively stable at RMB14.3 million for the six months ended 30 June 2020 and RMB14.6 million for the six months ended 30 June 2021. Our effective tax rate decreased from 28.3% for the six months ended 30 June 2020 to 25.6% for the six months ended 30 June 2021 primarily because there were no non-deductible listing expenses incurred during the Reporting Period.

Profit for the period and net profit margin

As a result of the foregoing, our profit for the period increased by 17.2% or RMB6.2 million from RMB36.2 million for six months ended 30 June 2020 to RMB42.4 million for the six months ended 30 June 2021. Our net profit margin increased from 19.7% for the six months ended 30 June 2020 to 22.5% for the six months ended 30 June 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group continued to maintain a strong financial position. The Group had net current assets of approximately RMB145.7 million and the current ratio, representing current assets divided by current liabilities, was 1.93 (31 December 2020: RMB130.0 million and 1.61). During the Reporting Period, our cash and cash equivalent dropped by 26.5% or RMB60.2 million to RMB166.9 million as at 30 June 2021 from RMB227.1 million as at 31 December 2020 was mainly due to (i) our investment of RMB20.8 million for upgrading and renovating the basic infrastructure of our Canggang Railway Line to enhance the safety and increase the overall capacity of railway operation according to our expansion plan as stated in the Prospectus; and (ii) loan repayment of RMB74.0 million.

As at 30 June 2021, our interest-bearing borrowings were RMB381.2 million with an effective interest rate per annum of approximately 4.75% to 6.92%, of which RMB319.7 million was long-term borrowing. Included in the Group's total borrowings, RMB362.5 million (31 December 2020: RMB418.2 million) were fixed rate borrowings and RMB18.7 million (31 December 2020: RMB37.0 million) were variable rate borrowings. We had unutilised and unrestricted banking facilities of RMB59.1 million, none of which were guaranteed or secured by our related parties.

The gearing ratio, which is calculated by total debt (being bank and other loans) divided by total equity then multiplied by 100%, was approximately 47.1% as at 30 June 2021 (31 December 2020: approximately 59.2%). The decrease was mainly attributed to the repayment of loan.

After considering our cash and cash equivalent level, which representing approximately 13.0% (31 December 2020: approximately 17.2%) of the total assets, together with our steady cash generated from operations as well as 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 2021 and 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of assets

As at 30 June 2021, certain of our property, plant and equipment with carrying amount of approximately RMB8.1 million (31 December 2020: RMB8.3 million), were pledged for our bank loans. Also, our property, plant and equipment with carrying amount of approximately RMB133.5 million (31 December 2020: RMB138.3 million) secured our other loans.

As at 30 June 2021, a certain portion of our right-of-use assets with carrying amount of approximately RMB103.0 million (31 December 2020: RMB119.3 million) were pledged for our bank loans and our right-of-use assets with carrying amount of approximately RMB7.0 million (31 December 2020: RMB7.1 million) secured our other loans.

Capital structure

The shares of the Company were listed on the Stock Exchange on 23 October 2020. The capital of the Company comprises ordinary shares and other reserves. As at 30 June 2021, the number of issued shares of the Company was 1,000,000,000 ordinary shares of HK\$0.01 each.

Contingent liabilities

As at 30 June 2021, the Group did not have any contingent liabilities (31 December 2020: nil).

Foreign exchange risk

The Group operated primarily in the PRC and are denominated in RMB. It is expected that the Group will not be subjected to any material adverse effects arising from exchange rate fluctuation. Nevertheless, the Group will continue to monitor foreign exchange exposure and will take appropriate action when needed.

Capital Expenditure

During the Reporting Period, we have invested RMB28.9 million for our capital expenditure which were mainly related to our upgrading and renovating the basic infrastructure of our Canggang Railway Line. We financed our capital expenditure through the proceed from the IPO, cash generated from operations and banking facilities.

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 interim report 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 interim report and the Prospectus, there was no other plan for significant investments or additions of capital assets as at 30 June 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 six months ended 30 June 2021 and up to the date of this interim report.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any material subsequent event after 30 June 2021 and up to the date of this interim report.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 780 employees (31 December 2020: 787 employees) (including two executive Directors but excluding three independent non-executive Directors).

The Group offers attractive remuneration package to the employees as our 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 provide sufficient trainings and persuaded our staffs to attend other courses to maintain their professionalism and qualifications.



OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) which is conditionally approved by a resolution of the then Shareholders of our Company passed on 16 June 2020. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

The Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to the Group.

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined below) an opportunity to have a personal stake in our Company and help motivate them to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or reward them for their past contributions.

Under the Share Option Scheme, the Eligible Persons include (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“Executive”), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“Employee”); (ii) a director or proposed director (including an independent non-executive director) of any member of our Group; (iii) a direct or indirect shareholder of any member of our Group; (iv) a supplier of goods or services to any member of our Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; (vii) an associate of any of the persons referred to in paragraphs (i) to (vi) above; and (viii) any person involved in the business affairs of the Company whom our Board determines to be appropriate to participate in the Share Option Scheme.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other scheme of our Group shall not in aggregate exceed 10% of the Shares in issue as the Listing Date (such 10% limit representing 100,000,000 Shares) (the “Scheme Mandate Limit”). The Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as of the date of the Shareholders’ approval.

We may seek separate Shareholders’ approval for granting share options beyond the Scheme Mandate Limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible person specified by our Company before such approval is obtained. We shall issue a circular to the Shareholders containing the details and information required under the Listing Rules.

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company’s issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of our Company’s issued share capital from time to time.

An offer of the grant of an option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date. An option have been granted and accepted by the Eligible Person when the duplicate offer letter is duly signed by the grantee together with a remittance of HK\$1.00 is received by our Company on or before the date upon which an offer of an option must be accepted by the relevant Eligible Person (the “Acceptance Date”).



OTHER INFORMATION

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option. The subscription price shall be at least the highest of (i) the nominal value of a Share; (ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional on the Listing Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around nine years and one month.

No share options had been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme. As at the date of this interim report, the total number of shares available for issue under the Share Option Scheme was 100,000,000, representing 10% of the entire issued share capital of the Company.

Other than the Share Option Scheme as disclosed above, at no time during the six months ended 30 June 2021 was the Company, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Besides the Share Option Scheme discussed in the above paragraphs, no equity-linked agreements were entered into during the six months ended 30 June 2021 or subsisting at the six months ended 30 June 2021.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the global offering of the Shares were approximately HK\$206.4 million (equivalent to approximately RMB173.7 million), after deducting the underwriting fees and commission and other related listing expenses paid and payable by us, which was intended to be applied in the manner as set out in the section headed “Future Plan and Use of Proceeds” of the Prospectus. An analysis of the utilisation of the net proceeds from the Listing Date up to 30 June 2021 is set out below:

	Net proceeds RMB million	Amount unutilised as at 31 December 2020/ 1 January 2021 RMB million	Amount utilised during the six months ended 30 June 2021 RMB million	Amount unutilised as at 30 June 2021 RMB million	Expected timeframe for full utilisation ⁽¹⁾
To construct our branch line connecting the Northern Shandong Industrial Park	67.3	67.3	–	67.3	2024
To construct our branch line connecting the Comprehensive Industrial Park	43.3	43.3	–	43.3	2022
To upgrade and renovating basic infrastructure for our Canggang Railway Line	23.2	21.0	20.8	0.2	2021
To purchase one new locomotive	8.6	8.6	–	8.6	2022
To upgrade our communications, signal automation, and remote monitoring systems	4.4	4.4	–	4.4	2021
To repay our bank loan	5.5	–	–	–	N/A
To settle amounts payable in connection with our purchase of land use rights	21.4	21.4	–	21.4	2022
Total	173.7	166.0	20.8	145.2	

⁽¹⁾ The expected timeline for the application of the unutilised net proceeds is subject to uncertainties brought by the international macro-environment and the unprecedented COVID-19 pandemic on the prevailing and future market conditions and business developments and in need. In view of the significant effects to the economy and business environment, we shall update and re-visit our plan continuously.



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this interim report, the interests and short positions of the Directors and the chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, the "SFO")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) as recorded in the register kept by the Company, pursuant to section 352 of the SFO or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director/ chief executive	Name of associated corporation/Capacity	Number of Shares interested	Percentage of shareholding
Mr. Liu Yongliang	Jinghai BVI/ Interest in a controlled corporation ⁽¹⁾	657,975,000	65.80%
Mr. Yi Weiming	Greenport BVI/ Interest in a controlled corporation ⁽²⁾	35,775,000	3.58%

⁽¹⁾ Mr. Liu Yongliang is the sole shareholder of Jinghai BVI and he is therefore deemed to be interested in the Shares held by Jinghai BVI.

⁽²⁾ Mr. Yi Weiming is the sole shareholder of Greenport BVI and he is therefore deemed to be interested in the Shares held by Greenport BVI.

Save as disclosed above, up to the date of this interim report, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

Set out below are the names of the parties whose interests and short positions in the shares and underlying shares of the Company (pursuant to part XV of the SFO) as at 30 June 2021 are recorded in the register kept by the Company under section 336 of the SFO:

Name	Nature of interest	Number of Shares	Approximate% of shareholding
Jinghai BVI	Beneficial owner	657,975,000	65.80%
Mr. Liu Yongliang ⁽¹⁾	Interest in a controlled corporation	657,975,000	65.80%
China Life Insurance (Group) Company ⁽²⁾	Interest in a controlled corporation	112,072,000	11.21%
China Life Insurance Overseas No.8 Single Asset Management Plan ⁽³⁾ (國壽安保海外8號單一資產管理計劃)	Others	56,600,000	5.66%
China Life Insurance Overseas No.7 Single Asset Management Plan ⁽⁴⁾ (國壽安保海外7號單一資產管理計劃)	Others	53,372,000	5.34%
Mr. Zhang Chao ⁽⁵⁾ (張超)	Interest in a controlled corporation	55,472,000	5.55%
	Beneficial owner	4,688,000	0.47%
Ms. Zhang Weihuan ⁽⁶⁾ (張偉環)	Interest of spouse	60,160,000	6.02%
Mr. Wu Jinyu ⁽⁵⁾ (吳金玉)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Zhang Xiaoxia ⁽⁷⁾ (張曉霞)	Interest of spouse	53,372,000	5.34%
Mr. Zhang Haijun ⁽⁵⁾ (張海軍)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Zhou Qiuju ⁽⁸⁾ (周秋菊)	Interest of spouse	53,372,000	5.34%



OTHER INFORMATION

Name	Nature of interest	Number of Shares	Approximate% of shareholding
Ms. Zhang Hong ⁽⁵⁾ (張宏)	Interest in a controlled corporation	53,372,000	5.34%
Mr. Liu Chaohui ⁽⁹⁾ (劉朝輝)	Interest of spouse	53,372,000	5.34%
Ms. Zhang Junxia ⁽⁵⁾ (張軍霞)	Interest in a controlled corporation	53,372,000	5.34%
Mr. Zhang Libin ⁽⁵⁾ (張力斌)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Liu Jiao ⁽¹⁰⁾ (劉姣)	Interest of spouse	53,372,000	5.34%
Mr. Zhang Lifeng ⁽⁵⁾ (張力峰)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Yang Yunjuan ⁽¹¹⁾ (楊雲娟)	Interest of spouse	53,372,000	5.34%
Mr. Zhang Ligang ⁽⁵⁾ (張立剛)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Zhai Junping ⁽¹²⁾ (翟軍平)	Interest of spouse	53,372,000	5.34%
Mr. Zhang Lihuan ⁽⁵⁾ (張力歡)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Yin Yanping ⁽¹³⁾ (尹彥萍)	Interest of spouse	53,372,000	5.34%
Mr. Zhang Lijie ⁽⁵⁾ (張力傑)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Liu Lixia ⁽¹⁴⁾ (劉麗霞)	Interest of spouse	53,372,000	5.34%
Mr. Zhang Ning ⁽⁵⁾ (張寧)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Huang Li ⁽¹⁵⁾ (黃麗)	Interest of spouse	53,372,000	5.34%
Mr. Zhang Ruiqiu ⁽⁹⁾ (張瑞秋)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Gao Xiangrong ⁽¹⁶⁾ (高香榮)	Interest of spouse	53,372,000	5.34%



Name	Nature of interest	Number of Shares	Approximate% of shareholding
Mr. Zhang Xiaogeng ⁽⁹⁾ (張小更)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Sun Shujing ⁽¹⁷⁾ (孫書京)	Interest of spouse	53,372,000	5.34%
Mr. Zhang Xiaosuo ⁽⁵⁾ (張小鎖)	Interest in a controlled corporation	53,372,000	5.34%
Ms. Zhang Yanfeng ⁽⁵⁾ (張艷峰)	Interest in a controlled corporation	53,372,000	5.34%
Mr. Zhang Weiwei ⁽¹⁸⁾ (張偉衛)	Interest of spouse	53,372,000	5.34%
Mr. Jia Shusen ⁽¹⁹⁾ (賈樹森)	Interest in a controlled corporation	56,600,000	5.66%
Ms. Zhang Xiaoxia ⁽²⁰⁾ (張小霞)	Interest of spouse	53,372,000	5.34%

⁽¹⁾ Mr. Liu Yongliang is the sole shareholder of Jinghai BVI and he is therefore deemed to be interested in the Shares held by Jinghai BVI.

⁽²⁾ China Life Insurance (Group) Company controls the exercise of more than 50% of voting power at general meetings of China Life Insurance Asset Management Company Limited, China Life Insurance Company Limited and China Life AMP Asset Management Company Limited and it is therefore deemed to be interested in the Shares held by these controlled entities.

⁽³⁾ Beijing Tianrun Botian Investment Management Co., Ltd. (北京天潤博天投資管理有限公司) (“Beijing Tianrun”) invested in the Shares of the Company as an asset principal through China Life Insurance Overseas No.8 Single Asset Management Plan.

⁽⁴⁾ Hebei Jichen Enterprise Group Co., Ltd. (河北冀辰實業集團股份有限公司) (“Hebei Jichen”), which is 65.44% controlled by Jichen CSH (as defined below), invested in the Shares of the Company as an asset principal through China Life Insurance Overseas No.7 Single Asset Management Plan.

⁽⁵⁾ Mr. Zhang Haijun, Ms. Zhang Junxia, Mr. Zhang Xiaogeng, Mr. Zhang Xiaosuo, Mr. Zhang Ligang, Mr. Wu Jinyu, Mr. Zhang Chao, Mr. Zhang Lijie, Mr. Zhang Lifeng, Ms. Zhang Yanfeng, Mr. Zhang Libin, Mr. Zhang Lihuan, Mr. Zhang Ning, Ms. Zhang Hong and Mr. Zhang Ruiqiu (“Jichen CSH”) are parties acting in concert pursuant to the acting in concert confirmation entered into on 12 January 2018. They are therefore deemed to be interested in the interest of the ordinary shares of the Company held by Hebei Jichen.



OTHER INFORMATION

- (6) Ms. Zhang Weihuan is the spouse of Mr. Zhang Chao. She is therefore taken to be interested in the Shares in which Mr. Zhang Chao is interested.
- (7) Ms. Zhang Xiaoxia is the spouse of Mr. Wu Jinyu. She is therefore taken to be interested in the Shares in which Mr. Wu Jinyu is interested.
- (8) Ms. Zhou Qiuju is the spouse of Mr. Zhang Haijun. She is therefore taken to be interested in the Shares in which Mr. Zhang Haijun is interested.
- (9) Mr. Liu Chaohui is the spouse of Ms. Zhang Hong. He is therefore taken to be interested in the Shares in which Ms. Zhang Hong is interested.
- (10) Ms. Liu Jiao is the spouse of Mr. Zhang Libin. She is therefore taken to be interested in the Shares in which Mr. Zhang Libin is interested.
- (11) Ms. Yang Yunjuan is the spouse of Mr. Zhang Lifeng. She is therefore taken to be interested in the Shares in which Mr. Zhang Lifeng is interested.
- (12) Ms. Zhai Junping is the spouse of Mr. Zhang Ligang. She is therefore taken to be interested in the Shares in which Mr. Zhang Ligang is interested.
- (13) Ms. Yin Yanping is the spouse of Mr. Zhang Lihuan. She is therefore taken to be interested in the Shares in which Mr. Zhang Lihuan is interested.
- (14) Ms. Liu Lixia is the spouse of Mr. Zhang Lijie. She is therefore taken to be interested in the Shares in which Mr. Zhang Lijie is interested.
- (15) Ms. Huang Li is the spouse of Mr. Zhang Ning. She is therefore taken to be interested in the Shares in which Mr. Zhang Ning is interested.
- (16) Ms. Gao Xiangrong is the spouse of Mr. Zhang Ruiqiu. She is therefore taken to be interested in the Shares in which Mr. Zhang Ruiqiu is interested.
- (17) Ms. Sun Shujing is the spouse of Mr. Zhang Xiaogeng. She is therefore taken to be interested in the Shares in which Mr. Zhang Xiaogeng is interested.
- (18) Mr. Zhang Weiwei is the spouse of Ms. Zhang Yanfeng. He is therefore taken to be interested in the Shares in which Ms. Zhang Yanfeng is interested.
- (19) Mr. Jia Shusen controls the exercise of more than 50% of voting power at general meetings of Beijing Tianrun and he is therefore deemed to be interested in the Shares held by Beijing Tianrun.
- (20) Ms. Zhang Xiaoxia is the spouse of Mr. Zhang Xiaosuo. She is therefore taken to be interested in the Shares in which Mr. Zhang Xiaosuo is interested.



Save as disclosed above, up to the date of this interim report, no other persons had any interests or short positions in the shares or underlying shares of the Company as at 30 June 2021 as recorded in the register required to be kept under Section 336 of the SFO, or which would fall to be disclosed under Part XV of the SFO.

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 applied the provisions in the CG Code in Appendix 14 to the Listing Rules, and has complied with all the code provisions as set out in the CG Code during the Reporting Period.

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



OTHER INFORMATION

DIRECTORS

The Directors during the Reporting Period and up to the date of this interim report were:

Executive Directors

Mr. Liu Yongliang (*Chairman*)

Mr. Yi Weiming (*Chief executive officer*)

Non-executive Directors

Mr. Xu Zhihua

Mr. Qin Shaobo

Independent Non-executive Directors

Mr. Liu Changchun

Mr. Zhao Changsong

Ms. Lyu Qinghua

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 securities 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 the Model Code during the Reporting Period and up to the date of this interim report.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders have given written declarations and have confirmed, to the Company that they have complied with the non-competition undertakings under the Deed of Non-Competition during the six months period ended 30 June 2021. The Controlling Shareholders have also confirmed in the declarations that they have no interest in any business apart from the Company which competes or is likely to compete, directly or indirectly, with the Company's business during the six months period ended 30 June 2021.

The independent non-executive Directors have reviewed the status of compliance with the undertakings by the Controlling Shareholders and confirmed that they were not aware of any non-compliance of the non-competition undertakings under the Deed of Non-Competition, and are satisfied that such undertakings had been duly enforced and complied with during the six months period ended 30 June 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at all times from the date of Listing to 30 June 2021.

Audit Committee

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.



OTHER INFORMATION

INTERIM DIVIDEND

As a token of the Group's gratitude for the support of our Shareholders, the Board has recommended the distribution of an interim dividend of HK4.83 cents (equivalent to approximately RMB4.0 cents) per ordinary share for the six months ended 30 June 2021 to Shareholders whose names appear on the register of members of the Company on Thursday, 7 October 2021, representing an aggregate amount of approximately HK\$48.3 million (equivalent to approximately RMB40.0 million) which will be subject to the approval of the Shareholders in an extraordinary general meeting to be held on Tuesday, 28 September 2021 (the "EGM"). The interim dividend will be payable on or around Monday, 18 October 2021.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 23 September 2021 to Tuesday, 28 September 2021 (both days inclusive), during which period no transfers of shares shall be registered. The record date will be Tuesday, 28 September 2021. In order to be eligible to attend and vote at the EGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong and transfer office, 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 Tuesday, 21 September 2021.

To determine the entitlement of the proposed interim dividend, the register of members of the Company will be closed from Tuesday, 5 October 2021 to Thursday, 7 October 2021 (both days inclusive), during which period no transfers of shares shall be effected. The record date will be Thursday, 7 October 2021. In order to be eligible to receive the interim dividend, all completed transfers documents accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong and transfer office, 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, 4 October 2021.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement for the six months ended 30 June 2021 is published on the Company's website at www.czcgtl.com and the website of the Stock Exchange at www.hkexnews.hk. This interim report 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.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	4	188,530	183,758
Operating expenses:			
Staff costs	6(b)	(34,689)	(28,042)
Outsourcing service charges and other labour costs		(23,380)	(22,301)
Cargo logistics		(16,161)	(17,300)
Depreciation	6(c)	(17,710)	(18,146)
Fuel used		(11,849)	(11,736)
Repairs and maintenance		(6,942)	(8,195)
General and administration expenses		(8,785)	(10,993)
Impairment loss on trade receivables		(1,184)	(1,862)
Other expenses		(4,638)	(4,509)
Total operating expenses		(125,338)	(123,084)
Other income	5	5,823	2,065
Operating profit		69,015	62,739
Finance costs	6(a)	(11,878)	(12,076)
Share of loss of associates		(103)	(221)
Profit before taxation	6	57,034	50,442
Income tax	7(a)	(14,620)	(14,258)
Profit for the period		42,414	36,184
Attributable to:			
Equity shareholders of the Company		42,304	35,531
Non-controlling interests		110	653
Profit for the period		42,414	36,184
Earnings per share (RMB)			
– Basic and diluted	9	0.04	0.05

The notes on pages 36 to 58 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



for the six months ended 30 June 2021
(Expressed in RMB)

	2021 RMB'000	2020 RMB'000
Profit for the period	42,414	36,184
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	<u>(1,997)</u>	<u>25</u>
Total comprehensive income for the period	<u>40,417</u>	<u>36,209</u>
Attributable to:		
Equity shareholders of the Company	40,307	35,556
Non-controlling interests	<u>110</u>	<u>653</u>
Total comprehensive income for the period	<u>40,417</u>	<u>36,209</u>

The notes on pages 36 to 58 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	10	772,441	766,727
Right-of-use assets		191,152	193,387
Interests in associates		10,476	6,459
Deferred tax assets		7,053	7,421
Prepayments and other receivables	13	2,836	2,734
		983,958	976,728
Current assets			
Inventories	11	5,941	5,904
Trade and bills receivables	12	111,134	96,568
Prepayments and other receivables	13	17,797	12,583
Cash and cash equivalents	14	166,907	227,143
		301,779	342,198
Current liabilities			
Bank and other loans	18	61,536	118,051
Trade payables	15	33,535	26,833
Other payables	16	46,444	55,483
Contract liabilities	17	3,119	2,524
Current taxation		11,439	9,262
		156,073	212,153
Net current assets		145,706	130,045
Total assets less current liabilities		1,129,664	1,106,773

The notes on pages 36 to 58 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



at 30 June 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Bank and other loans	18	319,659	337,185
		<u>319,659</u>	<u>337,185</u>
NET ASSETS		<u>810,005</u>	<u>769,588</u>
CAPITAL AND RESERVES	19		
Share capital		8,607	8,607
Reserves		771,957	731,650
		<u>780,564</u>	<u>740,257</u>
Total equity attributable to equity shareholders of the Company		<u>780,564</u>	<u>740,257</u>
Non-controlling interests		<u>29,441</u>	<u>29,331</u>
TOTAL EQUITY		<u>810,005</u>	<u>769,588</u>

Approved and authorised for issue by the board of directors on 26 August 2021.

The notes on pages 36 to 58 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Expressed in RMB)

	Attributable to equity shareholders of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 19(b))	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Safety production fund reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000		
At 1 January 2020	-	-	97,830	50,914	-	(272)	343,088	491,560	28,425	519,985
Changes in equity for the six months ended 30 June 2020:										
Profit for the period	-	-	-	-	-	-	35,531	35,531	653	36,184
Other comprehensive income	-	-	-	-	-	25	-	25	-	25
Total comprehensive income	-	-	-	-	-	25	35,531	35,556	653	36,209
Safety production fund reserve										
- Appropriation	-	-	-	-	1,517	-	1,517	-	-	-
- Utilisation	-	-	-	-	(1,517)	-	(1,517)	-	-	-
At 30 June 2020	-	-	97,830	50,914	-	(247)	378,619	527,116	29,078	556,194
At 1 July 2020	-	-	97,830	50,914	-	(247)	378,619	527,116	29,078	556,194
Changes in equity for the six months ended 31 December 2020:										
Profit for the period	-	-	-	-	-	-	28,118	28,118	253	28,371
Other comprehensive income	-	-	-	-	-	(4,034)	-	(4,034)	-	(4,034)
Total comprehensive income	-	-	-	-	-	(4,034)	28,118	24,084	253	24,337
Capitalisation issue (Note 19(c)(iii))	6,455	(6,455)	-	-	-	-	-	-	-	-
Issuance of shares (Note 19(c)(ii))	2,152	186,905	-	-	-	-	-	189,057	-	189,057
Appropriation to reserves	-	-	-	7,099	-	-	(7,099)	-	-	-
Safety production fund reserve										
- Appropriation	-	-	-	-	1,518	-	1,518	-	-	-
- Utilisation	-	-	-	-	(1,518)	-	(1,518)	-	-	-
At 31 December 2020	8,607	180,450	97,830	58,013	-	(4,281)	399,638	740,257	29,331	769,588

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021
(Expressed in RMB)

	Attributable to equity shareholders of the Company							Subtotal RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 19(b))	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Safety production fund reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000			
At 1 January 2021	8,607	180,450	97,830	58,013	-	(4,281)	399,638	740,257	29,331	769,588
Changes in equity for the six months ended 30 June 2021:										
Profit for the period	-	-	-	-	-	-	42,304	42,304	110	42,414
Other comprehensive income	-	-	-	-	-	(1,997)	-	(1,997)	-	(1,997)
Total comprehensive income	-	-	-	-	-	(1,997)	42,304	40,307	110	40,417
Appropriation to reserves	-	-	-	4,362	-	-	(4,362)	-	-	-
Safety production fund reserve	-	-	-	-	1,558	-	1,558	-	-	-
- Appropriation	-	-	-	-	(1,558)	-	(1,558)	-	-	-
- Utilisation	-	-	-	-	(1,558)	-	(1,558)	-	-	-
At 30 June 2021	<u>8,607</u>	<u>180,450</u>	<u>97,830</u>	<u>62,375</u>	<u>-</u>	<u>(6,278)</u>	<u>437,580</u>	<u>780,564</u>	<u>29,441</u>	<u>810,005</u>

The notes on pages 36 to 58 form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021
(Expressed in RMB)

		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Note			
Operating activities			
	Profit before taxation	57,034	50,442
	Adjustments for:		
	Depreciation	17,710	18,146
	Impairment loss on trade receivables	1,184	1,862
	Finance costs	11,878	12,076
	Interest income	(730)	(663)
	Net (gains)/losses on disposal of property, plant and equipment	(26)	12
	Share of loss of associates	103	221
	Changes in working capital:		
	(Increase)/decrease in inventories	(37)	1,564
	(Increase)/decrease in trade and bills receivables, prepayments and other receivables	(22,520)	14,129
	Increase/(decrease) in trade payables and other payables	4,365	(10,867)
	Increase/(decrease) in contract liabilities	595	(732)
	Cash generated from operations	69,556	86,190
	Income tax paid	(12,075)	(13,020)
	Net cash generated from operating activities	57,481	73,170

CONSOLIDATED CASH FLOW STATEMENT



for the six months ended 30 June 2021
(Expressed in RMB)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Investing activities		
Payments for purchase of property, plant and equipment and right-of-use assets	(28,927)	(11,588)
Proceeds from disposal of property, plant and equipment	2,516	84
Investment in an associate	(4,120)	(2,000)
Interest received	730	242
Net cash used in investing activities	(29,801)	(13,262)
Financing activities		
Proceeds from new bank and other loans	–	241,900
Repayments of bank and other loans	(73,967)	(299,893)
Borrowing costs paid	(11,952)	(10,892)
Net cash used in financing activities	(85,919)	(68,885)
Net decrease in cash and cash equivalents	(58,239)	(8,977)
Cash and cash equivalents at 1 January	227,143	33,866
Effect of foreign exchange rate changes	(1,997)	223
Cash and cash equivalents at 30 June	166,907	25,112

The notes on pages 36 to 58 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

I CORPORATE INFORMATION

Canggang Railway Limited (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 BASIS OF PREPARATION

Prior to the incorporation of the Company, the Group’s businesses were conducted through Cangzhou Canggang Railway Company Limited (“Canggang Company”) and its subsidiaries (together, the “Canggang Group”) and the Canggang Group’s interests in associates. Pursuant to a group reorganisation to rationalise the corporate which was completed on 17 June 2019 (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 and beneficially owned by Mr. Liu Yongliang before and after the Reorganisation. 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 and there were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganisation. Accordingly, the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has 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 interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.



2 BASIS OF PREPARATION *(Continued)*

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report for the six months ended 30 June 2021 (the “Reporting Period”) have not been reviewed by KPMG, the Company’s external auditor, but have been reviewed by the audit committee of the Company.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to the IFRSs, issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16, *Interest rate benchmark reform – phase 2*

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.



NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE

(a) 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 recognised over time. Further details regarding the Group's principal activities are disclosed in Note 4(b).

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers		
Disaggregated by major service lines:		
– Rail freight transportation	141,007	129,598
– Ancillary services		
– Loading and unloading	32,024	31,122
– Road freight transportation	9,530	17,537
– Construction, maintenance and repair	1,010	2,330
– Others	4,959	3,171
Subtotal	47,523	54,160
	188,530	183,758



4 REVENUE (Continued)

(a) Revenue (Continued)

- (ii) For the six months ended 30 June 2021 and 2020, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective periods are set out below:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Customer A	24,356	25,261
Customer B	22,236	*
Customer C	21,268	18,857
Customer D	*	33,957

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

Note: Customer C includes a group of our customers that are under the common control of the same ultimate shareholder.

- (iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing contracts as at 30 June 2021 and 31 December 2020 are as follows, which represent revenue expected to be recognised in the future from construction, maintenance and repair contracts entered into by the customers with the Group.

	At	At
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Within 1 year	1,897	2,030
Over 1 year	7,526	8,408
	9,423	10,438



NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE (Continued)

(b) Segment reporting

The Group manages its businesses by provision of services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes 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.

- Rail freight transportation: this segment provides rail freight transportation in the PRC.
- Ancillary services: this segment provides freight loading and unloading services, road freight transportation and other services in the PRC.

(i) Segment results

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 and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is "adjusted operating profit". To arrive at adjusted operating profit, the Group's operating profit is adjusted for items not specifically attributed to individual segments, such as general and administration expenses and other income. No inter-segment revenue has occurred during the six months ended 30 June 2021 and 2020. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other income, finance costs 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.



4 REVENUE (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

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 for the six months ended 30 June 2021 and 2020 is set out below.

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue from external customers		
– Rail freight transportation	141,007	129,598
– Ancillary services	47,523	54,160
	188,530	183,758
Segment result		
– Rail freight transportation	69,354	64,981
– Ancillary services	3,807	8,548
	73,161	73,529

(ii) Reconciliation of segment results

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Segment result	73,161	73,529
General and administration expenses	(9,969)	(12,855)
Other income	5,823	2,065
Finance costs	(11,878)	(12,076)
Share of loss of associates	(103)	(221)
Consolidated profit before taxation	57,034	50,442



NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information

The Group's revenue is substantially generated from provision of rail freight transportation and related ancillary services in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

5 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Government grants	5,000	1,216
Interest income	730	663
Net gains/(losses) on disposal of property, plant and equipment	26	(12)
Others	67	198
	5,823	2,065

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Total interest expense on bank and other loans	11,878	12,076



6 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	31,206	27,430
Contributions to defined contribution retirement plans	3,483	612
	34,689	28,042
	34,689	28,042

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in a defined contribution retirement benefit plan managed by the local government authorities. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the defined salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plans at their normal retirement age.

The Group also participates in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Hong Kong Mandatory Provident Fund Schemes Ordinance.

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



NOTES TO THE FINANCIAL STATEMENTS

6 PROFIT BEFORE TAXATION (Continued)

(c) Other items:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Depreciation		
– property, plant and equipment	15,475	15,911
– right-of-use assets	2,235	2,235
	17,710	18,146
Short-term lease charges with remaining lease term of not more than 12 months	156	169
Auditors' remuneration		
– annual audit services	630	–
– services in connection with the initial listing of the Company's shares	–	825
Cost of inventories (Note 11(b))	11,859	11,805
	11,859	11,805

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current tax		
Provision for the period	14,252	13,864
Deferred tax		
Origination and reversal of temporary differences	368	394
	14,620	14,258



7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.
- (ii) The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2021 (2020: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the six months ended 30 June 2021 (2020: RMB Nil).
- (iii) The Group's PRC subsidiaries (excluding Hong Kong) are subject to PRC Corporate Income Tax at a rate of 25% during the six months ended 30 June 2021 (2020: 25%).

8 DIVIDEND

Subsequent to 30 June 2021, the Board recommended that an interim dividend of HK\$4.83 cents (equivalent to approximately RMB4.0 cents) per ordinary share will be paid on or around 18 October 2021 to the shareholders on the register of members of the Company on 7 October 2021. The interim dividend has not been recognised as a liability at the end of the Reporting Period.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months 30 June 2021 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB42,304,000 and the weighted average of 1,000,000,000 ordinary shares, in issue during the six months ended 30 June 2021.

The basic earnings per share for the six months 30 June 2020 is calculated based on the profit attributable to equity shareholders of the Company of RMB35,531,000 and weighted average of 750,000,000 ordinary shares, which comprised 10,000 ordinary shares issued as at 1 January 2020 and 749,990,000 ordinary shares issued on 16 June 2020 by way of capitalisation, as if the total 750,000,000 ordinary shares were outstanding throughout the six months ended 30 June 2020.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2021 and 2020.



NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

- (i) The Group's property, plant and equipment are all located in the PRC.
- (ii) During the six months period ended 30 June 2021, the Group has paid RMB20.8 million for the upgrading and renovating the basic infrastructure of our Canggang Railway Line to enhance the safety and increase the overall capacity of railway operation.
- (iii) At 30 June 2021, property certificates of certain items of the Group's properties with carrying amounts of RMB64,589,000 (31 December 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.

11 INVENTORIES

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Fuel	2,083	1,971
Materials and consumables	3,858	3,933
	5,941	5,904

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

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Carrying amount of inventories used	11,859	11,805



12 TRADE AND BILLS RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables	64,856	50,364
Bills receivables (Notes (ii) and (iii))	46,278	46,204
	<u>111,134</u>	<u>96,568</u>

Notes:

- (i) All of the trade and bills receivables, net of loss allowance, are expected to be recovered within one year.
- (ii) At 30 June 2021, the carrying amounts of the Group's bills receivables that have been endorsed to the Group's suppliers and other creditors to settle the Group's trade and other payables towards these suppliers but have not been derecognised in the consolidated financial statements were RMB9,660,000 (31 December 2020: RMB9,903,000).
- (iii) At 30 June 2021, the Group has no bills receivables that have been factored to banks but have not been derecognised in the consolidated financial statements (31 December 2020: 5,000,000).

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:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month	34,940	26,858
1-6 months	26,807	15,722
6-12 months	1,322	2,873
more than 12 months	1,787	4,911
	<u>64,856</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.



NOTES TO THE FINANCIAL STATEMENTS

13 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Receivables relating to disposal of property, plant and equipment	<u>12,909</u>	<u>10,142</u>
Financial assets measured at amortised cost	<u>12,909</u>	<u>10,142</u>
Value-added tax recoverable	2,109	1,830
Deposits	3,016	1,179
Prepayments for purchase of inventories and prepaid expenses	<u>2,599</u>	<u>2,166</u>
	<u>20,633</u>	<u>15,317</u>
Less: Non-current portion		
– Receivables relating to disposal of property, plant and equipment	<u>(2,836)</u>	<u>(2,734)</u>
Current portion of prepayments and other receivables	<u>17,797</u>	<u>12,583</u>

Note:

Except for the non-current portion of receivables relating to disposal of property, plant and equipment, which are expected to be recovered in 2–3 years, other prepayments and other receivables, net of loss allowance, are expected to be recovered or recognised as expenses within one year.



14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank deposits	166,894	227,115
Cash on hand	13	28
	<hr/>	<hr/>
Cash at bank and on hand in the consolidated statement of financial position and cash and cash equivalents in the consolidated cash flow statement	166,907	227,143
	<hr/> <hr/>	<hr/> <hr/>

15 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:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month	26,259	8,851
1 to 3 months	3,004	6,254
3 to 6 months	1,652	4,454
6 to 12 months	1,043	3,367
Over 12 months	1,577	3,907
	<hr/>	<hr/>
	33,535	26,833
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE FINANCIAL STATEMENTS

16 OTHER PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Payables for acquisitions of property, plant and equipment	1,063	7,265
Payables for acquisitions of right-of-use assets – third parties	29,484	29,484
Payables for staff costs	11,215	12,636
Payables for other labour costs	–	1,634
Payables for expenditures incurred in connection with the initial listing of the Company's shares	–	400
Others	4,682	4,064
	<u>46,444</u>	<u>55,483</u>
Financial liabilities measured at amortised cost	<u>46,444</u>	<u>55,483</u>

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

17 CONTRACT LIABILITIES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Prepayments received from customers for rail freight transportation and related ancillary services	<u>3,119</u>	<u>2,524</u>

The Group receives prepayments from certain customers on acceptance of the orders. The prepayments are recognised as contract liabilities until the Group recognised the related revenue.

No contract liabilities are expected to be recognised as revenue after more than one year.



18 BANK AND OTHER LOANS

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans:		
– Secured	330,461	369,086
– Unsecured	29,540	30,045
	360,001	399,131
Other loans:		
– Secured	18,708	37,028
– Unsecured	2,486	19,077
	21,194	56,105
	381,195	455,236

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



NOTES TO THE FINANCIAL STATEMENTS

18 BANK AND OTHER LOANS (Continued)

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year or on demand	61,536	118,051
After 1 year but within 2 years	282,606	163,085
After 2 years but within 5 years	37,053	174,100
	<u>319,659</u>	<u>337,185</u>
	<u>381,195</u>	<u>455,236</u>

(c) At 30 June 2021, the Group's secured bank loans of RMB330,461,000 (31 December 2020: RMB369,086,000) were secured by the following assets of the Group:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Carrying amount:		
Right-of-use assets	102,983	119,327
Property, plant and equipment	8,099	8,261
Bills receivables (Note 12(iii))	-	5,000
	<u>111,082</u>	<u>132,588</u>

Included in the Group's secured bank loans as at 30 June 2021, RMB84,105,000 were also guaranteed by Cangzhou Railway Logistics Services Company Limited ("Cangzhou Logistics") (31 December 2020: RMB85,115,000).



18 BANK AND OTHER LOANS *(Continued)*

- (d) At 30 June 2021, the Group's secured other loans of RMB18,708,000 (31 December 2020: RMB37,028,000) were secured by the following assets of the Group:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Carrying amount:		
Property, plant and equipment	133,496	138,336
Right-of-use assets	7,047	7,128
	140,543	145,464

Included in the Group's secured other loans as at 30 June 2021, RMB3,500,000 (31 December 2020: RMB16,563,000) were also guaranteed by Cangzhou Logistics and secured by equity interests of Canggang Company held by Cangzhou Logistics.

- (e) At 30 June 2021, the Group's unsecured other loans of RMB2,486,000 are interest-bearing at 4.75% per annum and repayable in the years ending 31 December 2021 and 2022.

Included in the Group's unsecured other loans as at 31 December 2020, RMB16,407,000 are unsecured, interest-bearing at 1% per annum and repayable in 2022. The remaining other loans are unsecured, interest-bearing at 4.75% per annum and repayable in 2021.



NOTES TO THE FINANCIAL STATEMENTS

18 BANK AND OTHER LOANS (Continued)

- (f) The following table details the interest rate profile of the Group's borrowings at the end of each reporting period:

	As at 30 June 2021		As at 31 December 2020	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
	%		%	
Fixed rate borrowings				
Bank loans	5.00%-5.50%	360,001	3.00%-6.18%	399,131
Other loans	4.75%	2,486	1.00%-4.75%	19,077
		<u>362,487</u>		<u>418,208</u>
		-----		-----
Variable rate borrowings				
Other loans	6.01%-6.92%	18,708	6.01%-6.92%	37,028
		<u>18,708</u>		<u>37,028</u>
Total borrowings		<u>381,195</u>		<u>455,236</u>
		-----		-----
Fixed rate borrowings as a percentage of total borrowings		<u>95%</u>		<u>92%</u>
		=====		=====

19 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Dividends

- (i) *Dividends payable to equity shareholders of the Company attributable to the interim period*

Subsequent to 30 June 2021, the Board recommended that an interim dividend of HK\$4.83 cents (equivalent to approximately RMB4.0 cents) per ordinary share will be paid on or around 18 October 2021 to the shareholders on the register of members of the Company on 7 October 2021. The interim dividend 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, approved and paid during the interim period*

The directors of the Company have not approved or paid dividends in respect of the previous year during the six months ended 30 June 2021 (2020: Nil).



19 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS *(Continued)*

(b) Share capital

(i) *Authorised share capital*

On 19 October 2018, the Company's date of incorporation, the Company's authorised share capital was HK\$380,000, comprising 38,000,000 ordinary shares of HK\$0.01 each.

On 16 June 2020, the Company passed resolutions to increase the authorised 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 19 October 2018, one share in the Company was allotted and issued. On the same date, 9,071 shares and 478 shares were allotted and issued, respectively, at par value.

On 21 December 2018, 450 shares were allotted and issued at par value.

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.



NOTES TO THE FINANCIAL STATEMENTS

20 COMMITMENTS

Capital commitments outstanding at the end of each Reporting Period not provided for in the financial statements were as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Commitments in respect of property, plant and equipment:		
– Contracted for	33,749	7,702

21 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

The material related party transactions entered into by the Group during the six months ended 30 June 2021 and 2020 and the balances with related parties at the end of each Reporting Period are set out below.

(a) Names and relationships of the related parties that had material transactions with the Group during the period:

Name of related parties	Relationship
Cangzhou Chengyu Railway Company Limited* ("Chengyu Company") (滄州市騁宇鐵路有限責任公司)	A company controlled by the controlling shareholder
Cangzhou City Shangcheng Business Trading Co., Ltd.* ("Shangcheng") (滄州市尚誠商貿有限公司)	An associate of the Group

* The official names of these entities are in Chinese. The English translation names are for identification purpose only.

(b) Transactions with related parties during the period

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Provision of rail freight transportation and related ancillary services		
– Shangcheng	197	148
Short-term lease charges		
– Chengyu Company	5	5



21 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Balances with related party

The Group's balances with related party at the end of each Reporting Period are as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Payables for short-term leases – Chengyu Company	1	1

(d) Other related party transactions

On 12 August 2019, Chengyu Company has granted the Group a gratuitous right to use its leasehold land for operating the Group's railway and rail yards for a period of 20 years. No rental was charged during the six months ended 30 June 2021 and 2020.

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of short-term lease (see Note 21(b)) and lease of leasehold land (see Note 21(d)) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing rules. However, those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1)(a).



NOTES TO THE FINANCIAL STATEMENTS

22 THE IMPACT OF COVID-19 PANDEMIC

The COVID-19 outbreak since early 2020 has significantly affected entities and economic activities globally and brought additional uncertainty to the Group's operating. The Group had been closely monitoring the impact on the developments on the Group's businesses and had put in place contingency measures, which includes assessing the impact on customers and liaising with key customers, and developing more sales channels. Up to the date of this report, management has not identified any areas that could have a material impact on the financial performance or position of the Group as at 30 June 2021.

Nevertheless, as COVID-19 continues to evolve, it is challenging at this moment to predict the full extent and duration of its impact to the business and the economy. The Group will continue to take measures, including but not limited to, controlling its operating costs, monitoring its cash flows, paying close attention to the development of the COVID-19 to its operations and continuously assessing its impact to the Group's financial statements, adequately adjusting its business plans, to protect the Group's benefits and interests in this challenging business environment and be well prepared for the business opportunities.