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## **Canggang Railway Limited**

**滄港鐵路有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2169)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **INTERIM RESULTS**

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

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	<b>188,530</b>	183,758
Operating profit	<b>69,015</b>	62,739
Profit before taxation	<b>57,034</b>	50,442
Profit for the period	<b>42,414</b>	36,184
Earnings per share, basic and diluted (RMB)	<b>0.04</b>	0.05

The Board has recommended the distribution of an interim dividend of HK\$4.83 cents (equivalent to approximately RMB4.0 cents) per ordinary share for the six months ended 30 June 2021.

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(For the six months ended 30 June 2021)*

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

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the period</b>	<b>42,414</b>	36,184
<b>Other comprehensive income for the period (after tax):</b>		
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>
<b>Total comprehensive income for the period</b>	<b><u>40,417</u></b>	<b><u>36,209</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>40,307</b>	35,556
Non-controlling interests	<b><u>110</u></b>	<u>653</u>
<b>Total comprehensive income for the period</b>	<b><u>40,417</u></b>	<b><u>36,209</u></b>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(As at 30 June 2021)

		As at <b>30 June</b> <b>2021</b> <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	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		2,836	2,734
<b>Total non-current assets</b>		<b>983,958</b>	976,728
<b>Current assets</b>			
Inventories		5,941	5,904
Trade and bills receivables	10	111,134	96,568
Prepayments and other receivables		17,797	12,583
Cash and cash equivalents		166,907	227,143
<b>Total current assets</b>		<b>301,779</b>	342,198
<b>Current liabilities</b>			
Bank and other loans	12	61,536	118,051
Trade payables	11	33,535	26,833
Other payables		46,444	55,483
Contract liabilities		3,119	2,524
Current taxation		11,439	9,262
<b>Total current liabilities</b>		<b>156,073</b>	212,153
<b>Net current assets</b>		<b>145,706</b>	130,045
<b>Total assets less current liabilities</b>		<b>1,129,664</b>	1,106,773
<b>Non-current liabilities</b>			
Bank and other loans	12	319,659	337,185
<b>Total non-current liabilities</b>		<b>319,659</b>	337,185
<b>NET ASSETS</b>		<b>810,005</b>	769,588
<b>CAPITAL AND RESERVES</b>			
Share capital	13	8,607	8,607
Reserves		771,957	731,650
<b>Total equity attributable to equity shareholders of the Company</b>		<b>780,564</b>	740,257
<b>Non-controlling interests</b>		<b>29,441</b>	29,331
<b>TOTAL EQUITY</b>		<b>810,005</b>	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 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 unaudited condensed consolidated interim financial information 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 unaudited condensed consolidated interim financial information 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.

The unaudited condensed consolidated interim financial information 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 unaudited condensed consolidated interim financial information 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 unaudited condensed consolidated interim financial information 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 unaudited condensed consolidated interim financial information 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.

#### 4 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:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Revenue from contracts with customers</b>		
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
	<u>47,523</u>	<u>54,160</u>
Subtotal	<u>47,523</u>	<u>54,160</u>
	<u>188,530</u>	<u>183,758</u>

- (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.

## 5 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	<u>11,878</u>	<u>12,076</u>

### (b) Staff costs:

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

### (c) Other items:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation		
– property, plant and equipment ( <i>Note 8</i> )	15,475	15,911
– right-of-use assets ( <i>Note 9</i> )	<u>2,235</u>	<u>2,235</u>
	<u>17,710</u>	<u>18,146</u>
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 ( <i>Note 10(b)</i> )	<u>11,859</u>	<u>11,805</u>

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

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

## 7 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 whose names appear 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.

## 8 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.

## 9 PROPERTY, PLANT AND EQUIPMENT

- (i) The Group's property, plant and equipment are all located in the PRC.
- (ii) During the six months 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.

## 10 TRADE AND BILLS RECEIVABLES

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Trade receivables	64,856	50,364
Bills receivables ( <i>Notes (ii) and (iii)</i> )	<u>46,278</u>	<u>46,204</u>
	<u><u>111,134</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 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 derecognized 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 derecognized in the consolidated financial statements (31 December 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:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
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	<u>1,787</u>	<u>4,911</u>
	<u><u>64,856</u></u>	<u><u>50,364</u></u>

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

## 11 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 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
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
	<u>33,535</u>	<u>26,833</u>

## 12 BANK AND OTHER LOANS

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

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

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

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

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
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 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Carrying amount:		
Right-of-use assets(Note 9(ii))	102,983	119,327
Property, plant and equipment(Note 8(iii))	8,099	8,261
Bills receivables(Note 11(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).

- (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:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Carrying amount:		
Property, plant and equipment (Note 8(iv))	133,496	138,336
Right-of-use assets (Note 9(ii))	7,047	7,128
	<u>140,543</u>	<u>145,464</u>

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.

- (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
<b>Fixed rate borrowings</b>				
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>
<b>Variable rate borrowings</b>				
Other loans	6.01%-6.92%	18,708	6.01%-6.92%	37,028
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>

## 13 SHARE CAPITAL

### (i) Authorised share capital

On 19 October 2018, the Company's date of incorporation, the Company's authorized 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 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 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.

## 14 COMMITMENTS

Capital commitments outstanding at the end of each Reporting Period not provided for in the unaudited condensed consolidated interim financial information were as follows:

	As at 30 June 2021	As at 31 December 2020
Commitments in respect of property, plant and equipment:		
– contracted for	<u>33,749</u>	<u>7,702</u>

## **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 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 compare 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 customer 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 announcement, 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.

## FINANCIAL REVIEW

### Revenue

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

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 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, of which RMB319.7 million was long-term borrowing. We had unutilized 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.

### **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 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 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 announcement.

## **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 announcement.

## **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.

## **CORPORATE GOVERNANCE**

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

## **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 the Model Code during the Reporting Period and up to the date of this announcement.

## **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.

## **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**

This results announcement is published on the Company's website at [www.czcgtl.com](http://www.czcgtl.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report for the six months ended 30 June 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:

“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
“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 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 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, 26 August 2021

*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.*