CANGGANG RAILWAY LIMITED
滄港鐵路有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 2169

GLOBAL OFFERING

Sole Sponsor

Innovax Capital

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Innovax Securities

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

Canggang Railway Limited
滄港鐵路有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	**:**	**250,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**25,000,000 Shares (subject to reallocation)**
Number of International Placing Shares	**:**	**225,000,000 Shares (subject to the Over-allotment Option and reallocation)**
Offer Price (subject to Downward Offer Price Adjustment)	**:**	**Not more than HK$1.10 per Offer Share, and expected to be not less than HK$0.85 per Offer Share, plus brokerage of 1.00%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$0.77 per Offer Share)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**2169**

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光大证券 EVERBRIGHT SECURITIES

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (WUMP) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on or before Thursday, October 15, 2020 or such later time as may be agreed between the parties, but in any event, no later than Friday, October 16, 2020. If, for any reason, the Joint Global Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Friday, October 16, 2020, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$1.10 per Share and is expected to be not less than HK$0.85 per Share (subject to Downward Offer Price Adjustment) unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum offer price of HK$1.10 for each Offer Share together with brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK$1.10.

The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.czcgtl.com** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except that the Offer Shares may be offered, sold or delivered in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

October 12, 2020

We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.czcgtl.com** if there is any change to the following expected timetable of the Hong Kong Public Offering.

(Note 1)

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from . . . . 9:00 a.m. on Monday, October 12, 2020

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** *(Note 2)* . . . . 11:30 a.m. on Thursday, October 15, 2020

Application lists of the Hong Kong Public Offering open *(Note 3)* . . . . 11:45 a.m. on Thursday, October 15, 2020

Latest time to complete payment for the **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Thursday, October 15, 2020

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . 12:00 noon on Thursday, October 15, 2020

Latest time to give **electronic application instructions** to HKSCC *(Note 4)* . . . . 12:00 noon on Thursday, October 15, 2020

Application lists of the Hong Kong Public Offering close *(Note 3)* . . . . 12:00 noon on Thursday, October 15, 2020

Expected Price Determination Date *(Note 5)* . . . . on or around Thursday, October 15, 2020

Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see "Structure of the Global Offering – Price determination of the Global Offering" in this prospectus) on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.czcgtl.com** on or before . . . . Thursday, October 22, 2020

(i) Announcement of:
the final Offer Price;
the level of applications in the Hong Kong Public Offering;
the level of indications of interest in the International Placing; and
the basis of allocation of the Hong Kong Offer Shares,
to be published on or before . . . . Thursday, October 22, 2020

(ii) Announcement of results of allocation of the Hong Kong Public Offering (with identification document numbers or business registration numbers of successful applicants, where appropriate) to be available through a variety of channels as set out in "How to apply for Hong Kong Offer Shares – 11. Publication of results" of this prospectus from . . . . Thursday, October 22, 2020

(iii) A full announcement of the Hong Kong Public Offering containing (i) and (ii) above will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.czcgtl.com** from . . . . Thursday, October 22, 2020

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID/Business Registration Number" function from . . . . Thursday, October 22, 2020

Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before *(Note 6)* . . . . Thursday, October 22, 2020

Despatch/collection of e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before *(Notes 7 to 8)* . . . . Thursday, October 22, 2020

Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . Friday, October 23, 2020

Notes:

(1) All times and dates refer to Hong Kong local time, except otherwise stated. See "Structure of the Global Offering" for further details of the structure of the Global Offering, including conditions of the Global Offering.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a ‘‘black’’ rainstorm warning, an ‘‘extreme condition’’ announced by the Government of Hong Kong, or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 15, 2020, the application lists will not open on that day. See ‘‘How to apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists’’ for further details.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to ‘‘How to apply for Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS’’ in this prospectus for further details.

(5) The Price Determination Date is expected to be on or around Thursday, October 15, 2020. If, for any reason, the Offer Price is not agreed by Friday, October 16, 2020 between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

(6) Share certificates for the Offer Shares are expected to be issued on or about Thursday, October 22, 2020, but will only become valid certificates of title at 8:00 a.m. on Friday, October 23, 2020, provided that: (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated in accordance with its own terms.

(7) Refund cheques or e-Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

(8) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, October 22, 2020 or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques. Individual applicants who are eligible for personal collection may not authorize any other person to collect on their behalf. Corporate applicants which are eligible for personal collection may arrange for collection by their authorized representatives bearing letters of authorization from the corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants’ stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to those bank accounts in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the addresses as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares, any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

The above expected timetable is a summary only. See “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” for further details of the structure of the Global Offering, including the conditions of the Global Offering and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the public offering of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to the registration with or authorization by the relevant securities regulatory authorities or an exception therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide whether to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

We are an established and expanding local railway operator based in Hebei Province providing eastbound and westbound rail freight transportation services and other ancillary services, including loading and unloading, road freight transportation, operation, repair and maintenance of Special Service Lines, railway roadbed and other railway facility construction and certain other businesses. According to the Frost & Sullivan Report, we ranked first among all local freight railway operators in Hebei Province and fourth among all local freight railway operators in China in terms of revenue in 2019. We operate one railway, the Canggang Railway Line (滄港線), which is strategically located, effectively connecting the Shuo-Huang Railway Line (朔黃線) and the Han-Huang Railway Line (邯黃線) with the Bohai New Area in Cangzhou (滄州渤海新區), a national economic and technological development area encompassing Port Huanghua (黃驊港), an important and busy port on the east coast of Hebei Province/ Bohai Bay (渤海灣). Our railway line also connects the Beijing-Shanghai Railway Line (京滬線) to this area. Therefore, our railway line constitutes a key part of a comprehensive railway-port transportation network that effectively links coal rich regions in west China, particularly Shaanxi Province, Shanxi Province and Inner Mongolia, where a large number of coal mines are located, to the Bohai New Area and Port Huanghua. We believe this positioning provides us with significant strategic advantages and opportunities to grow.

In addition to our core rail freight transportation business, we have developed comprehensive operating capabilities covering various transportation and logistics needs of our customers, particularly those in coal and ore-related industries. We are thus able to provide comprehensive services to our customers, which we believe has allowed us to leverage existing relationships to grow and further diversify our revenue and deepen and strengthen our relationship with our customers. Our ability to provide such ancillary services also helps drive growth of our core rail freight transportation business, as we believe our ability to offer one-stop solutions in terms of freight transportation makes us more attractive to new customers.

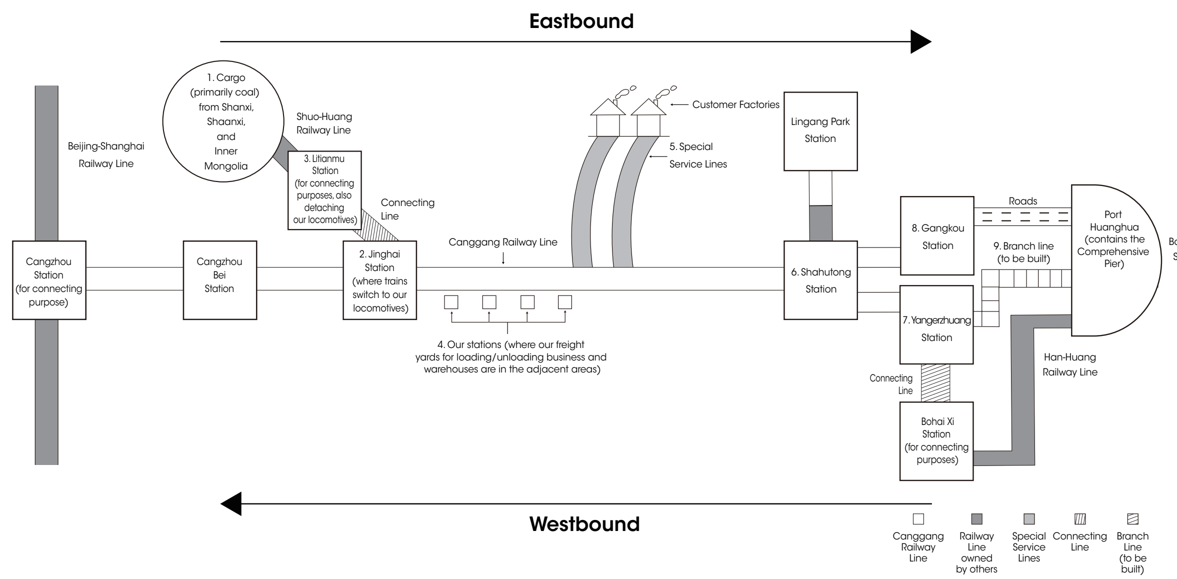
Our revenue for the years ended December 31, 2017, 2018 and 2019, and the five months ended May 31, 2019 and 2020 was approximately RMB354.3 million, RMB386.9 million, RMB376.9 million, RMB150.2 million and RMB151.8 million, respectively. Our profit for the years ended December 31, 2017, 2018 and 2019, and the five months ended May 31, 2019 and 2020 was approximately RMB80.4 million, RMB81.5 million, and RMB69.5 million, RMB25.1 million and RMB30.0 million, respectively. The decrease in our profit for 2019 compared with 2018 was largely related to (i) a decrease in revenue from our loading and unloading business of RMB19.2 million, primarily as a result of regulatory changes at the end of 2018 which impacted our ability to transport coal directly to Port Huanghua and therefore affecting our related loading and unloading business; and (ii) an increase in general and administrative expenses of RMB8.6 million, primarily due to the increase in listing expenses. On August 15, 2019 we received the consent letter from the Han-Huang Railway Line to connect our railway line to the Han-

Huang Railway Line via our Han-Huang connecting line to transport cargo directly to Port Huanghua entirely by rail. On August 20, 2019, our Han-Huang connecting line commenced operations. Our fee charged on the majority of our customers for the use of our Han-Huang connecting line to reach Port Huanghua via Han-Huang Railway Line is approximately RMB0.25 per tonne per km (except for Han Huang Railway Co., Ltd., with which we have a special price arrangement as they may use their own locomotive for transportation), which is comparable to that for using other parts of the Canggang Railway Line since we charged similar unit price, i.e. price per tonne per km in respect of transportation of cargo via both Han-Huang connecting line and other parts of the Canggang Railway Line and hence, we expect the respective railway lines will have similar profitability. Nonetheless, we believe this connecting line will help us increase revenue going forward by increasing the overall demand for our rail freight transportation service. Our revenue from rail freight transportation increased from RMB100.5 million for the five months ended May 31, 2019 to RMB107.2 million for the five months ended May 31, 2020, largely due to an increase in the number of our customers as a result of our management's effort to expand our customer base.

OUR RAILWAY

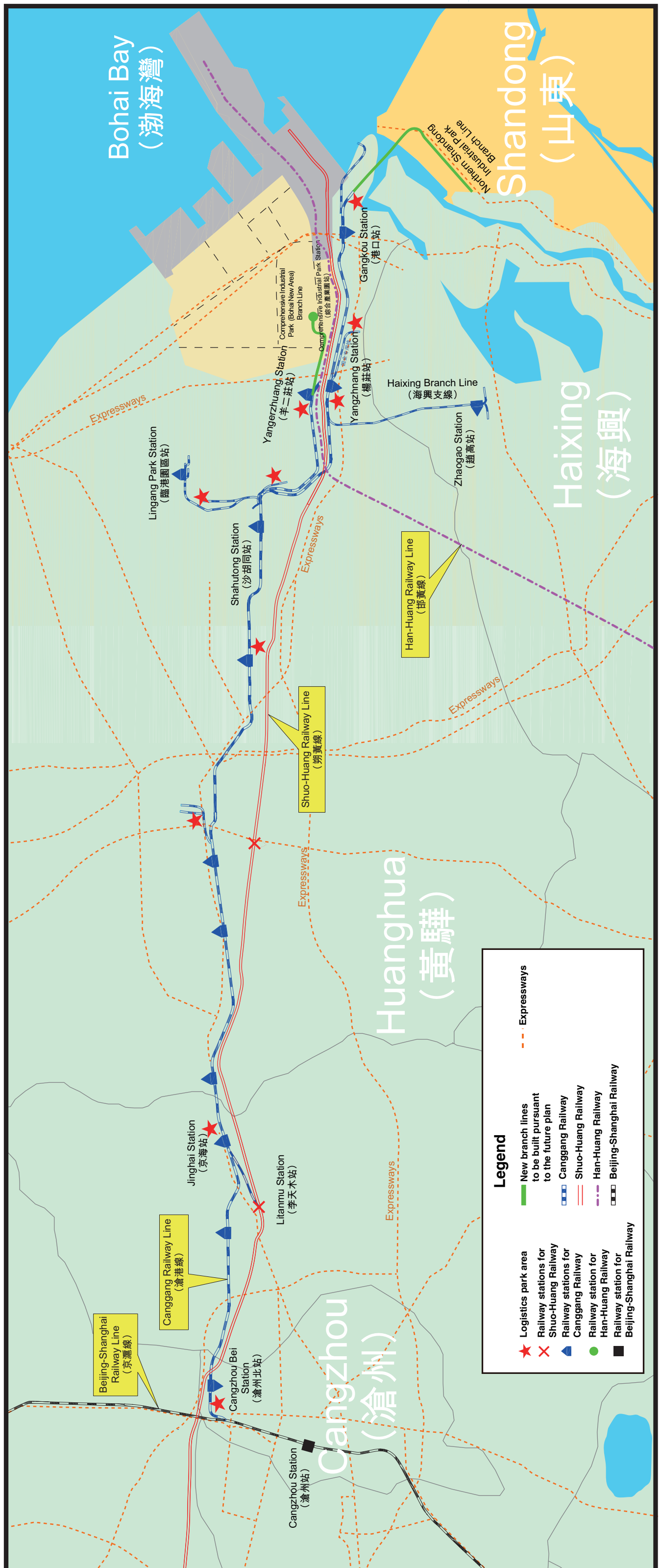
As of the Latest Practicable Date, we operated one local railway, the Canggang Railway Line, which starts in Cangzhou and ends in the Bohai New Area which contains Port Huanghua and two branch lines. Our railway line connects to the Shuo-Huang Railway Line at Litianmu Station in Cangzhou and to the Han-Huang Railway Line at Bohaixi Station. These three railway lines together constitute a comprehensive railway-port transportation network that effectively transports cargo, primarily coal, from coal-rich regions in west China to the Bohai New Area for consumption and further transportation by sea from the Comprehensive Pier at Port Huanghua to areas of high demand for coal in south and east China. Our railway line also connects the Beijing-Shanghai Railway Line to the Bohai New Area. Construction of Canggang Railway Line began in 1979 and operation of the railway first began in 1982. As of the Latest Practicable Date, the total length of the main track of the Canggang Railway Line was approximately 87.4 km. It also has station tracks of approximately 56.1 km, 15 Special Service Lines stretching for a total of approximately 44.2 km and directly connecting certain of our major customers to our main line, two branch lines: (a) a branch line (the Haixing Branch Line* (海興支線)) stretching approximately 12.6 km and connecting us with Haixing Freight Yard; and (b) a branch line stretching approximately 5.3 km from Shahutong Station to Lingang Park Station (3.2 km of which is made up of a Special Service Line); and a railway line connecting us with Shuo-Huang Railway Line of approximately 7.1 km and a railway line connecting us with Han-Huang Railway Line of approximately 7.1 km, together with the main track constituting the total length of the whole Canggang Railway Line of approximately 216.6 km. As of the same date, there were a total of 13 stations on the Canggang Railway Line, 10 stations on the main track and three stations on branch lines.

The following diagram illustrates the typical steps involved in our rail freight transportation operations for transporting coal:



See "Business – Our Business – Rail Freight Transportation" for details.

The following map shows the location and other related information for the Canggang Railway Line from Cangzhou to Port Huanghua.



OUR BUSINESS

We primarily engage in rail freight transportation and other ancillary businesses as follows:

- **Rail Freight Transportation**: Rail freight transportation is our core business. We provide rail freight transportation services through the Canggang Railway Line, transporting a variety of cargo (primarily including coal and, to a lesser extent, petroleum, ore, and other cargo including PVC, asphalt and gravel) between Cangzhou and Port Huanghua and charging transportation fees for such services. The pricing for our railway transportation services is subject to maximum price caps set in relevant government regulation. We conduct price reviews annually taking into consideration regulations and market conditions and trends, and adjust our pricing if needed. The relevant government authorities review and consider to adjust the pricing regulations if they receive such request from railway enterprises. Such adjustment is typically made by authorities depending on various factors, including but not limited to market conditions, inflation, relevant labor costs and railway length. The most recent adjustment in price guidelines for Canggang Railway Line was in March 2008, when the Price Bureau of Hebei Province* (河北省物價局) approved Chengyu Company, the then operator of Canggang Railway Line, to increase the transportation price cap from RMB0.175 per tonne/km to RMB0.25 per tonne/km for regular cargo, and there had been no further price cap adjustment since then. Accordingly, we have limited discretion in setting prices and we can only set the unit prices (in terms of RMB per tonne/km) within the limits set by the relevant authorities. See "Regulatory Overview – Pricing for Railway Transportation" for further details.

- **Ancillary Businesses**: We also engage in a number of other businesses related to our main rail freight transportation business. Such businesses include:

  - **Loading and Unloading**: To supplement our rail freight transportation business, we provide loading and unloading services for cargo transported by us and others through railway and road.

  - **Road Freight Transportation:** During the Track Record Period we also supplemented our rail freight transportation business by providing road freight transportation services to transport cargo (i) between the stations on the Canggang Railway Line and our customers' premises; (ii) to/from the various piers of Port Huanghua both before and after transportation by railway/by sea; and (iii) between our customers' premises located at Port Huanghua to the Comprehensive Pier. Following issuance of the Action Plan we have not been able to use road transportation to transport coal to Port Huanghua and, by the heating season of 2020, the same restrictions will apply to other bulk cargo in principle. Such restriction has caused us to cease road transportation of coal into Port Huanghua since October 2018. As a result, the revenue derived from Customer B, being our second largest customer for the year ended December 31, 2017 and our largest customer for the years ended December 31, 2018 and 2019 from which we derived most of our revenue from transportation to Port Huanghua, decreased to approximately RMB58.5 million for the year ended December 31 2019 as compared to RMB87.6 million for the year ended December 31 2018.

- **Construction, Maintenance and Repair**: We provide construction, maintenance and repair services, primarily including operation, repair and maintenance of Special Service Lines (being dedicated railway lines generally owned by us, our customers and logistic companies operating the factories or premises which the Special Service Lines are connected to) and railway roadbed and other railway facility construction.

- **Other Businesses:** We also provide certain additional ancillary businesses, primarily including car arrival service, freight agency, antifreeze treatment and scattering prevention of coal services. During the Track Record Period, we also provided coal filtering services to some of our customers.

The following table sets forth a breakdown of our revenue by business category for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2017		2018		2019		2019		2020	
	RMB in thousands, other than percentages									
							(unaudited)			
Rail freight transportation	253,026	71.4%	259,423	67.1%	259,065	68.8%	100,454	66.9%	107,208	70.6%
Ancillary businesses										
Loading and unloading	73,350	20.7%	84,833	21.9%	65,654	17.4%	28,877	19.2%	24,560	16.2%
Road freight transportation	18,196	5.1%	33,841	8.7%	32,530	8.6%	17,047	11.4%	15,612	10.3%
Construction, maintenance and repair(1)	7,513	2.1%	6,528	1.7%	15,525	4.1%	2,923	1.9%	2,054	1.4%
Others(2)	2,258	0.6%	2,264	0.6%	4,130	1.1%	857	0.6%	2,397	1.5%
Subtotal	101,317	28.6%	127,466	32.9%	117,839	31.2%	49,704	33.1%	44,623	29.4%
Total	**354,343**	**100.0%**	**386,889**	**100.0%**	**376,904**	**100.0%**	**150,158**	**100.0%**	**151,831**	**100.0%**

Notes:

(1) Primarily includes revenue from operation, repair and maintenance of Special Service Lines, and railway roadbed and other railway facility construction, among others.

(2) Primarily includes revenue from car arrival service, freight agency, antifreeze treatment and scattering prevention of coal services and coal filtering, among others.

The following table sets forth a breakdown of revenue generated from rail freight transportation, transportation volume and average selling price per unit by cargo types for the periods indicated:

	For the year ended December 31,									For the five months ended May 31,					
	2017			2018			2019			2019			2020		
Cargo types	Revenue	Volume	Average selling price per tonne	Revenue	Volume	Average selling price per tonne	Revenue	Volume	Average selling price per tonne	Revenue	Volume	Average selling price per tonne	Revenue	Volume	Average selling price per tonne
	RMB in thousands	*In thousand tonnes*	*RMB*	*RMB in thousands*	*In thousand tonnes*	*RMB*	*RMB in thousands*	*In thousand tonnes*	*RMB*	*RMB in thousands*	*In thousand tonnes*	*RMB*	*RMB in thousands*	*In thousand tonnes*	*RMB*
										(unaudited)					
Coal	213,728	11,641	18.4	203,461	11,674	17.4	191,708	9,728	19.7	72,699	4,986	14.6	79,344	4,120	19.3
Petroleum	19,038	823	23.1	24,600	1,142	21.5	23,825	1,057	22.5	8,081	359	22.5	7,754	332	24.1
Ore	12,184	1,561	7.8	19,566	2,160	9.1	20,601	2,369	8.7	11,897	1,342	8.9	11,131	1,286	8.7
Others (Note 1)	8,076	594	13.6	11,796	721	16.4	22,931	2,956	7.8	7,777	725	10.7	8,979	1,109	8.1
Total	253,026	14,619		259,423	15,697		259,065	16,110		100,454	7,412		107,208	6,837	

Note 1: Primarily includes PVC, asphalt, gravel and others.

For the years ended December 31, 2017 and 2018, our revenue derived from rail freight transportation increased as the total volume of cargo transported by us for the same years increased. The volume and average selling price of coal transported for these years was relatively stable. The volume of ore and petroleum transported westbound increased significantly due to new customers we engaged in 2017 and 2018, while the average selling prices for both cargoes remained relatively stable.

For the year ended December 31, 2019, our overall revenue and transportation volume derived from rail freight transportation remained relatively stable, as a combined effect of (i) a decrease in the volume of coal of 1.9 million tonnes or 16.7%, which was mainly due to restrictions imposed by the Action Plan since late 2018 on coal transportation by road to/from Port Huanghua, making us unable to transport coal designated to Port Huanghua by rail before the operation of the Han-Huang connecting line; (ii) a significant increase in the volume of other cargo of 2.2 million tonnes or 309.8%, primarily as a result of our management's effort to diversify our product mix and business in response to the Action Plan; and (iii) the relatively stable levels of volume of petroleum and ore transported. In the same year, the average selling prices of coal, petroleum and ore remained stable while that of the other cargo fluctuated due to the different product combinations within other cargo. Our revenue derived from rail freight transportation increased for the five months ended May 31, 2020, as compared with the five months ended May 31, 2019, primarily due to an increase in the number of our customers.

For the five months ended May 31, 2020, our revenue from rail freight transportation increased by RMB6.8 million or 6.7% as compared to the corresponding period in 2019. In particular, revenue from rail transportation of coal increased by RMB6.6 million or 9.1%, as a result of the increase in its average selling price from RMB14.6 per tonne to RMB19.3 per tonne as we transported more cargo with final destinations in Shandong Province, which usually has a higher average selling price per tonne. Revenue from other cargo also increased by RMB1.2 million or 15.5% primarily attributable to an increase in the volume transported of 0.4 million tonnes or 52.9%, primarily due to increased transportation volume of gravel as we secured more customers interested in transporting gravel as compared to the five months ended May 31, 2019.

According to Frost & Sullivan, since China is a coal-rich country, it is very difficult for China to significantly reduce the use of coal. Moreover, despite the encouragement from the PRC government, the development of renewable energy has certain limitations including the significant capital requirements and constraints in identifying appropriate locations for the construction of renewable energy plants. Renewable energy consumption in the PRC is expected to increase gradually from approximately 390.5 million toe for 2019 to approximately 610.5 million toe for 2024. However, it is far from sufficient to replace coal as the primary energy source as it represented only approximately 11.7% of total energy consumption in 2019 and is expected to represent only approximately 15.9% of total energy consumption in 2024. Recent data indicates that for the year ended December 31, 2019, coal production and consumption in China increased by 4.0% and 1.0%, respectively, as compared to the year ended December 31, 2018. Coal production and coal demand in China are expected to remain at high levels and even exhibit a mild rate of growth over the next five years. Hence, we believe that the negative impact of the policies relating to coal consumption and production on our business operations and our major customers who are coal producer(s) or consumers(s) will be limited, and that such negative impact on our business operations will be outweighed by the positive impact of the policies directing transportation of coal and bulk cargo from road transportation to railway transportation.

OUR COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe the following competitive strengths have contributed to the success of our business and will continue to distinguish us from our competitors: (i) established and expanding local railway operator with excellent location of our railway and potential to grow; (ii) favorable government policies which help us maintain our geographic advantages; (iii) a high degree of exclusivity and insulation from competition; (iv) strong relationships with our major customers; (v) comprehensive business capabilities with operations covering various aspects of the industry; and (vi) experienced and dedicated management team. See "Business – Our Strengths" in this prospectus for details.

To achieve our goals, we plan to pursue the following business strategies: (i) construct additional branch lines to expand our business scale; (ii) upgrade and increase transportation efficiency of our existing railway; and (iii) explore the potential for westbound transportation business and diversify our sources of income. See "Business – Our Strategies" for further details.

COMPETITION

While there are currently three railways within the Cangzhou-Port Huanghua area, namely, the Canggang Railway Line, the Shuo-Huang Railway Line, and the Han-Huang Railway Line, our Directors understand that direct competition from these railways is limited as these three existing railways target different customers and regions, providing us a significant degree of exclusivity in terms of rail freight transportation business within the greater Cangzhou-Port Huanghua area.

Shuo-Huang Railway

Shuo-Huang Railway starts from Xinzhou in Shanxi and ends in Port Huanghua, part of which, the section stretching from Cangzhou to Port Huanghua (the "Designated Section"), is generally parallel to the main track of Canggang Railway Line. It has a total length of 598 km with an annual transportation capacity of approximately 350 million tonnes, with coal being the primarily transported cargo. The train speed on Shuo-Huang Railway is required to be no faster than 120 km/h. In comparison, the train speed on our railway is required to be no faster than 50 km/h, since we have more stations along our railway and the distance to accelerate between the neighboring stations is relatively shorter as compared to Shuo-Huang Railway. Our transportation business differs from that of Shuo-Huang Railway in the following aspects.

(i) Shuo-Huang Railway is ultimately owned by China Shenhua Energy Co., Ltd.* (中國神華能源股份有限公司) (the "Shenhua Group"). Shenhua Group is primarily engaged in the mining, transportation and sale of coal in the PRC. Shuo-Huang Railway serves as part of Shenhua Group's transportation channel which carries coal mined by them from west China to east China and for further transportation, via sea through Port Huanghua, to south China. According to the Frost & Sullivan Report, the coal transported via the Designated Section is mainly destined to Port Huanghua and is not unloaded along the way to serve local customers. There are only three local stations along the Designated Section, while in contrast, there are 13 local stations along the Canggang Railway Line to facilitate the demand of local customers. Further, due to the presence of Canggang Railway which was constructed before the Shuo-Huang Railway, the Designated Section of the Shuo-Huang Railway is not specified to satisfy local demand for coal within the greater Cangzhou-Port Huanghua area. In practice, the Canggang Railway Line and local logistic service providers with alternative means of freight transportation, such as road freight transportation, are in the area for the purpose of satisfying logistic demand from local enterprises and also for enterprises in northern Shandong with respect to their purchase of coal from Shenhua Group. In addition, while most of the cargo transported via the Designated Section will not be unloaded halfway, we are able to load and unload the cargo in the freight yards located along the Canggang Railway Line and in the port area. In particular, we load and unload cargo in Yangzhuang station, which is in close proximity to northern Shandong area where several of our major customers are located. During the Track Record Period, two of our major customers were located in northern Shandong area, namely Bohui Group and Customer H, together contributing revenue of RMB82.0 million, RMB80.9 million, RMB75.3 million and RMB24.3 million in the years ended December 31, 2017, 2018 and 2019, and the five months ended May 31, 2020, respectively.

(ii) To further facilitate the transportation arrangement for local customers, we further operate Special Service Lines, which connect our main track to certain of our major customers' premises or freight yards for transportation of our customers' cargo. As of May 31, 2020, we operated 15 Special Service Lines. Such Special Service Lines strengthen our relationship with major customers and make it more difficult for potential competitors, such as Shuo-Huang Railway, to compete with us, as once such Special Service Lines are constructed, the cost for other services providers (such as road freight transportation service providers) to transport cargo to such customers is significantly higher while transportation efficiency is lower.

(iii) According to the Frost & Sullivan Report, Shenhua Group established a freight yard in Port Huanghua for loading and unloading cargo for its trains. Such freight yard is designated only for the loading and unload of coal cargo, increasing its operational efficiency but making it not suitable for the logistics of non-coal cargo. The designated use of such freight yard has provided an opportunity for the development of our transportation business of non-coal cargo. Despite the fact that Shenhua Group also established a freight yard near to the station located the middle of Litianmu Station and Port Huanghua, such freight yard is only to facilitate the logistics of non-coal cargo. The transportation volume of such non-coal cargo is minimal to Shuo-Huang Railway and it is not transported to Port Huanghua as limited by the function of Shenhua Group's freight yard in Port Huanghua which is designated for loading and unloading of coal. In contrast to the Shuo-Huang Railway, our Canggang Railway Line reaches multiple freight yards in the port area which are respectively designated for the loading and unloading of coal cargo and non-coal cargo. For the years ended December 31, 2017, 2018 and 2019, and the five months ended May 31, 2020, non-coal cargo accounted for approximately 20.4%, 25.6%, 39.6% and 39.7% of our total rail freight transportation in terms of volume and 15.5%, 21.5%, 26.0% and 26.0% in terms of revenue, respectively, constituting an important part of our rail freight transportation business.

Han-Huang Railway

Han-Huang Railway connects Port Huanghua with Xintai, which is located in the southwest of Hebei Province, with a northeast-southwest alignment. It has a total length of 468 km with an annual transportation capacity of approximately 50 million tonnes. The train speed on Han-Huang Railway is required to be no faster than 160 km/h. In comparison, the train speed on our railway is required to be no faster than 50 km/h since we have a relative shorter distance between neighboring stations. Han-Huang Railway mainly transports coal originating in southern Shanxi from southwest Hebei to Port Huanghua and transports ore in the opposite direction. While Canggang Railway Line is aligned east-west, the coal transported to Port Huanghua via our railway originates from mines which are primarily located in Inner Mongolia and Shaanxi Province and the ore transported westbound via our railway is mainly designated to Shanxi, Shaanxi and Inner Mongolia. As such, direct competition from Han-Huang Railway is considered to be minimal.

Further, the Development and Reform Commission of Cangzhou (滄州市發展和改革委員會) issued the Cangzhou Special Service Railway Plan (滄州市鐵路專用線規劃) in May 2019 to differentiate the functions of the three railway lines, which is in line with our Directors' understanding above.

In addition, based on the Conference Minutes (會談紀要) signed by the People's Government of Hebei Province and the predecessor of the owner and operator of the Shuo-Huang Railway Line in 2000, the Shuo-Huang Railway Line and the freight yard in Port Huanghua shall not compete for transportation business already undertaken by local railways (like ourselves) and ports in Hebei Province. Nonetheless, the Conference Minutes in 2000 are not legally binding. In the event that the owner and operator of the Shou-Huang Railway Line does not act in accordance with the arrangements set out in the minutes, there will be no legal consequence to such party. Despite the fact that the Conference Minutes are not legally binding, the Directors are of the view the chance that the Canggang Railway Line encounters significant competition from Shuo-Huang Railway and Han-Huang Railway is remote, based on the above understanding from our Directors with respect of the differentiation among these railways.

See "Business – Competition" for details of the differentiation of the abovementioned three railway lines.

CUSTOMERS AND SUPPLIERS

Our Customers

Our customers mainly consist of power generation companies, especially fossil-fuel power generation companies that require substantial amounts of coal for their business. During the Track Record Period, we did not experience any major dispute with our customers.

For the years ended December 31, 2017, 2018 and 2019, and the five months ended May 31, 2020, revenue generated from our five largest customers amounted to approximately RMB231.8 million, RMB254.0 million, RMB202.7 million and RMB94.2 million, respectively, accounting for approximately 65.4%, 65.6%, 53.8% and 62.0%, respectively, of our total revenue for the relevant periods. For the same periods, revenue generated from our largest customer amounted to approximately RMB75.2 million, RMB87.6 million, RMB58.5 million and RMB31.6 million, respectively, accounting for approximately 21.2%, 22.6%, 15.5% and 20.8%, respectively, of our total revenue for the relevant periods.

Our Suppliers

Our suppliers primarily include cargo logistics service providers, diesel and natural gas suppliers and repair and maintenance service providers. During the Track Record Period, all of our procurements were made in China. The scope of our procurement from our suppliers primarily include: (i) fuel such as diesel for our locomotives and trucks; (ii) equipment and raw materials for railway operation, maintenance, repair and upgrade, and railway roadbed and other railway facility construction; (iii) railway transportation related repair and maintenance services for our facilities such as freight yards and warehouses. During the Track Record Period, we did not experience any material difficulty in procurement or experience any major delay of supply from our suppliers.

We select suppliers based on a number of factors, including, among others, history of our relationship with them, product quality, supply capacity, price and delivery time. To avoid reliance on any single supplier, we conduct thorough market research and interview numerous market participants before actually making any procurement. In addition, we generally maintain at least three suppliers for each key product/service supplied.

Transactions with our five largest suppliers for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020 accounted for approximately 67.4%, 72.9%, 68.5% and 74.1%, respectively, of our total purchases (including purchase of cargo logistics services, fuel, materials, consumables and repair and maintenance service).

Our Subcontractors

To satisfy our needs for additional workers, we source labor by using the following arrangements: (i) hiring temporary workers directly; (ii) engaging labor dispatching agents who send workers to our sites but under our training and supervision (from May 2018 to February 2019, the ratio between the number of dispatched workers and the total number of our employees was higher than 10%; see "Business – Legal Compliance and Proceedings – Non-compliance Incidents" for a detailed discussion of our historical non-compliance with regard to using temporary workers); and (iii) outsourcing certain tasks for some of our ancillary businesses.

During the Track Record Period, Subcontractor A was owned by certain relatives of Mr. Liu, our Controlling Shareholder. Assuming that the shareholding structure of Subcontractor A will remain unchanged, Subcontractor A will become a connected person of our Company upon the Listing. We terminated our business relationship with Subcontractor A in September 2019 because we have a sufficient number of other subcontractors providing similar services, and to avoid additional outsourcing and other administrative costs associated with continuing connected transactions. Other than Subcontractor A, all of our top five subcontractors were Independent Third Parties during the Track Record Period.

For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, our total subcontracting expenses was approximately RMB33.4 million, RMB29.9 million, RMB39.5 million and RMB18.7 million, respectively.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, Jinghai BVI will control the exercise of voting rights of approximately 65.80% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme). Jinghai BVI is wholly-owned by Mr. Liu. Accordingly, Jinghai BVI and Mr. Liu are the Controlling Shareholders of our Company and will remain as the Controlling Shareholders of our Company up to and immediately after the Listing. See "Relationship with Controlling Shareholders" in this prospectus for details.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION OF OUR GROUP

The following table sets forth the summary of our consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019, and the five months ended May 31, 2019 and 2020. You should read this summary together with the consolidated financial information set forth in the Accountants' Report of the Group in Appendix I to this prospectus, including the related notes, as well as the information set forth in the "Financial Information" section in this prospectus.

Selected Consolidated Statements of Profit and Loss and Other Comprehensive Income

	Year ended December 31,			Five months ended May 31,	
	2017	2018	2019	2019	2020
	(RMB in thousands)				
				(unaudited)	
Revenue	354,343	386,889	376,904	150,158	151,831
Profit before taxation	107,589	109,298	94,251	33,759	40,829
Profit for the year/ period	**80,361**	**81,507**	**69,496**	**25,115**	**30,012**
Attributable to:					
Equity shareholders of the Company	80,439	81,706	70,194	25,357	29,431
Non-controlling interests	(78)	(199)	(698)	(242)	581

Our profit for the year ended December 31, 2019 was RMB69.5 million, representing a decrease of approximately RMB12.0 million, or 14.7% as compared to our profit for the year ended December 31, 2018 of RMB81.5 million. Such decrease was primarily attributable to (i) the decrease in revenue from our loading and unloading business of approximately RMB19.2 million which was due to the decrease in volume of rail freight transportation designated to Port Huanghua following the implementation of the Action Plan; and (ii) an increase in general and administrative expenses primarily due to the incurrence of listing expenses of approximately RMB13.5 million in the year ended December 31, 2019. Nonetheless, our profit for the five months ended May 31, 2020 improved to RMB30.0 million as compared to RMB25.1 million for the corresponding period in 2019.

Our net profit for the five months ended May 31, 2020 increased by approximately 19.5% as compared with that of the corresponding period in 2019. Such increase outpaced the growth of our revenue of 1.1% during the five months ended May 31, 2020 as compared to the corresponding period in 2019 which was primarily driven by government policies and Supplier A's internal guidelines in connection with the COVID-19 outbreak which reduced our staff cost and cargo logistics expenses during that period.

Selected Consolidated Statements of Financial Position

	As of December 31,			As of May 31,	As of August 31,
	2017	2018	2019	2020	2020
	(*RMB in thousands*)				
					(unaudited)
Current assets	295,390	314,192	193,382	225,362	233,905
Current liabilities	202,592	281,831	405,575	219,009	210,986
Net current assets/ (liabilities)	92,798	32,361	(212,193)	6,353	22,919
Total non-current assets	892,826	1,025,291	1,002,510	990,031	980,784
Total non-current liabilities	272,162	257,783	270,332	446,385	435,494
Net assets	713,462	799,869	519,985	549,999	568,209
Total equity attributable to equity shareholders of the Company	689,040	770,746	491,560	520,993	538,929
Non-controlling interests	24,422	29,123	28,425	29,006	29,280

As of December 31, 2019, we had net current liabilities of RMB212.2 million, primarily due to (i) a decrease of amounts due from related parties from RMB132.3 million as of December 31, 2018 to nil as of December 31, 2019; (ii) use of such cash (along with proceeds from additional long-term loans) for the acquisition of the equity interest in Canggang Company for total consideration of approximately RMB361.2 million in connection with the Corporate Reorganization and (iii) two bank loans of approximately RMB120.0 million in aggregate becoming due within the next one year and thus falling under the current portion. See "History and Corporate Structure – Corporate Reorganization" and "Risk Factors – Risks Relating to our Business and Industry – We had high levels of indebtedness and recorded net current liabilities during the Track Record Period." Hence our net current liabilities position was primarily caused by one-off events related to the Corporate Reorganization, which will not recur. Based on the consistency of the financial performance of our operations, as evidenced by our profit for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020 of approximately RMB80.4 million, RMB81.5 million, RMB69.5 million and RMB30.0 million, respectively, and our cash flow from operating activities of approximately RMB112.1 million, RMB150.0 million, RMB110.3 million and RMB47.3 million for the corresponding periods, respectively, we believe our profit and cash flow from operating activities will be available to enable us to improve our liquidity position. We expect to improve our liquidity position by settling our current liabilities with the profit generated from our principal business and the net proceeds from the Global Offering.

We had recovered to net current assets positions of approximately RMB6.4 million and RMB22.9 million (unaudited) as of May 31, 2020 and August 31, 2020, respectively, primarily by (i) generating profit from our operations; and (ii) obtaining new bank loans which were classified as non-current bank and other loans during the period. To ensure the sufficiency of our liquidity, we (i) will continue to generate cash flow from our operating activities; (ii) have made arrangements with our banks to extend the term of certain bank loans; (iii) will utilize part of the net proceeds from the Global Offering as general working capital and to fund part of our proposed expansion plan. To further enhance our liquidity, we may seek debt financing from financial institutions from time to time, especially for financing capital expenditures in relation to our railway lines. Pursuant to a confirmation letter we obtained from one of our principal banks, the bank confirmed that we can extend the term of our loans borrowed from this bank when they fall due up to July 2022, provided that the operations of Canggang Company remain normal, there have been no material adverse change and conditions for approval will be met. As of May 31, 2020 and August 31, 2020, the balance of outstanding bank loans from this principal bank was RMB244.4 million and RMB312.5 million (unaudited), respectively.

Our net assets increased from RMB713.5 million as of December 31, 2017 to RMB799.9 million as of December 31, 2018, primarily due to our profit for the year ended December 31, 2018 of RMB81.5 million generated from our operations. Our net assets decreased from RMB799.9 million as of December 31, 2018 to RMB520.0 million as of December 31, 2019. Such decrease was primarily due to the effect on equity arising from our Corporate Reorganization, which was accounted for as a deemed distribution of RMB361.2 million to the then shareholders of Canggang Company. Our net assets increased from RMB520.0 million as of December 31, 2019 to RMB550.0 million as of May 31, 2020, primarily due to our profit for the five months ended May 31, 2020 of RMB30.0 million generated from our operations.

Key Financial Ratios

	As of/for the year ended December 31,			**As of/for the five months ended May 31,**
	2017	**2018**	**2019**	**2020**
Net profit margin [(1)](%)	22.7	21.1	18.4	19.8
Return on equity (%)	11.3	10.2	13.4	N/A
Return on total assets (%)	6.8	6.1	5.8	N/A
Interest coverage ratio (times)	5.5	6.0	4.8	4.8
Current ratio [(2)] (times)	1.5	1.1	0.5	1.0
Quick ratio [(3)] (times)	1.4	1.1	0.5	1.0
Gearing ratio [(4), (5)] (%)	51.3	53.2	108.0	104.4
Debt to equity ratio [(5)](%)	45.6	46.6	101.4	91.5

Notes:

(1) Our net profit margin decreased to 18.4% as of December 31, 2019 primarily because of (i) the decrease in segment result from and segment margin for our ancillary businesses and (ii) the increase in general and administration expenses during the year ended December 31, 2019 as compared to the year ended December 31, 2018.

(2) Our current ratio decreased to 1.1 times as of December 31, 2018, mainly due to the higher magnitude of increase in current liabilities of 39.1% compared to the increase in current assets of 6.4% during the same year. Our current ratio further decreased to 0.5 times as of December 31, 2019, mainly due to the decrease in current assets of 38.5% during the same year, primarily attributable to the settlement of amounts due from related parties and an increase in current liabilities of 43.9% primarily due to increased bank loans.

(3) Our quick ratio decreased to 0.5 times which was generally in line with the fluctuation of our current ratio as we did not maintain significant amount of inventories.

(4) Gearing ratio is calculated by dividing total debt (being bank and other loans) by total equity as of the end date of the respective year/period then multiplying by 100%.

(5) Our gearing ratio increased significantly to 108.0% and our debt to equity ratio increased significantly to 101.4% as of December 31, 2019, mainly due to the combined effect of the increase in our bank and other loans of 31.8% and the decrease in total equity of 35.0% from the year ended December 31, 2018 to the year ended December 31, 2019.

RECENT DEVELOPMENT AND NO MATERIAL CHANGE

Our business model and revenue and cost structure remain unchanged after the Track Record Period.

COVID-19

An outbreak of respiratory illness caused by COVID-19, a coronavirus, first emerged in late 2019 and continues to expand within the PRC and globally. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat. Since the outbreak, draconian measures including travel restrictions have been implemented within the PRC, as well as other countries and territories, in an effort to contain the COVID-19 outbreak. The WHO is closely monitoring and evaluating the situation. On January 30, 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). On March 11, 2020, the WHO further characterized COVID-19 as a pandemic. As of the Latest Practicable Date, the virus had spread across China and to over 200 countries and territories globally with the death toll and number of infected cases continuing to rise.

The outbreak, which has resulted in a high and growing number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC. Nevertheless, our directors confirm that as of the Latest Practicable Date there has been no material disruption to our business or our supply chain. In addition, we have implemented stringent measures to prevent COVID-19 infections in our work places. These measures include:

(i) providing training to employees to increase their awareness of personal hygiene and health protection;

(ii) establishing a team of 22 members comprising all department heads and led by Mr. Yi, one of our executive Directors, to be responsible for monitoring the hygiene condition of our work places;

(iii) requiring all employees to report their health condition to the responsible team daily;

(iv) measuring the temperature of all employees before they enter into working areas to ensure no employees with COVID-19 symptoms are working in our offices or stations;

(v) providing sanitary masks to employees and requiring them to wear sanitary masks before entering into working areas, and providing disinfecting products including hand cleansing gel and alcohol disinfectant to employees for their personal hygiene;

(vi) regularly cleaning and disinfecting the work place and other public areas such as cafeterias and dormitories; and

(vii) reserving rooms for immediate quarantine of employees who have developed respiratory symptoms for further transferral to appropriate medical facilities.

We estimate that the cost for implementing the hygiene measures is approximately RMB75,000 per month, mainly spent on the purchase of sanitary masks, hand cleansing gel, and alcohol disinfectant. Our Directors confirm that such cost would have no significant impact on our Group's financial position for the year ending December 31, 2020. Our Directors believe that the cost will gradually decrease as the epidemic situation gradually subsides.

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 knowledge, as of the Latest Practicable Date, none of our employees had been infected with COVID-19.

Based on the current situation, our Directors have assessed the impact of the COVID-19 outbreak on our business considering the following factors:

(i) at the beginning of February 2020, the NDRC and the National Energy Administration of the PRC (中華人民共和國國家能源局) had a conference to ensure the stable supply of energy during the COVID-19 outbreak. In addition, to promote the recovery of coal production, the Coal Department of the National Energy Administration issued the Letter Concerning Further Accelerating the Resumption of Operation and Production of Coal Mines to Ensure Stable Supply of Coal* (《關於進一步加快煤礦復工復產保障煤炭穩定供應的函》), stipulating that enterprises in coal mining industry are not compulsively required to delay operation due to the COVID-19 outbreak, in order to avoid the undersupply of coal which may lead to an undersupply of energy. Pursuant to the abovementioned conference and notice, among other things, (a) coal production enterprises should ensure the production of coal during the epidemic; and (b) government authorities should coordinate to facilitate the normal transportation and provision of coal, particularly in Northeast China and the Jing-Jin-Ji area, where we conduct our business, and in outbreak areas. On February 23, 2020, the head of the Coal Department of the National Energy Administration announced that as a result of the measures taken by the government, the impact of the COVID-19 outbreak on coal production has been limited and the level of coal production has resumed to a similar level as compared to the previous year. This was evidenced by the official number for coal production in China, which increased by 2.7% in the first half of 2020 as compared to the corresponding period in 2019, supporting a year-on-year increase of 0.4% in total coal consumption in the first half of 2020, according to the Frost & Sullivan Report. Therefore, the COVID-19 outbreak is not expected to have a significant impact on coal production. As coal represents the largest portion of cargo transported by rail in the PRC, the corresponding impact on the rail transportation business, particularly that of transporting coal, is also expected to be limited;

(ii) according to the Frost & Sullivan Report, the demand for coal is not expected to be materially affected by the COVID-19 outbreak as coal is the major material used in the generation of energy (including power output and heating) in the PRC and it is widely used in the production of cement and steel, which are essential to infrastructure projects. According to the Frost & Sullivan Report, despite the fact that a large number of enterprises and factories temporarily suspended their operations during the epidemic, resulting in a year-on-year decline in power output of 6.8% in the first quarter of 2020, such decline narrowed to 4.6% in March 2020 as enterprises and factories gradually resumed full operation by March 2020. Also, notwithstanding the epidemic, the consumption of coal for heating increased by 4.0% in the first half of 2020 compared to the same period in 2019. Despite the fact that power output in the PRC decreased by 1.4% in the first half of 2020 as compared with that in the same period in 2019, it has resumed growth from April 2020 and recorded a year-on-year increase of 6.5% in June 2020. Moreover, energy consumption and infrastructural projects are expected to increase significantly when the epidemic situation ends. Therefore, in general, the demand for coal is not expected to be materially affected by the outbreak of COVID-19 for the full year of 2020. During the COVID-19 outbreak and up to the Latest Practicable Date, we have generally been conducting business normally with our customers, particularly our top five customers for the year ended December 31, 2019. We also noted that a longer settlement period may be needed for our customers. Since the COVID-19 outbreak began, 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. Our Directors expect that, due to the disruption to the PRC economy caused by the COVID-19 outbreak, our Group's trade receivables as of December 31, 2019 and trade receivables generated since January 1, 2020 up to the Latest Practicable Date were subject to such potential delay. As a result, we had higher trade receivables balance as of December 31, 2019 and May 31, 2020 as compared to that of December 31, 2019, leading to longer average trade receivables turnover days of 77.7 days for the five months ended May 31, 2020, as compared to 58.7 days for the year ended December 31, 2019. Nevertheless, our Directors confirm that the abovementioned impact of the COVID-19 outbreak has been mitigated along with the subsiding of the epidemic and the resumption of operations of the enterprises and factories in the PRC. Also, we have closely monitored the collection status of trade receivables with our customers. As of August 31, 2020, approximately RMB62.3 million or 83.6% of the carrying amount of trade receivables outstanding as of December 31, 2019 had been settled. Furthermore, among our top five customers for the year ended December 31, 2019, only Bohui Group had temporarily suspended part of its operations from the end of January 2020, which were gradually resumed in late February 2020, while the other top five customers did not suspend their operations due to the COVID-19 outbreak. We have not been notified by our major customers that their demand for our logistics services or their demand for coal has been materially affected by the COVID-19 outbreak. In addition, as of August 31, 2020, the overall settlement progress for our trade receivables recognized since January 1, 2020 was comparable to that in the same period of 2019. In particular, all of our top five customers for the five months ended May 31, 2020 showed a similar pattern of settlement to that in the same period of 2019. As of August 31, 2020, the longer settlement period from our customers did not have material adverse impact on our cash flow and liquidity position;

(iii) despite the outbreak of SARS from November 2002 to September 2003, rail freight transportation volume experienced year over year growth of 9.4% in 2003, according to the Frost & Sullivan Report, since the areas through which rail freight transportation occurs are generally not densely populated, the COVID-19 outbreak is not expected to cause manpower shortage problems or have a material effect on the rail freight transportation industry; and

(iv) according to the Frost & Sullivan Report, as road freight transportation was severely restricted in the PRC during the COVID-19 outbreak, demand for road freight transportation was partially shifted to rail freight transportation. This had and may continue to have an adverse impact on our road freight transportation business in the short term. However, our rail freight transportation business, which is our core business, is expected to be positively affected in the short term.

Based on the above, despite that the outbreak of COVID-19 may impact the settlement of the outstanding trade receivables from our customers, our Directors believe that it will not have a material impact on our overall financial performance.

Going forward, our Directors are of the view that it is highly unlikely that we will be required to suspend our operation should the epidemic worsen, as our railway is of great importance in terms of ensuring the smooth and efficient supply of cargos that are closely related to energy production, such as coal. In the very unlikely event that our business operation gets suspended and on the assumptions that during such period, (i) we will generate no revenue; (ii) we will incur no operating expenses related to generating revenue (including cargo logistic cost, outsourcing service charges and other labour costs and fuel used costs); (iii) we will retain our staff and continue to incur the same level of staff cost; (iv) there will be no material change in administrative expenses and other expenses; and (v) our future plans will not be implemented during the suspension period, we will still remain financially viable for (a) no less than six months even without the proceeds from the Global Offering; (b) no less than seven months with 1.5% of the net proceeds from the Global Offering, being the portion designated for working capital and general corporate purposes; and (c) no less than 20 months with all of the net proceeds from the Global Offering.

Currently, one of our business strategies is to construct additional branch lines to expand our business scale, including expanding our geographic presence and business to the Northern Shandong Industrial Park and Comprehensive Industrial Park in Bohai New Area, the construction of which are both expected to commence in the fourth quarter of 2020 and to be completed by the first quarter of 2022. As discussed above, since the COVID-19 outbreak is not expected to have a significant impact on the demand for our rail freight transportation services, we believe that our expansion plans remain feasible, and it is unlikely that we will change the use of the net proceeds from the Global Offering as disclosed in "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus as a result of the outbreak of COVID-19. However, there can be no assurance that the direct and indirect effects of COVID-19 will not have a greater impact on the PRC economy and rail freight transportation industry in the future. If the epidemic evolves, economic slowdown and/or negative business sentiment could still potentially have an adverse impact on the rail freight transportation industry or the industries in which our major customers operate, in particular the coal production industry, which could adversely affect our business operations and financial condition. See "Risk Factors – Our business operations may be affected by the outbreak of COVID-19." for details.

Our Directors confirm that, save as disclosed above and the impact of the listing expenses, there is no event which could materially affect the information shown in our consolidated financial statements included in the Accountants' Report following the Track Record Period and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect.

Financial performance after the Track Record Period

Pursuant to the unaudited management accounts of our Group, our revenue, operating expenses and profit for the three months ended August 31, 2020 remained relatively stable as compared with the corresponding period in 2019. As a result, our net profit margin for the three months ended August 31, 2020 was comparable to that for the corresponding period in 2019.

Establishment of Shangcheng

On April 13, 2020, Canggang Company entered into a cooperation agreement (the "Shangcheng Cooperation Agreement") with an Independent Third Party (the "Majority Shareholder of Shangcheng"), pursuant to which Cangzhou City Shangcheng Business Trading Co., Ltd.* (滄洲市尚誠商貿有限公司) ("Shangcheng") was established as a limited liability company under the laws of the PRC with a registered capital of RMB30.0 million on April 24, 2020. The Majority Shareholder of Shangcheng was established in Cangzhou, Hebei Province in the 1980s. It has obtained the First-class Municipal Public Project General Contract Qualification* (市政公用工程施工總承包一級資質) and is principally engaged in the construction of municipal projects. Pursuant to the Shangcheng Cooperation Agreement and the articles of association of Shangcheng, the Majority Shareholder of Shangcheng and Canggang Company own 60% and 40%, respectively, of the interest in Shangcheng. Pursuant to the Shangcheng Cooperation Agreement, for the first time, each party should contribute 50% of their respective portion of the registered capital in cash to Shangcheng. Also , pursuant to the articles of association of Shangcheng, the remaining amount of the registered capital should be contributed on or before April 30, 2023. In May 2020, the Majority Shareholder of Shangcheng and we contributed RMB3,000,000 and RMB2,000,000, respectively, in cash to the share capital of Shangcheng. The shareholders of Shangcheng resolved that the unpaid portion in the first-time contribution of 50% of the registered share capital of Shangcheng of RMB10,000,000, out of which RMB6,000,000 and RMB4,000,000 are payable by the Majority Shareholder of Shangcheng and us, respectively, shall be paid up by its shareholders on or before December 31, 2020.

Shangcheng is primarily engaged in the trading of construction materials, particularly gravel. Specifically, at the early stage after its establishment, it is intended to serve as a supplier of the Majority Shareholder of Shangcheng and source gravel for the Majority Shareholder of Shangcheng which demands for gravel for participating in a number of major urban construction projects in Cangzhou. Shangcheng has commenced operations in May 2020. Pursuant to the Shangcheng Cooperation Agreement, Canggang Company is responsible for providing railway transportation services to Shangcheng at market rate for the construction materials it supplies. We believe the Shangcheng Cooperation Agreement will help us secure additional demand for our railway transportation services from Shangcheng. Accordingly, our Directors are of the view that the transactions contemplated under the Shangcheng Cooperation Agreement are in the interest of our Company and its shareholders as a whole.

LISTING EXPENSES

Our listing expenses primarily consist of underwriting commissions and professional fees paid to the reporting accountants, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The total estimated listing expenses (based on the mid-point of our indicative price range of HK$0.975 for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions) in relation to the Global Offering are approximately HK$44.8 million (equivalent to RMB40.5 million), representing approximately 18.4% of the gross proceeds of the Global Offering (assuming an Offer Price of HK$0.975 per Share and no exercise of the Over-allotment Option). Out of the said total estimated listing expenses of approximately HK$44.8 million, HK$16.3 million (equivalent to RMB14.8 million) is expected to be capitalized after the Global Offering. The remaining amount of approximately HK$28.5 million (equivalent to RMB25.7 million) is expected to be charged to our Company's consolidated statements of profit or loss and other comprehensive income, of which approximately HK$2.9 million (equivalent to RMB2.6 million) was charged in the year ended December 31, 2018, approximately HK$14.9 million (equivalent to RMB13.5 million) was charged in the year ended December 31, 2019, approximately HK$5.4 million (equivalent to RMB4.8 million) was charged in the five months ended May 31, 2020 and additional approximately HK$5.3 million (equivalent to RMB4.8 million) is expected to be incurred in the seven months ending December 31, 2020. The listing expenses above are the latest practicable estimate and are provided for reference only, and actual amounts may differ from this estimate.

GLOBAL OFFERING STATISTICS

	Based on the Offer Price of HK$0.77 per Share, after Downward Offer Price Adjustment of 10%	**Based on an Offer Price of HK$0.85 per Share**	**Based on an Offer Price of HK$1.10 per Share**
Market capitalization of our Shares(1)	HK$770 million	HK$850 million	HK$1,100 million
Unaudited pro forma adjusted net tangible assets per Share(2)	HK$0.75	HK$0.77	HK$0.83

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalization is based on 1,000,000,000 Shares expected to be in issue following the completion of the Capitalization Issue and the Global Offering.

(2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II and based on 1,000,000,000 Shares expected to be in issue following the completion of the Capitalization Issue and the Global Offering.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be in the amount of approximately HK$199.0 million, if the Over-allotment Option is not exercised, or approximately HK$234.5 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$0.975 per Offer Share, being the mid-point of the proposed Offer Price range.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 63.3% of our total estimated net proceeds, or HK$125.9 million (equivalent to approximately RMB113.9 million), will be used to construct two new branch railway lines, one connecting our railway to the Comprehensive Industrial Park (渤海新區綜合產業園區支線) at Bohai New Area, the other one connecting our railway to the Northern Shandong Industrial Park (山東魯北工業園). Construction of such lines will be carried out by joint venture companies we formed with third parties. We own a minority interest in such joint venture companies and are responsible for managing and operating such branch lines. See "Business – Our Strategies – Construct additional branch lines to expand our business scale";

- approximately 20.2% of our total estimated net proceeds, or HK$40.0 million (equivalent to approximately RMB36.2 million), will be used to fund technical upgrades, acquire a new locomotive and purchase of additional equipment for our railway. This upgrading project is expected to commence in the fourth quarter of 2020 and complete in the fourth quarter of 2021;

- approximately 3.1% of our total estimated net proceeds, or HK$6.1 million (equivalent to approximately RMB5.5 million), will be used for repaying a bank loan due in the outstanding amount of RMB30.1 million with an interest rate of 5.94% per annum;

- approximately 11.9% of our total estimated net proceeds, or HK$23.7 million (equivalent to approximately RMB21.4 million), will be used to partially settle amounts payable in connection with our purchase of the land use rights for land occupied by our Han-Huang connecting line and land occupied by Bohaixi Station. Total estimated purchase price for such land use rights purchased was approximately RMB31.1 million to RMB36.3 million based on our Directors' estimation of the land area, which will be partially funded by the said part of the net proceeds from the Global Offering with the remaining amount funded by our internal resources; and

- approximately 1.5% of our total estimated net proceeds, or HK$3.3 million (equivalent to approximately RMB3.0 million, will be used for working capital and general corporate purposes.

For details, see "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

DIVIDENDS

We are a holding company incorporated in the Cayman Islands. Any declaration of final dividends is subject to the applicable laws and regulations including the Companies Law, and our Articles, which require also the approval of our Shareholders. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future. In addition, PRC laws and regulations require that dividends of a PRC enterprise be paid only out of accumulated profits, if any, as determined in accordance with PRC accounting standards, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws and regulations also require a PRC enterprise to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends.

For the year ended December 31, 2017, Canggang Company distributed RMB75.0 million to its then Shareholders on May 26, 2017. Other than the foregoing, we did not pay or declare to our then Shareholders during the Track Record Period. We will continue to re-evaluate the payment and amount of our future dividends in light of our financial conditions and the prevailing economic climate. However, there can be no assurance that dividends of any amount will be declared or distributed in any year.

NON-COMPLIANCE

Historical non-compliance incidents involving us during the Track Record Period included: (i) we have not obtained land use right permit for the lands occupied by the connecting line to Bohaixi Station of the Han-Huang Railway Line prior to commencement of construction, which we expect to obtain by the end of 2020. The total consideration for the transfer of land will be approximately RMB31.1 million to RMB36.3 million; (ii) we did not obtain or have not obtained the relevant Construction Land Planning Permits and Construction Project Planning Permits for the main track of Canggang Railway Line and structures along this line, the connecting line to Bohaixi Station of the Han-Huang Railway Line and the structures along this line, and the coal and ore logistics construction projects of Jinghai International; (iii) we had not registered with relevant housing provident fund authorities or adequately paid housing provident fund contributions for our employees until September 2019; (iv) we had not adequately paid social insurance for all our employees until September 2019; (v) we have not obtained approval of our Report Form on Environmental Impact of Construction Project or completed environmental protection inspection and acceptance procedures for the construction of the connecting line to Bohaixi Station of the Han-Huang Railway Line; and (vi) from May 2018 to February 2019, the ratio between the number of dispatched workers and the total number of our employees was higher than 10%.

As of the Latest Practicable Date, we had either rectified these incidents of non-compliance incidents, obtained confirmations from the competent government authorities or conducted interviews with the responsible officers from the competent government authority confirming that we had not been and would not be penalized with respect to these non-compliance incidents. We have also implemented a series of enhanced internal control measures to prevent reoccurrence of these incidents of non-compliance. See "Business – Legal Compliance and Proceedings – Non-compliance Incidents" for more details.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following: (i) we derived a significant majority of our revenue over the Track Record Period from rail freight transportation through the Canggang Railway Line. Our revenue could decline significantly if the Canggang Railway Line suffers from any technical or operational problems or otherwise cannot undertake the transportation business for certain period of time or indefinitely; (ii) our ability to transport cargo directly to Port Huanghua is a key aspect of our rail freight transportation business. Regulatory changes have affected our ability to connect directly to Port Huanghua; (iii) we face certain competition issues which may materially and adversely affect our business growth and results of operations; (iv) we have been dependent on the eastbound transportation of coal through our railway during the Track Record Period. Our business, financial condition and results of operations would be materially and adversely affected if demand for transportation of coal were to decline; (v) we cannot guarantee that new PRC regulations and policies regarding rail freight transportation or environmental protection will not be introduced or that existing laws and regulations will not be interpreted in way that could adversely affect our business. See "Risk Factors" in this prospectus for details.

PROPERTY VALUATION

According to the property valuation report prepared by Avista Valuation Advisory Limited, an independent valuer we engaged, as set forth in Appendix III to this prospectus, the valuation of our Group's property interests as of August 31, 2020 (excluding the land parcel with a carrying amount of RMB32.9 million from our consolidated financial statements as of May 31, 2020, occupied by our Han-Huang connecting line to Bohaixi Station which we have not yet obtained the land use right permits), amounted to RMB1,476.9 million, which comprised commercial values of RMB1,043.8 million and reference values of RMB433.1 million. See "Business – Properties" and Appendix III to this prospectus for details on our properties.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"Action Plan"	the "Three-year Action Plan to Win Battle for a Blue Sky" (打贏藍天保衛戰三年行動計劃), an environmental protection plan issued by the State Council which aims to significantly reduce total emissions of major atmospheric pollutants and improve air quality. See "Regulatory Overview – Regulations on Industry" for details of this plan
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any one of them, in relation to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on June 16, 2020 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Canggang BVI"	Canggang Railway International Company Limited (滄港鐵路國際有限公司), a limited liability company incorporated under the laws of the BVI on October 29, 2018 and a wholly-owned subsidiary of our Company
"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 October 22, 2009 and a wholly-owned subsidiary of our Company

"Canggang HK"	Canggang Railway (Hong Kong) Limited (滄港鐵路 (香港) 有限公司), a limited liability company incorporated in Hong Kong on December 5, 2018 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)
"Capitalization Issue"	the issue of 749,990,000 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "Appendix V – Statutory and General Information – A. Further Information about Our Company – 4. Written resolutions of the then Shareholders of our Company passed on June 16, 2020"
"Cayman Islands Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
"Chengyu Company"	Chengyu Railway Co., Ltd.* (滄州市騁宇鐵路有限責任公司), a limited liability company established under the laws of the PRC on November 22, 2004 which is 97.5% indirectly owned by Mr. Liu and 2.5% owned by Mr. Yi. It held 90.73% equity interest in Canggang Company prior to the Corporate Reorganization, and ceased to hold equity interest in Canggang Company after the Corporate Reorganization
"China" or "PRC"	the People's Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan

"China Energy Investment Group"	a state-owned mining and energy company administrated by the PRC State Council
"China Everbright"	China Everbright Securities (HK) Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined under the SFO), being one of the Joint Bookrunners and Joint Lead Managers
"China Railway"	China State Railway Group Company, Ltd. *(中國國家鐵路集團有限公司), a state-owned sole proprietorship enterprise that undertakes railway passenger and cargo transportation services in the PRC
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Co-Managers"	Ever-Long, Maxa, and Zhong Jia
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Canggang Railway Limited (滄港鐵路有限公司), an exempted company incorporated in the Cayman Islands with limited liability on October 19, 2018, and the holding company of all other companies in the Group
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Jinghai BVI and Mr. Liu
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Cornerstone BJ"	Beijing Cornerstone Zhong Ying Venture Investment Center (Limited Partnership)* (北京基石仲盈創業投資中心 (有限合夥)), a limited partnership established under the laws of the PRC on May 21, 2015 with Beijing Cornerstone Venture Investment Management Center (Limited Partnership)* (北京基石創業投資管理中心 (有限合夥)) acting as its general partner. It is a pre-IPO investor of the Company

"Cornerstone BVI"	Cornerstone Global Investment Limited (基石環球投資有限公司), a limited liability company incorporated under the laws of the BVI on November 16, 2018 and wholly-owned by Cornerstone BJ
"Corporate Reorganization"	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History and Corporate Structure – Corporate Reorganization" in this prospectus
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, which first emerged in late 2019
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	a deed of indemnity dated June 16, 2020 and entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the section headed "G. Other Information – 1. Deed of Indemnity" in Appendix V to this prospectus
"Deed of Non-competition"	a deed of non-competition dated June 16, 2020 and entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking
"Director(s)"	the director(s) of our Company
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) adopted by the National People's Congress on March 16, 2007 and which became effective on January 1, 2008 and revised on February 24, 2017, which became effective on the same date
"Ever-Long"	Ever-Long Securities Company Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being one of the Co-Managers
"Foreign Investment Law"	the Foreign Investment Law of the PRC (中華人民共和國外商投資法) approved by the National People' s Congress on March 15, 2019 and which came into effect on January 1, 2020

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	the report issued by Frost & Sullivan and commissioned by our Company, as referred to in the section headed "Industry Overview" in this prospectus
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by **WHITE Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Greenport BVI"	Greenport Railway Limited, a limited liability company incorporated under the laws of the BVI on October 12, 2018 and wholly owned by Mr. Yi
"Group", "our Group", "we" or "us"	our Company and its subsidiaries, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Guotai Junan"	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (as defined under the SFO), being one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
"Haixing Branch"	Huanghua Jinghai Logistics Co., Ltd. Haixing Branch* (黃驊京海物流有限公司海興分公司), a branch office of Canggang Company (previously known as Huanghua Jinghai Logistics Co., Ltd* (黃驊京海物流有限公司) established under the laws of the PRC on November 29, 2013 and de-registered on December 23, 2016
"Haixing Branch Line"	a branch line from our Yangzhuang Station to Haixing Freight Yard with a total length of approximately 12.6 km
"HK$", "Hong Kong dollar(s)","HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Offer Share(s)"	the 25,000,000 Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated October 9, 2020, relating to the Hong Kong Public Offering, entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"IFRS(s)"	the International Financial Reporting Standard(s)
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial Shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"Innovax Securities"	Innovax Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (as defined under the SFO), being one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
"International Placing"	the conditional placing by the International Underwriters of the International Placing Shares for cash at the Offer Price plus brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in the section headed "Structure of the Global Offering" in this prospectus, on and subject to the terms and conditions stated herein and in the International Underwriting Agreement

"International Placing Share(s)"	the 225,000,000 Shares initially offered by our Company for subscription at the Offer Price under the International Placing (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
"International Underwriters"	the underwriters of the International Placing
"International Underwriting Agreement"	the conditional placing and underwriting agreement relating to the International Placing and to be entered into by the Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters, on or about the Price Determination Date
"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 October 12, 2018 and wholly owned by Mr. Liu
"Jinghai International"	Hebei Jinghai International Logistics Development Co., Ltd.* (河北京海國際物流發展有限公司), a limited liability company established under the laws of the PRC on July 20, 2017 which is owned as to 51% by our Company and 49% by Tianjin Xinlian International Shipping Agency Co., Ltd.* (天津信聯國際貨運代理有限公司), an Independent Third Party
"Joint Bookrunners"	Innovax Securities, Guotai Junan and China Everbright
"Joint Global Coordinators"	Innovax Securities and Guotai Junan
"Joint Lead Managers"	Innovax Securities, Guotai Junan and China Everbright
"Latest Practicable Date"	October 4, 2020, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Friday, October 23, 2020, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

"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
"Maxa"	Maxa Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being one of the Co-Managers
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on June 16, 2020 and as amended from time to time
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOT"	Ministry of Transport of the PRC (中華人民共和國交通部)
"Mr. Liu"	Mr. Liu Yongliang (劉永亮), our founder and one of our Controlling Shareholders, the chairman of the Board and an executive Director
"Mr. Wei"	Mr. Wei Yue (魏悦), the sole shareholder of Puji International
"Mr. Yi"	Mr. Yi Weiming (衣維明), the sole shareholder of Greenport BVI, our chief executive officer and an executive Director
"National People's Congress"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NDRC"	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NRA"	the National Railway Administration of the PRC (中華人民共和國國家鐵路局), the successor of the Ministry of Railway of the PRC (中華人民共和國國鐵道部)
"Offer Price"	the final price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering, to be determined on or before the Price Determination Date, subject to any Downward Offer Price Adjustment
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares, where relevant including any additional Shares issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option granted by our Company to the International Underwriters, exercisable by the Stabilizing Manager on behalf of the International Underwriters, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares at the Offer Price, representing 15% of the initial size of the Global Offering, to cover any over allocations in the International Placing as described in the section headed "Structure of the Global Offering" in this prospectus
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisors" or "PRC Legal Advisers"	Commerce & Finance Law Offices, our legal advisors as to PRC laws
"Price Determination Date"	the date, expected to be on or around Thursday, October 15, 2020 and, in any event, not later than 6:00 p.m. on Friday, October 16, 2020, on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters)
"Puji Global"	Puji Global Limited (普濟環球有限公司), a limited liability company incorporated under the laws of the BVI on October 18, 2018 which is wholly-owned by the Company
"Puji HK"	Puji Railway Global Holdings Limited (普濟鐵路環球控股有限公司), a limited liability company incorporated in Hong Kong on December 28, 2018 which is wholly-owned by Puji Global
"Puji International"	Puji International Investment Limited (普濟國際投資有限公司), a limited liability company incorporated under the laws of the BVI on October 11, 2018 and wholly owned by Mr. Wei. It is a pre-IPO investor of the Company
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC

"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC" or "State Administration Industry and Commerce"	the State Administration for Industry and Commerce for of the PRC (中華人民共和國國家工商行政管理總局), currently consolidated into the State Administration for Market Regulation (中華人民共和國國家市場監督管理總局)
"SAMR"	the State Administration for Market Regulation（中華人民共和國國家市場監督管理總局）
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on June 16, 2020, the principal terms of which are summarized under the paragraph headed "F. Share Option Scheme" in Appendix V to this prospectus
"Sole Sponsor" or "Innovax Capital"	Innovax Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
"Stabilizing Manager"	Innovax Securities Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Jinghai BVI and the Stabilizing Manager (or its agents) on or around the Price Determination Date
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	Shareholder(s) who are substantial shareholder(s) (within the meaning of such term as defined under the Listing Rules) of the Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC as may be amended, supplemented and/or otherwise modified from time to time
"Track Record Period"	the three years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"WFOE "	Cangzhou Railway Logistics Services Company Limited* (滄州鐵運物流有限公司), a limited liability company established under the laws of the PRC on February 14, 2019 which is wholly owned by Canggang HK
"**WHITE** Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by public applicants who require such Hong Kong Offer Shares to be issued in their own name
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO Service Provider – www.eipo.com.hk**

"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"WHO"	the World Health Organization
"Withdrawal Mechanism"	a mechanism which requires our Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information e.g. the Offer Price in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for shares despite the change
"**YELLOW** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public require such Hong Kong Offer Shares to be deposited into CCASS
"Zhong Jia"	Zhong Jia Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) regulated activity (as defined under the SFO), being one of the Co-Managers
"%"	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "" and the Chinese translation of company or entity names in English which are marked with "*" is for identification purpose only.*

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assumes no exercise of the Over-allotment Option.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"Beijing-Shanghai Railway Line (京滬線)"	a railway line between Beijing and Shanghai, which connects the municipalities of Beijing, Tianjin, and Shanghai, as well as the provinces of Hebei, Shandong, Anhui and Jiangsu
"Bohai New Area (渤海新區)"	located in the southeast of Hebei Province. It boarders Bohai Sea to the east, Tianjin and Beijing Municipalities to the north, and Shandong Province to the south. It contains Huanghua City and a number of industrial parks
"branch line"	secondary railway lines that branch off the main track
"Coal Transportation from West to East (西煤東運戰略)"	a national strategy of transporting coal produced in Western China, where three largest coal producers in China, Shanxi Province, Shaanxi Province and Inner Mongolia Autonomous Region, are located, to Eastern Coastal China, which is the major consumption market for coal
"Freight turnover"	the product of a certain quantity of cargo and the distance of the transport. It is a basic conventional physical indicator of transport efficiency
"GFA"	gross floor area
"GPS"	global positioning system, which is a satellite navigation system capable of calculating the geographical position of an object
"Han-Huang Railway Line (邯黃線)"	a local railway between Handan and Port Huanghua in Cangzhou, Hebei Province. It provides mainly freight transportation services and also a small number of passenger transportation services
"Local Railway Operation Permit"	the permit approved and issued by the NRA, which enterprises are required by the Detailed Rules for the Implementation of Railway Transport Enterprises Access License "鐵路運輸企業准入許可實施細則" to obtain before conducting businesses of public transportation of passengers and cargoes through local railways. The NRA invites related departments of provincial government and regional railway administrations, from where the applicant is located, to jointly review and examine the qualification of the applicant

"Port Huanghua (黃驊港)"	an important and busy port located on the east coast of Hebei Province and on the south side of the Bohai Bay. It contains three important ports, namely the Coal Port, owned by the largest coal producer in China; the Oil Port, which is used for oil or other liquid fuel transportation only; and the Comprehensive Pier, which is used by all other companies
"Railway Transportation Permit"	the permit approved and issued by the NRA, which enterprises are required by the Detailed Rules for the Implementation of Railway Transport Enterprises Access License 《鐵路運輸企業准入許可實施細則》 to obtain before conducting businesses of public transportation of passengers and cargoes through railways
"Road Transportation Operation Permit"	the eligible voucher for enterprises and individuals to conduct businesses of road transportation, including road passenger transportation, road freight transportation, vehicle maintenance, road freight handling and other road transportation services. The permit is approved and issued by the Ministry of Transport of the PRC
"rolling stock"	in rail transport industry refers to any vehicle that moves on a railway. It usually includes both powered and unpowered vehicles, for example, a locomotive, railroad car, coach, and wagon
"Shuo-Huang Railway Line (朔黃線)"	a railway owned by one of China's leading coal miners which is a state-owned enterprise. It began operating in 2000 and mainly carries coal from Shenchi South in the coal-rich Shanxi Province, close to the Shenfu-Dongsheng coal field, to Port Huanghua on China's east coast
"Special Service Line(s)"	dedicated railway line(s) generally owned by third parties connecting our railway line to factories or premises owned by our customers and third party service providers
"Station track(s) (站線)"	a track within the station to load and unload cargo and disembark trains
"toe"	tonne of oil equivalent, a unit of energy, defined as the amount of energy released by burning one tonne of crude oil
"tonne(s)"	one tonne equals to 1,000 kilograms
"Transported cargo"	refers to goods or produce being transported

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "anticipate", "believe", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would", "wish" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- general economic conditions;
- our capital expenditure programs and future capital requirements;
- changes to regulatory environment, policies, operating conditions and general outlook in the industry and markets in which we operate;
- our ability to control or reduce costs;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this prospectus.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

This prospectus also contains forward-looking statements that identify certain risks and uncertainties. See "Forward-looking Statements" for further details.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as (1) risks relating to our business and industry, (2) risks relating to doing business in China, and (3) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We derived a significant majority of our revenue over the Track Record Period from rail freight transportation through the Canggang Railway Line. Our revenue could decline significantly if the Canggang Railway Line suffers from any technical or operational problems or otherwise cannot undertake the transportation business for certain period of time or indefinitely.

Historically, we have relied on one railway line, the Canggang Railway Line, to carry out our rail freight transportation business. Revenue from rail freight transportation through the Canggang Railway Line contributed approximately 71.4%, 67.1%, 68.7%, 66.9% and 70.6% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020 respectively. We cannot guarantee that our rail freight transportation business conducted through the Canggang Railway Line will remain stable or continue to grow in the future. In particular, we cannot assure you that the Canggang Railway Line will not suffer from any major technical or operational problems, significant damage caused by unexpected natural disasters or suspension or interruption due to social events or political instability or other causes out of our control, any of which could prevent us from carrying out our rail freight transportation business on such line for a certain period of time or indefinitely. If any of the aforesaid occurs, we might need to devote significant time and resources to take remedial actions to resume proper operation of the Canggang Railway Line. If we cannot resolve such problems in a timely manner or at all, our business, financial condition and results of operations will be materially and adversely affected.

Our ability to transport cargo directly to Port Huanghua is a key aspect of our rail freight transportation business. Regulatory changes have affected our ability to connect directly to Port Huanghua.

Our success depends on the economic growth in the regions where many of our customers are located, namely the Jing-Jin-Ji (京津冀) area, the Bohai New Area (渤海新區) and the Cangzhou-Port Huanghua area, which have in the past been bolstered by favorable government economic policies, such as the "Belt and Road Initiative", "Coal Transportation from West to East", and the Action Plan. The Action Plan forbids the use of road transportation to transport coal into Port Huanghua and the recognition of the Bohai New Area as a national level economic zone. These policies promoted economic activities in the said regions, the transportation of Coal between the eastern and western parts of China, which is the major cargo transported by us and the use of rail freight transportation to transport bulk cargo, as a result of which the demand for rail freight transportation in the said regions has been heightened. Even though our coal transportation volume decreased in 2018 after the implementation of the Action Plan due to our inability to transport coal to Port Huanghua through railway directly at the time, we believe these policies leave us well-positioned to provide a significant portion of the transportation business previously undertaken by road freight transportation, particularly after we commence operating the Han-Huang connecting line in August 2019 which enables us to transport coal to Port Huanghua directly by rail. Our location, in particular our historical access to and connection with Port Huanghua, is crucial for our operations. See "Business – Our Strengths – Established and expanding local railway operator with excellent location of our railway and potential to grow" for a discussion of the strategic importance of our access to Port Huanghua.

In the past, we primarily transported coal to stations right next to Port Huanghua and then used trucks to transport coal to piers at Port Huanghua. Effective at the end of 2018, the Action Plan issued by the State Council only allows transportation of coal to key ports by sea or railway. As a result, we were unable to use trucks to transport coal directly to the piers at Port Huanghua. Our inability to directly transport coal to Port Huanghua caused a decrease in our revenue. See "Financial Information – Year to year comparison of results of operations" for details. On August 15, 2019 we received the necessary approvals to open a new connecting line from Yangerzhuang Station to Bohaixi Station, through which we can transfer such cargo to the Han-Huang Railway for transportation to the Comprehensive Pier of Port Huanghua. However, we are still unable to transport coal directly to the piers at Port Huanghua ourselves. While we have plans to build additional branch lines connecting to Port Huanghua (see "Business – Our Strategies – Construct additional branch lines to expand our business scale") there can be no assurance that we will be able to receive the necessary finances to construct such branch lines and we will be able to obtain the necessary permits in a timely manner or at all. Any inability to or delay in our ability to transport cargo to Port Huanghua could have a material and adverse effect on our business, financial condition and results of operations.

Furthermore, we cannot assure you that Port Huanghua will remain one of the largest ports for coal transportation under the "Coal Transportation from West to East" national strategy or one of the largest ports in terms of coal shipment, or that the current favorable government economic policies, such as the "Belt and Road Initiative" and "Coal Transportation from West to East" will remain in force in the future. Even if such favorable policies do remain in force in the future, there can be no assurance that the regions in which many of our customers are located will continue to develop at a rapid pace. If the PRC government formulates any policy that adversely affects the importance of Port Huanghua or otherwise changes the function of Port Huanghua as a major port for coal transportation or if any change in the coal consumption market occurs which has a negative impact on Port Huanghua or our customers otherwise look to other ports to which we do not have access our business and results of operations will be adversely affected. Further, if the PRC government implements policies or economic measures that materially affect or restrict the development of the area in which many of our customers are located and, in particular, the development of Port Huanghua, it may largely reduce the freight transportation volume through the Canggang Railway Line, which would, in turn, have a material adverse effect on our business operation and financial position.

We face certain competition issues which may materially and adversely affect our business growth and results of operations.

As a local railway operator, we enjoy a significant degree of exclusivity in terms of rail freight transportation business within the Cangzhou-Port Huanghua area. See "Business – Our Strengths – Established and expanding local railway operator with excellent location of our railway" and "Business – Our Strengths — A high degree of exclusivity and insulation from competition" for further details. In addition, under the Conference Minutes in 2000, the Shuo-Huang Railway Line and the coal pier in Port Huanghua shall not compete for transportation business already undertaken by local railways (such as the Canggang Railway Line) and ports in Hebei Province. In addition, given the high entry barriers to the rail freight transportation market, we are not aware of any, and believe there will be no, new competitors in our market in the near future. Nonetheless, the Conference Minutes in 2000 are not legally binding. In the event that the owner and operator of the Shuo-Huang Railway Line does not act in accordance with the arrangements set out in the minutes, there will be no legal consequence to such party.

We cannot assure you that the favorable government policies providing such exclusivity will not change or cease to be effective for any reason, or that potential competitors such as the owner and operator of the Shuo-Huang Railway Line will continue to refrain from competing with us for the railway transportation business between Cangzhou and Port Huanghua. The covenants not to compete in the Conference Minutes in 2000 were unilaterally made by the predecessor of the owner and operator of the Shuo-Huang Railway Line and are not legally binding. As virtually all coal we transported originally comes from Shanxi Province, Shaanxi Province and the Inner Mongolia Autonomous Region via the Shuo-Huang Railway Line, our results of operations and financial conditions would be materially and adversely affected if potential competitors decide to compete with us in the areas in which we currently operate. In such circumstances, due to the nature of railway transportation and the location of our railway, we cannot guarantee that we will be able to find replacement business within a short period of time or at all, and as a result our business and operations could be adversely affected.

We have been dependent on the eastbound transportation of coal through our railway during the Track Record Period. Our business, financial condition and results of operations would be materially and adversely affected if demand for transportation of coal were to decline.

Historically, coal has been the major cargo category we transported through our railway. For the years ended December 31, 2017, 2018 and 2019 and for the five months ended May 31, 2019 and 2020, we transported approximately 11,641,000, 11,674,000, 9,728,000, 4,986,000 and 4,120,000 tonnes of coal, respectively, accounting for approximately 79.6%, 74.4%, 60.4%, 67.3% and 60.3% of the total amount of cargo we transported through our railway. See "Business – Our Business – Rail Freight Transportation" for further details of the volume of cargo by category and as percentages of all cargo we transported during the Track Record Period.

According to the Frost & Sullivan Report, around 70% of coal production in China is delivered via railway from the coal production areas such as Shanxi Province, Shaanxi Province and the Inner Mongolia Autonomous Region, among others, to the southern and eastern coastal area where coal is mainly consumed. During the Track Record Period, our revenue was derived in China mainly from the eastbound transportation of coal to accommodate the demand for coal from our major customers, which included operators or owners of power generation companies, especially fossil-fuel power stations which required substantial amounts of coal for their business. For the years ended December 31, 2017, 2018 and 2019 and for the five months ended May 31, 2020, our revenue generated from eastbound transportation business accounted for approximately 89.3%, 88.5%, 82.5% and 82.2%, respectively, of total revenue generated from our railway transportation business (both westbound and eastbound) for the same years.

We anticipate that we will continue to rely on our customers' demand for coal, their business growth and the continuous development of the coal industry. Any significant downturns in the demand for coal from the power generation industry or in the coal industry itself would adversely affect our business, results of operations and financial conditions.

According to the Frost & Sullivan Report, China is undergoing a reform and optimization exercise regarding the consumption structure of primary energy pursuant to which clean energy sources such as natural gas and hydro energy are expected to witness rapid growth and to take larger proportion of the primary energy consumption in China. Coal consumption is anticipated to grow slowly in the future at a CAGR of 0.7% during 2019 to 2024, owing to the policies of promoting clean energy usage, protecting environment and eliminating small-scaled coal-fired boilers. We cannot guarantee that the market for coal production or consumption will remain stable or continue to grow in the future. If the PRC government enacts any laws or regulations that restrict the development of the coal industry, such as environmental laws or regulations that significantly limit coal production, or if governmental authorities encourage consumption of new or renewable energy for purposes of environmental protection or cost efficiency, our business, financial condition and results of operations would be adversely affected. Further, if any major accidents occur that have material adverse effect on major coal production companies with which we cooperate, or if the coal industry is adversely affected by any other incidents or events, our business would likely be directly affected. In such circumstances, to the extent we are not able to find replacement cargo to transport, our business, financial condition and results of operations would be materially and adversely affected. In addition, there can be no assurance that our plans to address this concentration of eastbound business by growing our westbound business will be successful. See "Business – Our Strategies – Explore the potential for westbound transportation business and diversify our sources of income" for further details. If for any reason our eastbound transportation business suffers significant decrease and we cannot boost our westbound transportation business, our financial condition and results of operation could be materially and adversely affected.

We cannot guarantee that new PRC regulations and policies regarding rail freight transportation or environmental protection will not be introduced or that existing laws and regulations will not be interpreted in way that could adversely affect our business.

As set out in the section headed "Regulatory Overview", there are a number of rules and regulations in China governing the railway transportation industry and our business operations. Any failure, or perceived failure, by us to comply with such regulatory requirements or other relevant laws, rules and regulations could result in reputational damage, proceedings or actions against us by governmental authorities. These proceedings or actions could subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs or disrupt our business.

In recent years, we have benefited from certain favorable policies and government support of the rail freight industry. See "Business – Our Strengths – Favorable government policies which help us maintain our geographic advantages" for further details. However, the PRC government may change its industry policies from time to time by adopting new policies and measures to further regulate the railway transportation industry due to changes in macroeconomic trends or certain unexpected events. As such, there can be no assurance that the specific favorable policies that are currently available will continue to be effective. If the PRC government reverses current favorable policies or enacts new extensive or strict regulations on the railway transportation industry, our ability to conduct our business and our flexibility to respond to market conditions may be materially affected and our compliance costs could increase. This could have a material adverse effect on our business and financial performance.

Our pricing is subject to close regulation under PRC laws and regulations and our revenue could significantly decrease if the railway and pricing authorities adjust pricing standard for rail freight transportation in a way that adversely impacts us.

We charge transportation fees based on the volume (in tonnes) we transport multiplied by the unit price (tonne/km). Our revenue generated from railway transportation largely depends on the unit price we are able to charge our customers. However, we have limited discretion in setting prices, as price levels for rail freight transportation in China have been highly regulated and subject to government guidance. According to the Pricing Catalog for Hebei Province (河北省定價目錄) issued by the Hebei Provincial Price Bureau on April 9, 2018, other than rail enterprises which are owned or controlled by the State Council and/or its subdivisions and which shall be regulated by the Central Pricing Catalog (中央定價目錄) issued by the State Council on October 8, 2015, rail freight transportation prices for local state-owned railway enterprises and private railway enterprises are regulated by provincial pricing authorities. See "Regulatory Overview – Pricing for Railway Transportation" for further details of the PRC regulations on pricing for freight railway transportation. Pursuant to the pricing guideline applicable to the Canggang Railway issued by Cangzhou Local Railway Bureau (滄州市地方鐵路局) in 2000, Chengyu Company, which started to operate the Canggang Railway in 2004, charged RMB0.175/tonne/km for regular cargo, with an additional 50% to 150% extra charge for dangerous goods and oversized goods. In March 2008, the Price Bureau of Hebei Province (河北省物價局) approved Chengyu Company to increase the transportation price to RMB0.25/tonne/km for coal and regular cargo and RMB0.3/tonne/km for hazardous cargo. There was no price fluctuation in the pricing guidelines since then. The pricing standards pursuant to the pricing guideline issued to Canggang Company by Development and Reform Bureau of Huanghua (黃驊市發展改革局) in April 2017 are the same as those approved by the Price Bureau of Hebei Province in 2008.

As such, we can only charge a unit price within the limits set by the relevant authorities. Our revenue generated from railway transportation may decrease if such authorities lower the permissible base rates and we are unable to increase the volume of cargo we transport or increase our revenue from other business. In addition, our ability to increase the rates we charge in the future depends in part on the permitted base rates for rail freight transportation raised.

We rely on certain major customers to generate a substantial percentage of our revenue. Our business may be materially and adversely affected if we are unable to maintain our relationship with them or if such customers experience any difficulties in their operations.

We rely on certain major customers to generate a substantial portion of our revenue during the Track Record Period. Our top five customers contributed approximately 65.4%, 65.6%, 53.8% and 62.0% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and for the five months ended May 31, 2020 respectively. See "Business – Our Customers" for further details of our top five customers during the Track Record Period.

If our relationship with a major customer deteriorates or terminates or such customer decreases the amount of our transportation services they use due to deterioration in their own business or industry due to their own or industry-specific reasons or broader reasons, such as the impact of COVID-19, or for any other reason, we may not be able to find alternative customers in a timely manner or at all. Any failure to maintain a stable business relationship with and sufficient business from our current major customers could cause a decrease in our revenue, which would have a material adverse effect on our business, financial condition and results of operations.

If we are unable to obtain, renew, or retain licenses, permits or approvals or to comply with applicable laws and regulations, our operations could be materially and adversely affected.

According to our PRC Legal Advisors, we are primarily required to hold a valid Railway Transportation Permit (鐵路運輸許可證) and Local Railway Operation Permit (地方鐵路運營許可證) to conduct the business of our PRC subsidiaries. Although we have in the past successfully applied for and renewed such licenses, we cannot assure you that we will not encounter any obstacles in renewal or retention of such licenses in the future. The Measures on Access Licensing of Railway Transportation Enterprises* (鐵路運輸企業准入許可辦法) and Hebei Provincial Railway Regulation* (河北省地方鐵路條例) stipulate the specific requirements for renewal of relevant licenses, including that a company which engages in railway transportation operation shall (i) own or have the right to use railway and relevant infrastructures that meet relevant specifications and national standards; (ii) have production, operation, management and other personnel meeting the working experience requirements for railway transportation positions; and (iii) have an operation safety management organization or safety management personnel in compliance with applicable laws and regulations. The relevant authority may deny the renewal of licenses if the railway transportation company does not meet these requirements. The successful renewal of such licenses is subject to wide discretion of the relevant authorities which is largely out of our control. If we fail to retain such licenses or if we are unable to renew them in a timely manner, our operations may be suspended or disrupted and our business and reputation could be materially and adversely affected.

In addition, as the laws and regulations relating to railway operation are evolving, we cannot assure you that there will not be new laws and regulations imposing stricter requirements with which it will be difficult for us to comply in a timely manner or at all. Even if we are able to comply with new requirements, we may need to allocate substantial resources and incur large costs related to such compliance and, as a result, our financial performance may be materially and adversely affected.

Our business operations may be affected by the outbreak of COVID-19.

An outbreak of respiratory illness caused by COVID-19 emerged in late 2019 and continues to expand within the PRC and globally. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat. Since the outbreak, draconian measures including travel restrictions had been imposed within the PRC in an effort to contain the coronavirus outbreak. The WHO is closely monitoring and evaluating the situation. On January 30, 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). On March 11, 2020, the WHO further characterized COVID-19 as a pandemic. As of the Latest Practicable Date, the virus had spread across China and to over 200 countries and territories globally with the death toll and number of infected cases continuing to rise. The outbreak, which has resulted in a large and growing number of fatalities is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC. The impact of the COVID-19 outbreak on the local and national economies and on the rail freight transportation industry or the industries in which our major customers operate, in particular the coal production industry could materially and adversely affect our business operations and financial condition. Any adverse effects on our major customers could impact their demand for our services or the settlement of the outstanding trade receivables. We are uncertain as to when the outbreak will be contained, and we also cannot predict at this point if the impact will be short-lived or long-lasting. If the outbreak of COVID-19 is not effectively controlled in a short period of time, our business operation and financial condition may be materially and adversely affected as a result of the changes in the outlook of the rail freight transportation industry, any slowdown in economic growth, negative business sentiment or other factors that we cannot foresee.

Freight transportation is dangerous and we have experienced accidents and may continue to do so in the future. Occurrence of any accidents could adversely impact our financial performance, interrupt our business operations and damage our reputation.

The rail freight and road freight transportation businesses are inherently dangerous and we have experienced accidents, including accidents which resulted in fatalities and other serious bodily harm to our employees and others. During the Track Record Period and up to the Latest Practicable Date, a number of incidents in relation to fatalities, personal injury or property damage, including five train accidents and 16 truck accidents, were reported to us by our safety department. We have not been held liable for any of the five train accidents, as the accidents were found to have been primarily caused by the failure to observe traffic rules and regulations or negligence in work by other parties involved, and there were no actual or, to the best knowledge of our Directors, potential claims against us as a result of these accidents. Our truck drivers have been held fully or partially liable for 12 of the 16 truck accidents. Nevertheless, all the actual claims in connection with the liability of our truck drivers in these accidents were fully paid by our insurance companies pursuant to the relevant insurance policies. As of the Latest Practicable Date, all such claims have been fully settled, and to the best knowledge of our Directors, there were no potential claims against us arising these accidents as of the Latest Practicable Date. However, we could be held liable for future accidents or injuries to our employees or non-employees, including those caused by or otherwise arising in connection with our operations. We could also face claims alleging that we were negligent or we provided inadequate maintenance for facilities of our railway or supervision of our employees. Such incidents may raise concerns for our customers regarding safety of our operations and overall management. Furthermore, although we maintain liability insurance, the insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities. We may not be able to obtain even this level of liability insurance in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation. Even if it is unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management, all of which may have material adverse effects on our business, financial condition, results of operations and prospects.

In addition, some of the cargo we transport includes flammable, explosive or otherwise hazardous materials. We cannot guarantee that the measures we take to address such dangers will be sufficient to control all safety risks, or if we have sufficient resources to take extra measures as required under applicable laws and regulations or necessitated by market practice. Any failure to take necessary actions in a timely manner could result in fines or penalties or contribute to the occurrence of accidents, causing significant damage to our railway and other properties and damaging our reputation as an established regional local railway operator, which would have a material adverse effect on our business, financial condition and results of operations.

We may not have sufficient insurance coverage.

Risks associated with the freight transportation, loading and unloading process, other movements of cargo from the place of origin to the required destinations and railway maintenance, repair and construction include property damage, loss in transit, delays, misrouting of cargo and documentation errors, all of which could result in losses to customers and liability for us. See “Business – Insurance” for further details of insurance policies we currently maintain. We cannot assure you that we have maintained sufficient insurance coverage for the risks associated with the operation of our businesses. Furthermore, we cannot guarantee that we will in the future continue to be able to procure such insurance cover at premiums or other terms acceptable to us. In addition, consistent with what we believe are industry norms, we do not have insurance coverage for third-party liability or business interruption. Any uninsured occurrence of business disruption, litigation or natural disaster could result in substantial costs and diversion of resources for us and could adversely affect our financial conditions and results of operations.

Some of the land/properties we own or otherwise use for our operations are subject to risks under applicable laws and regulations in the PRC.

Some of the land/properties we own or otherwise use in our operations are not in compliance with the applicable laws and regulations in the PRC. See “Business – Legal Compliance and Proceedings – Non-compliance Incidents” for further details.

In addition, we occupy certain allocated land the rights to which are not owned by us. See “Business – Properties – Leased Properties – Land” for further details. There are risks to our business and operations associated with such occupation.

As advised by our PRC Legal Advisors, we generally face the following risks in connection with the issues concerning these properties:

- For state-owned land on which the connecting line to Bohaixi Station of the Han-Huang Railway Line is situated, we have not obtained the land use right as of the Latest Practicable Date. We could be ordered by the relevant authority to return the land we occupy. If we are penalized by the relevant authority, it could materially and adversely affect our business, financial performance and results of operations;

- For (i) the main track of the Canggang Railway Line, the structures along the aforementioned railway line and the coal and all logistics construction projects of Jinghai International, for which we did not obtain the relevant construction land planning permits and construction project planning permits at the time of its construction; and (ii) the connecting line to Bohaixi Station of the Han-Huang Railway Line, for which we have not obtained the same planning permits, we may be subject to (i) suspension of construction; or (ii) if measures to eliminate the adverse impact are possible, orders that we make necessary corrections to eliminate adverse impact within a prescribed deadline and a fine between 5% and 10% of the value of such properties; or (iii) removal within a prescribed deadline or, if impracticable, forfeiture of the properties or unlawful earnings and a fine not exceeding 10% of the total value of such properties. If any of the such penalties were imposed on us, our operations could be materially and adversely affected and we would incur significant costs which will negatively impact our financial performance;

- For construction of the connecting line to Bohaixi Station of the Han-Huang Railway Line, we have not obtained approval of our Report Form on Environmental Impact of Construction Project or completed environmental protection inspection and acceptance procedures, we may also be subject to, among other things, (i) an order that we cease construction and a fine between 1% and 5% of the total investment amount of such project, depending on the seriousness and consequences of the situation, and an order that we revert to the original condition; and (ii)(a) an order that we make necessary rectifications with a prescribed deadline and a fine between RMB200,000 and RMB1,000,000; or (b) in the case of failure to comply with such order, a fine between RMB1,000,000 and RMB2,000,000. We may also be ordered to suspend or terminate the construction if such non-compliance causes material environment pollution or ecological damage. If any of such penalties are imposed on us, our operations could be materially and adversely affected and we will incur significant costs which will negatively impact our financial performance; and

- For allocated land that we occupy and the rights to which are not owned by us, if such allocated land is transferred, leased or pledged without the approval from the relevant land authorities, proceeds from the relevant non-compliance could be forfeited and fines may be imposed on the respective owners. If such owners are penalized by the relevant authorities, we may be no longer able to continue to use such allocated land, including certain land on which the Canggang Railway Line is situated, and we may have to suspend our railway operations until the issue is rectified by the respective owners. Such temporary or permanent suspension would materially and adversely affect our business, financial performance and results of operations.

We rely on our business partners and service providers in our daily operations and any default or negligence from them could adversely affect our operations.

We cooperate with and rely on our business partners and other service providers (such as subcontractors) to carry out part of our road freight transportation, loading and unloading and other ancillary businesses. For example, we cooperate with the Shuo-Huang Railway Line to arrange for the switching of locomotives at the relevant connecting stations for our westbound and eastbound railway transportation. We also subcontract certain tasks of our ancillary services to third party logistic services providers by engaging their trucks and workers.

There can be no assurance that such service providers will at all times perform at a satisfactory level or renew agreements with us upon expiry. If they fail to perform their obligations timely and satisfactorily for any reason, or if they are unable or unwilling to continue to provide the relevant services to us and we are unable to find replacement services in a timely manner, our business operations and financial conditions may be materially and adversely affected.

An increase in fuel prices may reduce our profitability and affect our operations.

Fuel costs accounted for approximately 8.3%, 11.3%, 10.3%, 11.2% and 10.4% of our total operating expenses for the years ended December 31, 2017, 2018 and 2019 and for the five months ended May 31, 2019 and 2020 respectively. The cost of fuel can fluctuate significantly and is subject to a number of economic and political factors that are beyond our control. An increase in fuel prices would increase our operating expenses. Unless we were able to pass such increased costs to our customers by increasing our transportation service fee rates (which are closely regulated by the NRA and pricing authorities), our profitability, results of operations and financial condition would be affected.

We outsource certain aspects of our ancillary businesses.

In order to provide us greater flexibility and better manage our labor and other operating costs, we have entered into outsourcing arrangements with a number of third party subcontractors to help provide certain aspects of our ancillary businesses, including trucking companies for our road freight transportation business, and logistic companies to help carry out our loading and unloading services. We participate in the general supervision and quality control of the work provided by such third party subcontractors. For the years ended December 31, 2017, 2018 and 2019 and for the five months ended May 31, 2019 and 2020, our subcontracting expenses amounted to approximately RMB33.4 million, RMB29.9 million, RMB39.5 million, RMB16.5 million and RMB18.7 million, respectively. While we monitor the work of our subcontractors, there can be no assurance we will be able to control the quality of their work or the safety of the conditions under which it is performed to the same level as if we were using our own employees. Any failure of our subcontractors to meet our quality, safety, environmental protection or other standards could have a material adverse effect on our business, financial condition, results of operations or reputation. In addition, we typically enter into relatively short term outsourcing arrangements with our subcontractors. There can be no assurance such subcontractors will choose to renew their contract with us or if they do not that we would be able to find another contractor to provide similar services at a similar price in a timely manner or at all. In such circumstances, we may be unable to provide our services on a timely basis or our operating costs may increase which would likely have a material adverse effect on our business, financial condition, results of operations and/or reputation. In addition, we currently do not employ enough workers to carry out the necessary work ourselves and we cannot assure you that we would be able to hire the necessary additional workers in a timely manner or at all.

Prolonged disruptions to our business operations due to work stoppages or strikes could adversely affect our business.

We employ a large workforce. Industrial action or other labor unrest could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to delays in satisfying our client orders and decreases in our revenue. These actions are impossible for us to predict or control. Further, we cannot assure you that labor unrest will not affect general labor market conditions or result in changes to labor laws, which in turn could materially and adversely affect our business, financial condition and results of operations.

The success of our joint ventures depends on a number of factors which may be beyond our control, and as a result, we may not be able to realize the anticipated economic and other benefits.

We have entered into joint ventures with third parties in connection with the construction of the two new branch lines to reach the Comprehensive Industrial Park and Northern Shandong Industrial Park and we will not hold majority interests in the joint venture companies. The success of our joint ventures depends on a number of factors, some of which are beyond our control, and the operation of such joint ventures involve a number of risks, including but not limited to:

- our joint venture partners may have economic or business interests, objective, philosophies or policies that conflict or are inconsistent with ours;

- disputes between us and our joint venture partners may arise in relation to the scope of each party's responsibilities and obligations; and

- in the event we could not reach consensus with our joint venture partners with respect to any proposed corporate action or transaction, and such disagreement cannot be effectively resolved under the terms of our joint venture agreements and/or articles of association of the relevant joint venture, we may encounter a deadlock situation with our joint venture partners.

As a result of the risk of such disputes, conflicts and deadlock situations, we may not be able to realize the anticipated economic and other benefits from our joint ventures.

The performance and value of our investments in financial products are subject to uncertainties and fluctuation.

During the Track Record Period, we invested in short-term wealth management products issued by licensed commercial banks in China, which mainly included investment portfolios covering debentures, asset backed securities, interbank loans, reverse purchases and bank deposits. These wealth management products are classified as financial assets at fair value through profit or loss. As of December 31, 2017, 2018 and 2019 and as of May 31, 2020, the balance of our financial assets at fair value through profit or loss was nil, RMB1.0 million, nil and nil, respectively. Such balance fluctuates with the timing of maturity of certain products and our purchasing of additional products in accordance with our investment policy. The performance and the value of our investment in such products may fluctuate or decrease from time to time for reasons beyond our control, such as market interest rates, performance of the reference assets which is used to determine the return of our investments, changes to regulatory requirements or restrictions, general economic conditions, and risks associated with any specific country or currency. Those investments are also subject to the credit risk of the issuers and we may lose all or a substantial amount of our investments in the event that an issuer becomes insolvent or delays in making or fails to make any payments when due. Any decrease of value or underperformance of these financial assets may adversely affect our financial condition or business prospects. See "Financial Information – Discussion of Certain Items from the Consolidated Statements of Financial Position – Financial assets at fair value through profit or loss" for details.

Our performance during the Track Record Period may not be indicative of our future growth.

We experienced growth in profit for the year and revenue for the year ended December 31, 2018, but experienced a decrease in revenue and profit for the year ended December 31 , 2019. Such growth in 2018 should not be considered indicative of our future performance and there can be no assurance that the decrease in revenue and profit will not recur going forward. Instead, you should consider our future prospects in light of the risks and uncertainties regarding our ability to:

- manage our expanding business, including attracting and retaining potential and existing customers;
- comply with laws and regulations applicable to our business, in particular those relating to railway transportation, environmental protection, pricing and work safety;
- control our operating expenses, in particular salary expenses of our employees and costs related to third-party logistics providers; and
- maintain and upgrade plant and equipment in a timely manner.

If we fail to successfully address any of these aspects of our business and manage related risks and uncertainties, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain sufficient funding for our capital expenditures, expansion plans and other corporate needs, which could limit our ability to grow our business.

We expect that we will incur a substantial amount in capital expenditures to carry out technical upgrades of the Canggang Railway Line and construct additional branch lines and Special Service Lines to expand our business scope. See "Business – Our Strategies" for further details of our business strategies. We currently plan to finance such expenditures primarily from income from our operations and proceeds from the Global Offering. See "Future Plans and Use of Proceeds" for further details. However, the net proceeds from the Global Offering and our operating cash flow may not be sufficient to fund such expenditures and we may also require other sources of funding. We may also need further funding for working capital, potential joint ventures with other companies and other corporate requirements.

Our ability to arrange financing is dependent on a number of factors, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of the necessary PRC governmental approvals, investors' confidence in us, the transportation and logistics industry in China and PRC laws and regulations applicable to us, many of which are beyond our control. We cannot guarantee that we will be able to obtain additional financing on terms that are acceptable to us or at all. In the event that financing is not available or is available on terms unacceptable to us, our development, results of operations and financial condition may be adversely affected.

We may be subject to additional social insurance and/or housing provident fund contributions and late payments or fines imposed by relevant regulatory authorities.

Under the relevant PRC laws and regulations, we are required to make social insurance and housing provident fund contributions for and on behalf of our employees. During the Track Record Period, we did not make in full the social insurance and housing provident fund contributions for and on behalf of some of our employees.

In this regard, we have made additional provision in full in our consolidated financial statements. The carrying amount of such additional provision for social insurance and housing provident fund contributions amount to RMB6.1 million and RMB5.4 million, respectively, as of May 31, 2020. As of the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of the social insurance funds. However, we can give no assurance that we will not be subject to any order in the future to rectify such noncompliance, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance funds under the relevant laws and regulations implemented at the national, provincial or local level. See "Business – Legal Compliance and Proceedings – Non-compliance Incidents" for more details. We may also incur additional expenses to comply with the relevant laws and regulations implemented by the national, provincial or local authorities.

We had high levels of indebtedness and recorded net current liabilities during the Track Record Period.

We rely on a combination of funds generated from our operations and loans from banks and other financial institutions to finance our business operations and expansion during the Track Record Period. As of August 31, 2020, we had an aggregate of RMB549.9 million of bank and other loans. Our gearing ratio was 51.3%, 53.2%, 108.0%, 104.4% and 96.8%, as of December 31, 2017, 2018 and 2019 and as of May 31, 2020 and August 31, 2020, respectively. Our high level of indebtedness could materially and adversely affect our liquidity. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, and thus, reduce the availability of our cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- reduce our ability to obtain financing in the future; and
- increase our exposure to interest rate fluctuations.

As of December 31, 2017 and 2018, we had a net current assets position of RMB92.8 million and RMB32.4 million, respectively. However, as of December 31, 2019, we had net current liabilities of RMB212.2 million. This was primarily due to (i) a decrease of amounts due from related parties from RMB132.3 million as of December 31, 2018 to nil as of December 31, 2019; (ii) use of such cash (along with proceeds from additional long-term loans) for the acquisition of the equity interest in Canggang Company for total consideration of approximately RMB361.2 million in connection with the Corporate Reorganization and (iii) two bank loans of approximately RMB120.0 million in aggregate becoming due within the next one year and thus falling under the current portion. Hence our net current liabilities position was primarily caused by one-off events related to the Corporate Reorganization, which will not recur. Based on the consistency of the financial performance of our operations, as evidenced by our profit for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020 of approximately RMB80.4 million, RMB81.5 million, RMB69.5 million and RMB30.0 million, respectively, and our cash flow from operating activities of approximately RMB112.1 million, RMB150.0 million, RMB110.3 million and RMB47.3 million for the corresponding periods, respectively, we believe our profit and cash flow from operating activities will be available to enable us to improve our liquidity position. We expect to improve our liquidity position by settling our current liabilities with the profit generated from our principal business and the net proceeds from the Global Offering. To ensure the sufficiency of our liquidity, we (i) will continue to generate cash flow from our operating activities; (ii) have made arrangements with our banks to extend the term of certain bank loans; and (iii) will utilize part of the net proceeds from the Global Offering as general working capital and to fund part of our proposed expansion plan. To further enhance our liquidity, we may seek debt financing from financial institutions from time to time, especially for financing capital expenditures in relation to our railway lines. As of May 31, 2020 and August 31, 2020, we had recovered to a net current assets position of RMB6.4 million and RMB22.9 million, respectively.

Our net current liabilities position also exposes us to liquidity risk. Our future liquidity, the payment of other payables, deposits received, and accruals and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements and we may continue to have net current liabilities in the future. The inability to generate positive operating cash flow or obtain additional short-term bank loans or other borrowings on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. We also cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion plan will not materially and adversely impact the current or future level of our working capital.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, business strategies, expansion plan, election of directors and other significant corporate actions. Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, our Controlling Shareholders will, in aggregate, hold 657,975,000 Shares representing approximately 65.80% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Our deferred tax assets involve assumptions made by Directors.

We recorded deferred tax assets of RMB7.0 million, RMB7.7 million, RMB8.2 million and RMB8.0 million as of December 31, 2017, 2018 and 2019 and as of May 31, 2020, respectively. Deferred tax assets are recognized and measured based on the expected realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted as of December 31, 2017, 2018 and 2019 and as of May 31, 2020. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involve a number of assumptions relating to our operation and require judgment exercised by our Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence our profit in future years.

We may be exposed to payment delays or defaults from our customers, which would adversely affect our cash flow or financial results.

We are exposed to credit risk in relation to our trade receivables. We generally granted a 30-day credit period to our customers during the Track Record Period and payments were generally settled by bank transfer. However, there is no assurance that we will be able to receive such payment on time. Although we perform on-going credit evaluation of financial conditions on our customers, we cannot assure you that our customers will pay us in full in a timely manner or at all in the future. If our customers fail to pay us in full in a timely manner, our financial condition and results of operations may be materially and adversely affected. Please see note 26 to the Accountants' Report in Appendix I to this prospectus for further details.

If we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive position and our brand, reputation and operations may be materially and adversely affected.

Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on the trademark law to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorization. The practice of intellectual property rights enforcement action by Chinese regulatory authorities is in its early stage of development and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. Any such action, litigation or other legal proceedings could result in substantial costs and diversion of our management's attention and resources and could disrupt our business. In addition, there is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property. Failure to adequately protect our intellectual property could materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations.

We may face disputes from time to time relating to the intellectual property rights of third parties.

We cannot assure you that materials and technologies we use in our daily operation do not or will not infringe intellectual property rights of third parties. Throughout the Track Record Period and up to the Latest Practicable Date, we did not encounter any material claims for intellectual property infringement. However, there is no guarantee in the future that third parties will not claim that we have infringed on their proprietary rights.

Although we plan to defend ourselves vigorously in any such litigation or legal proceedings, there is no assurance that we will prevail in these matters. Participation in such litigation and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. We may be required to pay damages or incur settlement expenses. In addition, in case we are required to pay any royalties or enter into any licensing agreements with the owners of intellectual property rights, we may find that the terms are not commercially acceptable and we may finally lose the ability to use the related content or materials, which in turn could materially affect our operations. Any similar claim against us, even without any merit, could also damage our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

Natural disasters, epidemics, acts of war, terrorist attacks and other events could materially and adversely affect our business.

Natural disasters (such as typhoons, flooding and earthquakes), epidemics, acts of war, terrorist attacks, political unrest and other events, many of which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business, financial condition and results of operations. An outbreak or epidemic, such as those of the COVID-19, the severe acute respiratory syndrome or the H1N1 and H5N1 viruses, could cause general consumption or the demand for specific products to decline, which could result in reduced demand for our services. Such an outbreak or epidemic may also cause significant interruption to our operations as health or governmental authorities may impose quarantine and inspection measures on our trains, our other vehicles and the factories or premises of our customers to which the Special Service Lines we operate are connected, or restrict the flow of cargo to and from areas affected by the epidemic. In addition, our transportation vehicles can be targets of terrorist attacks, which could lead to, among other things, increased insurance and security costs. Political tensions or conflicts and acts of war or the potential for war could also cause damage and disruption to our business, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects.

All of our operations and assets are located in China. Accordingly, our financial condition, results of operations and prospects are subject, to a significant degree, to the economic, political and social conditions and government policies in China. The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and government structure. For example, the PRC government has implemented economic reform and measures emphasizing the utilization of market forces in the development of the PRC economy in the past three decades. These reforms have resulted in significant economic growth and social development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

We cannot predict whether the resulting changes will have any adverse impact on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions. Demand for our services and our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation; and
- changes in the rate or method of taxation.

These factors are affected by a number of variables which are beyond our control.

PRC governmental control on the convertibility of Renminbi may affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The majority of our income is received in Renminbi and shortages in the availability of foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our Shareholders.

We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and investors' investments.

The value of the Renminbi has been under pressure of appreciation in recent years. Due to international pressures on the PRC to allow more flexible exchange rates for the Renminbi, the economic situation and financial market developments in the PRC and abroad and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility.

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to will affect our business in different ways. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Inflation in the PRC could negatively affect our profitability and growth.

The economy of the PRC has experienced significant growth over the past several decades, leading to inflation and increased labor costs. Most recently, according to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in the PRC was -2.1% in December 2018. However, the PRC overall economy and the average wage in the PRC are expected to continue to grow. Future increases in the PRC's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our customers by increasing price of our services.

The legal system of the PRC is not fully developed and there are inherent uncertainties that may affect the legal protection available to our business and our Shareholders.

As all of our business and operations are in the PRC, we are principally governed by the PRC legal system that is based on civil law system which is established on the written statutes and their interpretation by the Supreme People's Court of the PRC (中華人民共和國最高人民法院). Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government authorities, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other jurisdictions, which may limit the legal protection available to us and our Shareholders. In addition, any litigation or regulatory enforcement action in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention.

As our Shareholder, you hold an indirect interest in our operations in the PRC. Our operations in the PRC are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. The mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. For example, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections. As such, our minority Shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts.

All of our senior management members (except for three independent non-executive Directors and Mr. Kwok Che Chung, our chief financial officer and joint company secretary) reside in the PRC, and substantially all of our assets, and substantially all of the assets of those persons are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* (《關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排》) (the "2006 Arrangement"). Under such arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the arrangement in which a Hong Kong court or a people's court in the PRC is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or executive officers in the PRC. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "2019 Arrangement") was signed between the Supreme People's Court of China and Hong Kong. Compared with the 2006 Arrangement, the 2019 Arrangement establishes a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and China in civil and commercial matters under Hong Kong and PRC law. The 2019 Arrangement will apply to judgments rendered by the courts of Hong Kong and China on or after its commencement date, which will be announced by Hong Kong and China after necessary procedures for both parties have been completed. The 2006 Arrangement will be superseded upon the effective date of the 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a "choice of court arrangement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement takes effect. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

If we are classified as a PRC "resident enterprise", we could be subject to PRC income tax at the rate of 25% on our worldwide income, holders of our Shares may be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares.

Under the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on its worldwide income. Under the implementation rules for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Since all of our management is currently located in the PRC, we may be recognized as a PRC tax resident enterprise for the purpose of the EIT Law and therefore we would be subject to PRC income tax at the rate of 25% on our worldwide income. In such event, our income tax expenses may increase significantly and our profit and profit margin could be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market would develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Global Coordinators (on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

The liquidity, trading volume and market price of our Shares following the Global Offering may be volatile.

The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- fluctuation in our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding rail freight transportation industries and companies;
- changes in laws and regulations in the PRC;
- our announcement of any significant acquisitions, dispositions, strategic alliances or joint ventures;
- our involvement in litigation or other proceedings;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in the PRC and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

Because the initial public Offer Price per Share is higher than the carrying amount of net tangible assets per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

The Offer Price of our Offer Shares is higher than the carrying amount of net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution with a pro forma adjusted net tangible asset of HK$0.76 per Share (assuming an Offer Price of HK$0.975 per Offer Share, being the mid-point of our Offer Price range of HK$0.85 to HK$1.10 per Offer Share) and existing Shareholders will receive an increase in the net tangible asset per Share of their Shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

We may make a Downward Offer Price Adjustment, and thereby reduce the amount of estimated net proceeds that we will receive from the Global Offering.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set as low as HK$0.77 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK$0.77, the estimated net proceeds that we will receive from the Global Offering will be reduced to HK$149.7 million, assuming that the Over-allotment Option is not exercised and that such reduced proceeds will be used as described in "Future plans and use of proceeds – Use of proceeds" in this prospectus.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be 1,000,000,000 issued Shares immediately following the Global Offering, assuming no exercise of the Over-allotment Option. Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the Listing. See "Underwriting – Underwriting Arrangements and Expenses" for more information. Shares which are not subject to a lock-up arrangement represent approximately 28.58% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately following the Global Offering.

Since there will be a time gap between the pricing and trading of our Shares, there is a risk that the price of our Shares could fall before trading of our Shares begins.

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five clear business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading of our Shares begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading of our Shares begins.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering in a number of ways, including constructing additional branch lines and upgrading our existing railway. See "Future Plans and Use of Proceeds – Use of Proceeds" for more information. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

Waivers have been granted from compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Stock Exchange has granted to us, a number of waivers from strict compliance with the Listing Rules. Please see "Waivers from Strict Compliance with the Listing Rules" for further details. There is no assurance that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could adversely affect us and our Shareholders.

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this prospectus.

Certain facts and statistics in this prospectus, including but not limited to information and statistics relating to the PRC railway transportation market are based on the Frost & Sullivan Report or are derived from various publicly available publications, which our Directors believe to be reliable.

We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information complied by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are "forward-looking" and uses "forward-looking" terminology such as "anticipate", "believe", "could", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not undertake any obligation to update or otherwise revise the forward-looking statements in this prospectus to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman company law on protection of minority Shareholders is set out in "Appendix IV – Summary of the Constitution of the Company and Cayman Islands Companies Law" to this prospectus.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us, our industry or the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements appearing in publications other than this prospectus are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC and will continue to be based in the PRC, our executive Directors and senior management members are and will continue to be based in the PRC. At present, none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and have obtained, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Yi Weiming (衣維明), our executive Director and chief executive officer, and Mr. Kwok Che Chung (郭芝聰), our chief financial officer and joint company secretary, respectively. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorized representative is not based at the registered office), facsimile numbers, if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange. Mr. Yi Weiming (衣維明) confirmed that he possesses valid travel documents to Hong Kong and Mr. Kwok Che Chung (郭芝聰) is ordinarily resident in Hong Kong, and they will be able to meet with the Stock Exchange within a reasonable period of time, when required;

(b) our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby (a) each Director will provide his office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange;

(c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Innovax Capital Limited as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date;

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our Company's compliance adviser, or directly with our Directors within a reasonable period. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance adviser; and

(e) each Director who is not ordinarily resident in Hong Kong has confirmed that he has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

Furthermore, our Company will retain legal advisers to advise on on-going compliance requirements as well as other issues arising from the Listing Rules and other applicable laws, rules, codes and guidelines of Hong Kong after the Listing Date.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing ''relevant experience'', the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (WUMP) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Kwok Che Chung (郭芝聰) and Mr. Li Juncheng (李俊呈) as the joint company secretaries of our Company. Mr. Kwok is, among others, a member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is ordinarily resident in Hong Kong and is qualified to act as a joint company secretary of our Company. On the other hand, Mr. Li is not a certified public accountant as defined in the Professional Accountants Ordinance, a member of the Hong Kong Institute of Chartered Secretaries, nor a solicitor or barrister as defined in the Legal Practitioners Ordinance, as required under Rules 3.28 and 8.17 of the Listing Rules. However, Mr. Li joined our Group in December 2014 and has relevant knowledge about the business operations and corporate culture of our Group and has relevant experience in the matters relating to the Board and corporate governance of our Company, and therefore the Directors consider that Mr. Li is capable of discharging the functions of a joint company secretary.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on the conditions that (a) we engage Mr. Kwok, who meets the requirements under Rules 3.28 and 8.17, as a joint company secretary, to assist Mr. Li in discharging his functions as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules; and (b) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. The waiver may be revoked if Mr. Kwok, during the three-year period, ceases to provide assistance to Mr. Li. Before the end of the three-year period, it is expected that our Company will liaise with the Stock Exchange to demonstrate to the satisfaction of the Stock Exchange that Mr. Li, having had the benefit of Mr. Kwok's assistance for three years, would then have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules to act as the company secretary of the Company without a further waiver or the assistance of Mr. Kwok.

For further details about the qualifications and experience of Mr. Kwok and Mr. Li, see "Directors, Senior Management and Employees – Joint company secretaries".

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement in this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases and assumptions that are fair and reasonable.

THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms set out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 25,000,000 Hong Kong Offer Shares and the International Placing of initially 225,000,000 International Placing Shares (subject, in each case, to reallocation on the basis described in "Structure of the Global Offering" in this prospectus).

The Global Offering is sponsored by the Sole Sponsor, namely Innovax Capital. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Global Offering is managed by the Joint Global Coordinators. For further details of the Underwriters and underwriting arrangements, see "Underwriting" for details.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date.

If, for whatever reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Friday, October 16, 2020, the Global Offering will not become unconditional and will lapse immediately.

The indicative Offer Price range is from HK$0.85 to HK$1.10.

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorization by the relevant securities regulatory authorities or an exemption therefrom. Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. No person is authorized in connection with the Hong Kong Public Offering to give any information, or to make any representation, not contained in this prospectus and the related Application Forms, and any information or representation not contained in this prospectus and the related Application Forms must not be relied upon as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters or any of their respective directors or any other persons or parties involved in the Global Offering.

Each person acquiring the Offer Shares in the Global Offering will be required to confirm, or be deemed by his acquisition of Offer Shares to have confirmed, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalization Issue and upon the exercise of any options which may be granted under the Share Option Scheme.

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the tax implications of subscription for, purchasing, holding or disposing of and dealing in our Shares under the laws of the place at your operations, domicile, residence, citizenship or incorporation. We emphasize that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Co-Managers, any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposal of or dealing in our Shares.

STABILIZATION AND OVER-ALLOTMENT OPTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for or purchase the newly issued securities in the secondary market during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the commencement of trading in the Shares of our Company on the Stock Exchange. Such transactions will be effected in compliance with all applicable laws, rules and regulations in place in Hong Kong. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time during the stabilizing period, which will begin on the day on which trading of our Shares commences on the Stock Exchange and end on November 14, 2020, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering. As a result, demand for our Shares, and their market price, may fall after the end of the stabilizing period.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (i) over-allocation of shares for the purpose of preventing or minimizing any reduction in the market price of shares, (ii) selling or agreeing to sell shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of shares, (iii) subscribing, or agreeing to subscribe, for shares pursuant to an option or other right in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, shares pursuant to an option or other right in order to close out any positions established under (i) or (ii) above, (v) selling shares to liquidate a long position established and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

As a result of effecting transactions to stabilize or maintain the market price of our Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position are at the discretion of the Stabilizing Manager and are uncertain. Investors should be warned that, in the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to decline in the market price of our Shares.

Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Stabilizing bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at or below the Offer Price and can therefore be made at or below the price paid for the Offer Shares by applicants for, or investors in, the Offer Shares.

In connection with the Global Offering, the Stabilizing Manager may require our Company to allot and issue up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or combination of these means. In particular, for the purpose of covering such over-allocations, the Stabilizing Manager may borrow up to 37,500,000 Shares from Jinghai BVI (equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option) under the Stock Borrowing Agreement.

The terms of the Stock Borrowing Agreement will be in compliance with the requirements set out in Rule 10.07(3) of the Listing Rules and will therefore not be subject to restrictions under Rule 10.07(l)(a) of the Listing Rules. The principal terms of the Stock Borrowing Agreement are set out below:

- the stock borrowing arrangement will only be effected by the Stabilizing Manager (or its affiliates) for settlement of over-allocations in connection with the International Placing;

- the maximum number of Shares to be borrowed by the Stabilizing Manager (or its affiliates) from Jinghai BVI will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed will be returned to Jinghai BVI not later than the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the day on which the Over-allotment Option is exercised in full; or (iii) such earlier time as may be agreed in writing between the parties;

- the stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements; and

- no payments will be made to Jinghai BVI in relation to the stock borrowing arrangement.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY IN HONG KONG

All Shares issued pursuant to applications made in the Global Offering will be registered in our Company's branch register of members to be maintained in Hong Kong, by Computershare Hong Kong Investor Services Limited.

Dealings in the Shares will be subject to Hong Kong stamp duty.

Unless otherwise determined by our Company, dividends payable in HK dollars in respect of the Shares will be paid to the shareholders listed on the Hong Kong branch share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each Shareholder.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in "How to apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

Certain amounts denominated in RMB have been translated into HKD and vice versa at an exchange rate of RMB1.00: HKD1.1053, for illustration purposes only. Such conversions shall not be constructed as representations that amounts in HKD or RMB were or may have been converted into those currencies and vice versa at such rate or any other exchange rates.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Liu Yongliang (劉永亮)	Room 302, Door 10 Block B, No. 5 Jieda Road Development District Tianjin PRC	Chinese
Mr. Yi Weiming (衣維明)	Room 4-504, 4th Floor Block 4, Yuanliu Qingyang Yunhuili, Haidian District Beijing PRC	Chinese
Non-executive Directors		
Mr. Xu Zhihua (徐志華)	Room 2303, Block 16 Gulou Shangcheng, Xinhua District Cangzhou, Hebei Province PRC	Chinese
Mr. Qin Shaobo (秦少博)	Room 602, Door 2 Floor 6, Building No. 128 Ande Road, Xicheng District Beijing PRC	Chinese
Independent non-executive Directors		
Mr. Liu Changchun (劉長春)	Room 102, Door 1, Block 17 Dingxiu Qingxi, Dongxiaokou Town Changping District Beijing PRC	Chinese
Mr. Zhao Changsong (趙長松)	Room 402, Unit 1, Block 5, Area A Phase 3, Yihe Garden, Cangzhou, Hebei Province PRC	Chinese
Ms. Lyu Qinghua (呂清華)	Room 401, Unit 1, Block 4 Cangzhou Renhang Yongji West Road, Yunhe District Cangzhou, Hebei Province PRC	Chinese

See "Directors and Senior Management" for more information.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Innovax Capital Limited** Room 2002, 20/F Chinachem Century Tower 178 Gloucester Road Wan Chai Hong Kong *(A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO)*
Joint Global Coordinators	**Innovax Securities Limited** Unit A-C, 20/F, Neich Tower 128 Gloucester Road Wan Chai Hong Kong *(A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO)* **Guotai Junan Securities (Hong Kong) Limited** 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong *(A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO)*
Joint Bookrunners	**Innovax Securities Limited** Unit A-C, 20/F, Neich Tower 128 Gloucester Road Wan Chai Hong Kong *(A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO)* **Guotai Junan Securities (Hong Kong) Limited** 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong *(A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO)* **China Everbright Securities (HK) Limited** 12/F, Everbright Centre 108 Gloucester Road Wanchai, Hong Kong *(A licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO)*

Joint Lead Managers	**Innovax Securities Limited** Unit A-C, 20/F, Neich Tower 128 Gloucester Road Wan Chai Hong Kong *(A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO)*
	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong *(A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO)*
	China Everbright Securities (HK) Limited 12/F, Everbright Centre 108 Gloucester Road Wanchai, Hong Kong *(A licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO)*

Co-Managers

Ever-Long Securities Company Limited
Rooms 1101-02 & 1111-12
11/F., Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong
(A licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO)

Maxa Capital Limited
Unit 1908, Harbour Center
25 Harbour Road
Wanchai
Hong Kong
(A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO)

Zhong Jia Securities Limited
Unit D – F, 15/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong
(A licensed corporation under the SFO to carry out Type 1 (dealing in securities) regulated activity as defined under the SFO)

Legal advisors to our Company	*As to Hong Kong law:* **Morgan, Lewis & Bockius** Suites 1902–09, 19/F Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6/F NCI Tower A12 Jianguomenwai Avenue Beijing PRC *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **MinterEllison LLP** Level 32, Wu Chung House 213 Queen's Road East Hong Kong *As to PRC law:* **Beijing Zhong Xin Law Office** Room 668, Tower A Towercrest Plaza No. 3 Maizidian West Road Chaoyang District Beijing PRC
Reporting accountants and independent auditors	**KPMG** *Certified Public Accountants* 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Independent industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai PRC

Property valuer	**AVISTA Valuation Advisory Limited** 23rd Floor, Siu On Centre No. 188 Lockhart Road Wanchai Hong Kong
Internal control consultant	**AVISTA PRO-WIS Risk Advisory Limited** 23rd Floor, Siu On Centre No. 188 Lockhart Road Wan Chai Hong Kong
Railway Consultant	**China Railway Engineering Design Consulting Group Co., Ltd., Jinan Design Institution*** **(中鐵工程設計咨詢集團有限公司濟南設計院)** No. 25666 Jing Shi Road Huaiyin District Jinan City
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
Compliance adviser	**Innovax Capital Limited** Room 2002, 20/F Chinachem Century Tower 178 Gloucester Road Wanchai Hong Kong *A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO*

Registered office	Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarter 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** *(information contained in this website does not form part of the prospectus)*
Joint company secretaries	Mr. Kwok Che Chung (郭芝聰) *(CPA)* Room 4, 13/F Mai Hing House No. 3-4 Hing Hon Road Pokfulam, Hong Kong Mr. Li Juncheng (李俊呈) Room 1201, Unit 1, Block 8 Chengshi Zhiguang Yunhe District Cangzhou, Hebei Province PRC
Authorized representatives (for the purpose of the Listing Rules)	Mr. Yi Weiming (衣維明) Room 4–504, 4th Floor Block 4, Yuanliu Qingyang Yunhuili, Haidian District Beijing PRC Mr. Kwok Che Chung (郭芝聰) Room 4, 13/F Mai Hing House No. 3-4 Hing Hon Road Pokfulam, Hong Kong

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)
Principal banks	**Bank of Cangzhou, Station Branch** No. 29 Xinhua East Road Cangzhou, Hebei Province PRC **Agricultural Bank of China, Cangzhou Yunhe Branch** No. 7 Jiefang East Road Yunhe District, Cangzhou Hebei Province PRC **Cangzhou Rural Commercial Bank** Guanye Building, No. 10 Beijing Road Yunhe District, Cangzhou Hebei Province PRC
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

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by Frost & Sullivan, in connection with the Global Offering, or the Frost & Sullivan Report. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organizations, market data providers, communications with various PRC government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters or any other party involved in the Global Offering (except for Frost & Sullivan) or their respective directors, advisers and affiliates has independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct an analysis of the rail freight transportation market in mainland China and other economic data and to prepare the Frost & Sullivan Report. We have agreed to pay a fee of RMB760,000 for the Frost & Sullivan Report, which will be paid prior to the Listing. Our Directors are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report.

Frost & Sullivan is an independent global market research and consulting firm founded in 1961 and based in the United States. It offers industry research and market strategies and provides growth consulting and corporate training.

The Frost & Sullivan Report includes both historical and forecast information on the rail freight transportation market in mainland China and other economic data. To prepare the Frost & Sullivan Report, Frost & Sullivan undertook both primary and secondary independent research through various resources within rail freight transportation market in mainland China. Primary research includes interviewing industry insiders, competitors, downstream customers and recognized third-party industry associations. Secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades. Frost & Sullivan has adopted the following primary assumptions while compiling and preparing the Frost & Sullivan Report: (i) government policies on the rail freight transportation market in mainland China will remain unchanged during the forecast period; and (ii) the rail freight transportation market in mainland China will be driven by continuous growth of China's economy, favorable policy support and increasing downstream demand in mainland China as stated in the report. Frost & Sullivan has also obtained the figures for the estimated total market size from historical data analysis plotted against the macroeconomic data as well as the industry key drivers. Our Directors confirm that, after making reasonable enquiries, there have not been any material adverse changes to the market information set out in the Frost & Sullivan Report since the date of such report which may qualify, contradict or have an impact on the information contained in this section.

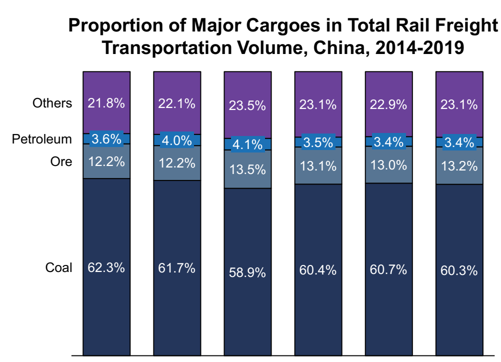
ANALYSIS OF THE RAIL FREIGHT TRANSPORTATION MARKET IN CHINA

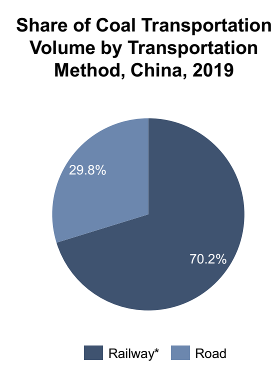
Railway transportation can be classified into two major categories according to the objects transported, namely passenger railway transportation and rail freight transportation. Passenger railway transportation can be further divided into high-speed passenger railway transportation and normal-speed passenger railway transportation. Rail freight transportation can be further divided into full-truck-load rail freight transportation, less-than-truck-load rail freight transportation, and container rail freight transportation. Full-truck-load rail freight transportation is mainly for the transport of bulk cargo, such as coal, oil, and ore, etc. Less-than-truckload rail freight transportation is mainly for the transport of general cargo, which is already packed. Container rail freight transportation is mainly for the transport of relatively high-value or delicate cargo.

Types of Cargo in Rail Freight Transportation

Among the different types of cargo transported by rail in the PRC, coal is the most important cargo. From 2014 to 2019, coal made up more than half of total rail freight transportation by volume. The proportion of coal in total rail freight transportation by volume remained relatively stable over the past five years, accounting for around 60% of all rail freight transportation by volume. However, there were some fluctuations over the period. In 2015 and 2016, due to the decline of the coal production, the proportion of coal transportation volume in the total volume decreased slightly from 62.3% in 2014 to 58.9% in 2016. The shares of ore and petroleum by volume were relatively stable from 2014 to 2019. Along with the economic growth in the PRC, it is expected that coal will continue to be the major cargo.

Rail freight transportation is the most important transportation method for coal transportation in China. In 2019 approximately 70.2% of total coal transportation volume was conducted by railway transportation or by sea. In the future, railway transportation will continue to make up the majority of the coal transportation volume, since the government is encouraging bulk cargo to be transported by railway, which is more environmental-friendly compared to the road transportation. As of the Latest Practicable Date, there were no publicized legislative plans or drafts of laws and regulations which restrict the transportation of coal by rail or sea and there was no indication that the PRC government will further restrict transportation of coal by rail and sea.





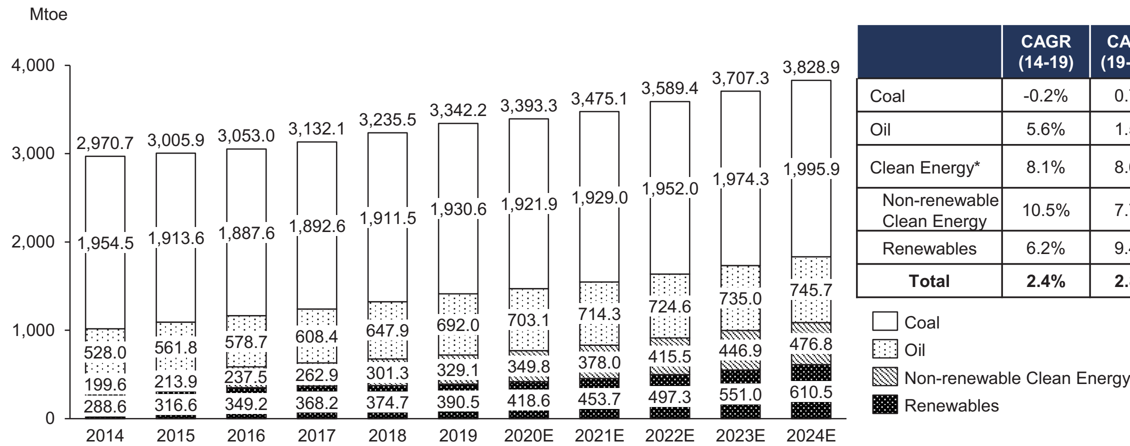
* *For rail freight transportation volume, volume by railway-water combined transportation is included.*

Source: NBS, Frost & Sullivan

Coal Consumption and Production in China

Primary energy consumption in China reached 3,342.2 million toe in 2019, with approximately 57.8% contributed by coal consumption. The coal consumption experienced a negative CAGR of 0.2% during 2014 to 2019 mainly due to the policies of reducing inefficient capacities in coal industry starting in 2014 and slowing growth of China's economy. With the gradual completion of structural reform in coal industry and policies of stabilizing the coal industry, coal consumption began to recover in 2017. Going onward, primary energy consumption is expected to reach 3,828.9 million toe by 2024, with a CAGR of 2.8% from 2019 to 2024 with the continuous improvement of China's economy and urbanization. China is undergoing a reform and optimization exercise, regarding the consumption structure of primary energy pursuant to, among others, the Action Plan. In addition, under the Opinions about Comprehensively Strengthening Ecological Environmental Protection and Resolutely Fighting Against Pollution* (中共中央國務院關於全面加強生態環境保護、堅決打好污染防治攻堅戰的意見) issued by the Central Committee of the Communist Party of China and the State Council on June 16, 2018, total coal consumption in Hebei and Shandong, the regions in which all our existing and proposed businesses are located, and Beijing, Tianjin, Henan, and the Pearl River Delta, should all decrease by 10% as compared with 2015. As a result, clean energy sources are expected to witness rapid growth at a CAGR of 8.6% from 2019 to 2024 and to constitute a larger proportion of the primary energy consumption in China. Clean energy generally refers to energy produced through methods that do not release or release a low level of greenhouse gases or any other pollutants, and typically includes renewable energy, natural gas and nuclear energy. Renewable energy generally refers to energy derived from natural processes that are regenerative over short periods of time and cannot be depleted, such as hydro power, wind and solar energy. China is rich in coal but not in natural gas, while nuclear power may raise significant safety concerns. As such, considering the resources endowment in China and energy safety issues, the Action Plan and other relevant policies in China primarily focus on increasing the consumption of renewable energy resources, such as hydro power, wind and solar energy, among various sources of clean energy. Nevertheless, despite the anticipated growth in consumption of renewable energy, coal is still deemed as the major energy consumption source, considering (i) the leading position of coal in total reserves of natural resources in China; (ii) the limitations in the development of renewable energy which may include significant capital investments and constraints in identifying appropriate locations for construction of renewable energy plants; and (iii) the inevitable increasing demand for energy in China as a result of a growing economy and urbanization, which cannot be satisfied by the anticipated growth in renewable energy and other clean energy sources. Coal consumption is anticipated to grow relatively slowly in future with a CAGR of 0.7% during 2019 to 2024, due to the continuous recovery of coal industry and continuous growth of major downstream industries, such as power industry and steel industry, in the context of promoting clean energy usage and protecting environment. Despite the fact that a large number of enterprises and factories temporarily suspended their operations during the epidemic, resulting in a year-on-year decline in power output of 6.8% in the first quarter of 2020, such decline narrowed to 4.6% in March 2020 as enterprises and factories gradually resumed full operations by March 2020. Also, notwithstanding the epidemic, the consumption of coal for heating increased by 3.6% in the first quarter of 2020 compared to the same period in 2019. For the six months ended June 30, 2020 as a whole, coal consumption in the PRC increased by 0.4% and power output in the PRC decreased by 1.4%, respectively, as compared with that in the same period in 2019. Power output in the PRC resumed growth in April 2020 and recorded an increase of 6.5% in June 2020, as compared with that in June 2019. Moreover, energy consumption and infrastructural projects are expected to increase significantly when the epidemic situation ends. Therefore, in general, the demand for coal is not expected to be materially affected by the outbreak of COVID-19 for the full year of 2020.

Primary Energy Consumption (by Fuel), China, 2014–2024E

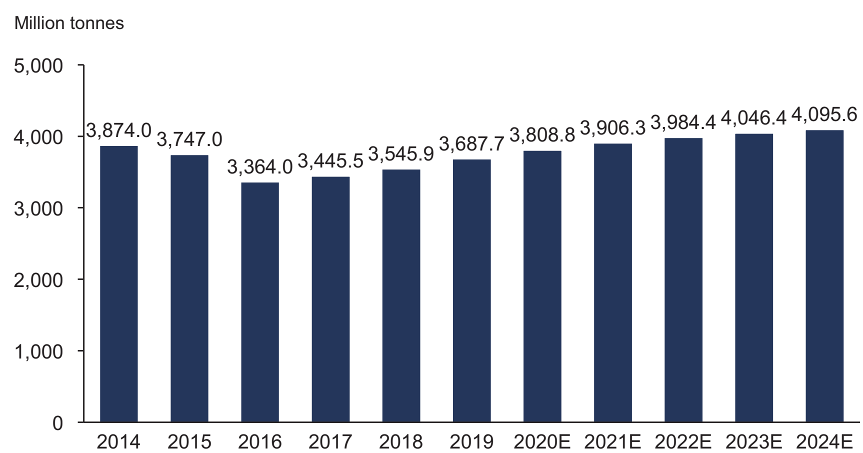


	CAGR (14-19)	CAGR (19-24E)
Coal	-0.2%	0.7%
Oil	5.6%	1.5%
Clean Energy*	8.1%	8.6%
Non-renewable Clean Energy	10.5%	7.7%
Renewables	6.2%	9.4%
Total	**2.4%**	**2.8%**

Note: Clean Energy includes non-renewable energy, such as nuclear, and natural gas, and all renewable energy.
Source: Frost & Sullivan

During the period from 2014 to 2019, coal production volume in China fluctuated. The decline of coal production was mainly attributed to the PRC government's guidance on initiating supply-side reform and removing the excessive capacity in coal production industry. Along with the PRC government's focus shifting to stabilize coal price and supply afterwards, coal production recovered to 3,687.7 million tonnes in 2019. Moving forwards, coal production is expected to gradually increase at a CAGR of 2.1% from 2019 to 2024, together with the continuous optimization on industrial structure and improved production efficiency.

Production Volume of Coal, China, 2014–2024E



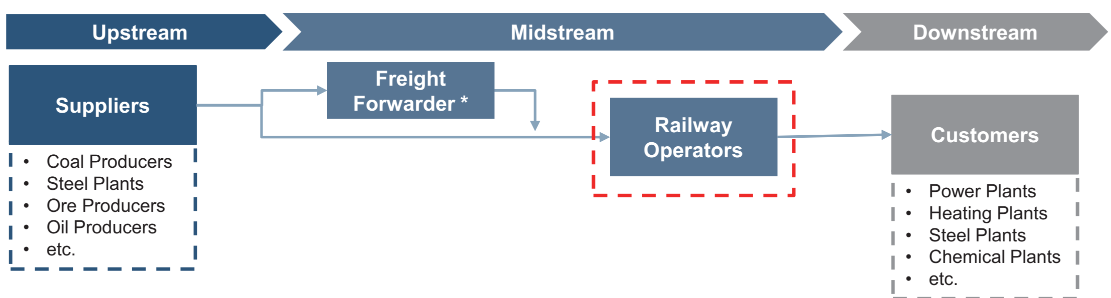
CAGR (14-19)	CAGR (19-24E)
-1.0%	2.1%

Source: NBS, China National Coal Association, Frost & Sullivan

The core guidance for the energy reform in China is the "13th Five-year Plan for Energy Development" 《能源發展"十三五"規劃》 issued by the National Energy Administration in January 2017. The plan sets a goal of controlling the annual energy consumption under 5 billion tonnes standard coal equivalent, increasing the proportion of non-fossil energy and natural gas in total energy consumption to more than 15% and 10% respectively, and decreasing the proportion of coal in total energy consumption to less than 58%. Also, the plan stipulates corresponding measures, such as promoting the large-scale projects of non-fossil energy, expanding and completing the market of natural gas, promoting the efficient and clean utilization of coal.

Value Chain of the Rail Freight Transportation Market

The railway operator is in the core position of the rail freight transportation market value chain. The upstream participants of the industry are suppliers of goods for transporting to the downstream participants. In respect of bulk cargo for full-truck-load railway transportation, the participants include coal producers, steel plants, and ore producers. The downstream participants for the industry are customers who purchase goods from suppliers, such as power plants, heating plants and steel plants. Either suppliers or customers may delegate the transportation to the railway operators depending on the contractual arrangements between them. Suppliers or customers may also employ a freight forwarder, which can organize and coordinate a number of transportation service providers and provide integrated transportation service, to arrange the transportation for them. Railway operators are responsible for delivering the goods to the assigned customers and generate revenue from suppliers or customers of goods. Depending on the distance between the station and the customer, the railway operator may provide road freight service to complete the final delivery, or else the customer may pick up the goods itself.



* *Either suppliers or customers may employ a freight forwarder.*

Source: Frost & Sullivan

The pricing mechanism for rail freight transportation in China is a combination of government-guided pricing and market pricing. Currently, the freight rate for railway transportation is regulated by the government and freight railway operation companies have limited discretion in pricing. In particular, the maximum freight rate for petroleum is higher than that for coal pursuant to the pricing policy by the government. The rail freight transportation volume, rail freight transportation turnover and types of cargo are major factors affecting the pricing of rail freight in China. Railway operators usually offer discounts on freight prices if the rail freight transportation volume, rail freight transportation turnover reach certain level, or customers use the returning railway carriages to transport in the opposite direction. Freight railway operation companies generate revenue mainly from transportation charges for freight transportation service and miscellaneous charges for related services such as loading and unloading, storage, freight handling, etc.

Trunk Network of Freight Railways for Coal

In China, coal-rich regions are located in the west which include Shanxi Province, Shaanxi Province and Inner Mongolia, while coal hungry areas are located in east and south China. Pursuant to the "Coal Transportation from West to East" national strategy, the PRC government promotes the development of rail freight transportation of coal from west China to south and east China. In general, there are three main coal transportation channels in China: the north channel, the middle channel, and the south channel.

The following table sets out details of the three main coal railway distribution channels.

Major Freight Railways for Coal, China

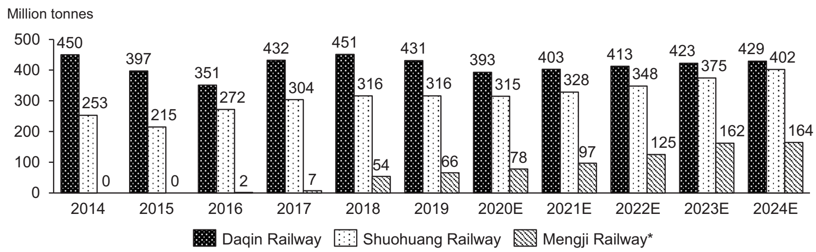
	Distribution Layout	Railway	Capacity (million tonnes)	Departure	Destination	Total Length (km)	Transportation Volume* 2019 (million tonnes)
North Channel	Transporting coal from Shanxi and Inner Mongolia to Port Qinhuangdao and Port Huanghua, etc.	Daqin Railway	450	Datong	Port Qinhuangdao	653	431
		Shuohuang Railway	350	Shenchi	Port Huanghua	598	316
		Mengji Railway	200	Ordos	Port Tangshan	525	66
Middle Channel	Transporting coal from Shanxi to Rizhao and Changzhi further to Port Qingdao	Wari Railway	200	Lvliang	Rizhao	1,260	70
		Hanchang Railway	180	Handan	Changzhi	221	43
South Channel	Transporting coal from Shanxi to inland provinces	Taijiao Railway	90	Taiyuan	Jiaozuo	398	85

** Majority of cargoes transported are coal.*

Source: Frost & Sullivan

Destinations of these railways are mainly located in eastern coastal area of China. In 2019, the transportation volume of coal through railways in the north channel represented approximately 80.4% of the total transportation volume of the three main coal railway distribution channels in China. Railway-water combined transportation mainly involves railways in the north channel and transports cargo to different ports in the east of China. Among the railways in these three coal transportation channels, Daqin Railway and Shuohuang Railway in north channel take important positions due to large transportation capacities and the support of corresponding ports. In 2019, Daqin Railway had the largest transportation volume, amounting to 431 million tonnes. In 2019, Shuohuang railway delivered 316 million tonnes of cargo, below its maximum capacity. As the core freight railway transporting cargo to Port Huanghua, Shuohuang Railway is becoming increasingly important in coal transportation from the west of China to eastern coastal areas of China, especially after the transportation on southbound freight railways, which transport coal from Inner Mongolia to Shanxi Province and connects with Shuohuang Railway in Shanxi Province. Cargo transportation volume of the Shuohuang Railway is therefore expected to experience growth at a CAGR of 4.9% during the period from 2019 to 2024. Officially put into operation at the beginning of 2016, Mengji Railway is designed to become another crucial railway for coal transportation in the north channel, cargo transportation volume of which is expected to grow rapidly in the near future. Haolebaoji-Ji'an Railway（浩勒報吉至吉安鐵路）(“Haoji Railway”), is a freight railway of 1,813.5 km in China, which runs from Ordos City, Inner Mongolia to Ji'an City, Jiangxi. Haoji Railway is the first north-south railway dedicated to coal transportation in China. Haoji Railway provides southbound rail freight transportation services, primarily transporting coal produced in Inner Mongolia to Henan Province, Hunan Province, Hubei Province and Jiangxi Province. We believe that competition from Haoji Railway is limited to our Group as we provide eastbound and westbound rail freight transportation services and our railway is mainly connected to the Shuo-Huang Railway Line and Han-Huang Railway Line.

Cargo Transportation Volume, Daqin Railway, Shuohuang Railway and Mengji Railway, 2014–2024E



	CAGR (14-19)	CAGR (19-24E)
Daqin Railway	-0.9%	-0.1%
Shuohuang Railway	4.6%	4.9%
Mengji Railway	NA	20.2%

** Mengji Railway was officially put into operation at the beginning of 2016.*

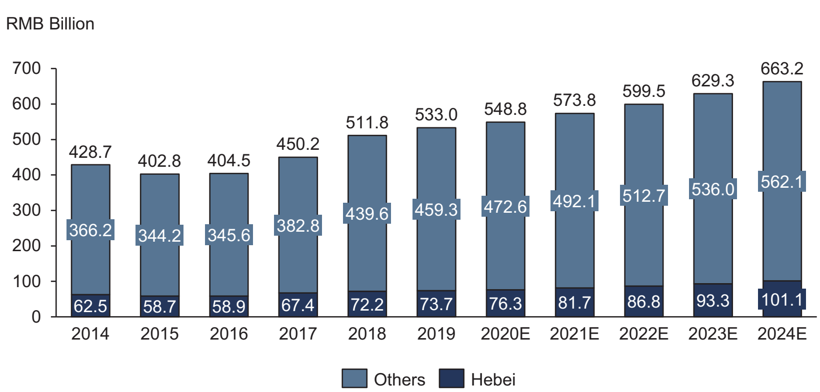
Source: Frost & Sullivan

Rail Freight Transportation Market Size in China and Hebei

In the last five years, the total revenue of the rail freight transportation market in China experienced robust growth, increasing from RMB428.7 billion in 2014 to RMB533.0 billion in 2019, representing a CAGR of 4.5%. During the same period, the total revenue of rail freight transportation in Hebei Province also increased from RMB62.5 billion in 2014 to RMB73.7 billion in 2019 representing a CAGR of 3.3%.

From 2019 to 2024, total revenue from rail freight transportation is expected to continue to increase with the growing rail freight transportation volume and transportation turnover. Total revenue of rail freight transportation in China is expected to increase from RMB533.0 billion in 2019 to RMB663.2 billion in 2024, representing a CAGR of 4.5%. Total revenue in Hebei Province is also expected to increase at a CAGR of 6.5% during the same period. The expected high growth of the rail freight transportation market in China is mainly due to government encouragement of rail freight transportation to optimize the logistics structure, reduce overall logistics cost and reduce pollution in the logistics industry. The rail freight transportation market in Hebei province is expected to grow faster than the national average, mainly because of the relatively active polices of developing rail freight transportation by governments of all levels in Hebei province compared with other areas in China.

Total Revenue of the Rail Freight Transportation Market, China and Hebei, 2014–2024E



	CAGR (14-19)	CAGR (19-24E)
Hebei	3.3%	6.5%
Others	4.6%	4.1%
China	4.5%	4.5%

Source: Frost & Sullivan

Rail Freight Transportation Market in northern Shandong and in the Comprehensive Industrial Park

In the northern Shandong region, there are a number of enterprises including power plants, metallurgical factories and other coal consuming companies located in Shandong Industrial Park with demand for coal, bauxite and other chemicals. These enterprises' demand for logistics services is expected to be 27.2 million tonnes per year for southbound transportation and 2.1 million tonnes per year for northbound transportation in 2030, which includes demand for transportation of 14.0 million tonnes of southbound bauxite per year and 13.2 million tonnes of southbound coal per year. Such demand is expected to further increase by 2040 as a result of the planned expansion plan of an aluminum oxide factory. The demand is expected to reach 46.4 million tonnes per year for southbound transportation and 3.0 million tonnes per year for northbound transportation in 2040, which include demand for transportation of 24.0 million tonnes of southbound bauxite and 22.4 million tonnes of southbound coal. Rail freight transportation is expected to be their best solution to satisfy such logistics demand due to cost efficiency and the stability of railways. The construction of special service lines would further improve the competitiveness of rail freight transportation as compared to other transportation methods, such as road freight transportation.

In the Comprehensive Industrial Park at Bohai New Area in Hebei Province, there are a number of enterprises including polymer material manufacturers, oil country tubular goods manufacturers, petrochemical manufacturers and power generation companies located in the Comprehensive Industrial Park with demand for coal, crude oil and outbound transportation of their products. Their demand for logistics services is expected to be no less than 9.0 million tonnes per year in 2025 and will further increase to no less than 11.0 million tonnes per year in 2035 as a result of the expansion of their businesses. Similar to northern Shandong area as discussed above, rail freight transportation services and special service lines are expected to capture a significant portion of the demand for logistics services as cost and stability factors make them more competitive than other transportation methods. Furthermore, according to the Implementation Plan for Promoting the Adjustment of Transport Structure in Hebei Province (2018–2020) (《河北省推進運輸結構調整實施方案(2018–2020年)》) published by the People's Government of Hebei Province in February 2019, by the end of 2020 in Hebei Province, (1) all coal, steel and other industrial and mining enterprises with an annual freight volume of more than 1.5 million tonnes; (2) all coal, steel and other industrial and mining enterprises which are newly built or relocated; and (3) all newly built logistics parks, are required to build special service railways for their freight transportation. Such policy is favorable to railway operators for developing their business in Hebei Province.

There are several renewable energy plants, including wind power and photovoltaic power plants, under construction or planned in the northern Shandong area and the Comprehensive Industry Park at Bohai New Area, the locations in which our two new branch lines will be built. The above expected demand for coal, among other types of cargos, has taken into account these underlying construction plans for renewable energy plants, and we are not aware of any further expansion plans for such plants. Besides, there is ample room for growth in local power generation by both renewable energy plants as well as coal power plants in Shandong Province and Hebei Province as there is a shortage of local supply of electricity in both provinces at present. For the year ended December 31, 2019, 19.1% and 10.1% of the total electricity consumed in Hebei Province and Shandong Province, respectively, was transmitted from outside these provinces. Hence, these two types of power generation plants do not directly compete with each other. Furthermore, considering (i) the leading position of coal in total reserves of natural resources in China; (ii) the limitations in the development of renewable energy; and (iii) the inevitably increasing demand for energy in China as a result of a growing economy and urbanization, which cannot be satisfied by the anticipated growth in renewable energy and other clean energy sources, these renewable energy plants are not considered to be replacements of coal power plants and will not reduce the coal consumption of coal power plants, nor are they expected to lead to a decrease in the aforementioned demand for coal in these areas.

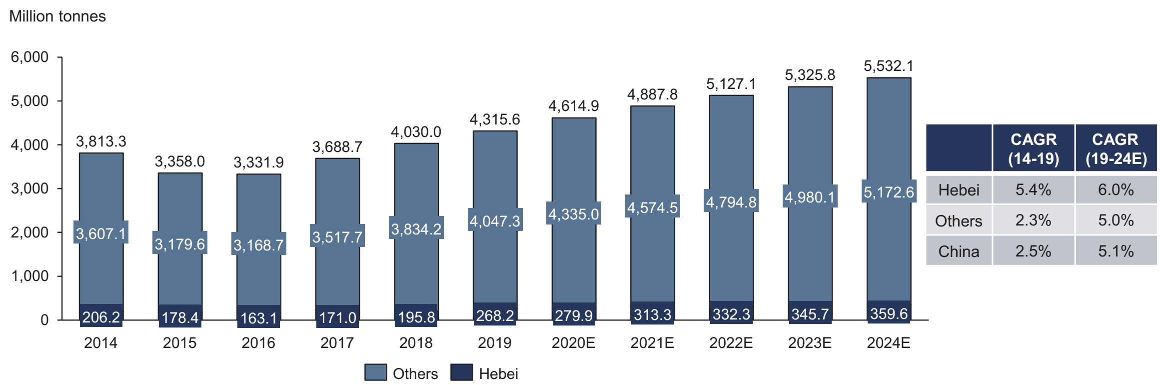
Rail Freight Transportation Volume

Rail freight transportation volume is the total weight of the transported cargo, which is measured in tonnes. Total rail freight transportation volume in China increased slightly from 3,813.3 million tonnes in 2014 to 4,315.6 million tonnes in 2019, representing a CAGR of 2.5%. During the period between 2014 and 2016, rail freight transportation volume decreased, mainly due to the decrease of coal consumption and production influenced by the crack down of coal mines and factories such as steel plants and aluminium factories which were non-compliant with relevant environmental regulations and the slowing growth of China's economy. In the future, following the adjustment to the transportation structure, the rail freight transportation volume of China and Hebei Province is expected to reach 5,532.1 million tonnes and 359.6 million tonnes in 2024 representing CAGRs of 5.1% and 6.0%, respectively, from 2019 to 2024, respectively. A relatively higher CAGR is expected for the period from 2019 to 2024 for China as compared to that of 2014 to 2019, primarily due to (i) the PRC government policies to promote the shift from road transportation to rail transportation for bulk commodities, including coal, ore and steel, to control air pollution emissions caused by road transportation and (ii) the recent recovery of coal production and demand driven by the growth of downstream industries, such as thermal power industry and steel industry along with stable growth of China's economy. The impact of the aforementioned government policies in relation to the shift from road transportation to rail transportation is expected to be more significant in Hebei Province, being part of the Jing-Jin-Ji area, which has been designated to be, among others, a prioritized area to drive the adoption of nationwide government policies. Thus, the CAGR of rail freight transportation volume for Hebei Province is expected to increase from 5.4% for 2014 to 2019 to 6.0% for 2019 to 2024. The expected increase in rail freight transportation volume is expected to have positive impact on the Group's operation.

Furthermore, China's demand for coal cannot be satisfied by its own production of coal and China is the largest importer of coal in the world with import volume of 0.27 billion tonnes and export volume of 6.03 million tonnes in 2019. The trade volume of coal between China and the U.S. is comparatively small with China's import volume of coal from the U.S. accounting for less than 0.5% of China's total import volume of coal in 2019. The major downstream customers of our Group are power plants, traders of coal, and chemical manufacturers, most of which have few businesses with Companies in the U.S. The Sino-U.S. trade war is therefore expected to have very limited implications on our Group's business operations and its major customers.

The following chart sets forth historical and estimated rail freight transportation volume in Hebei Province and China for periods indicated.

Rail Freight Transportation Volume, China and Hebei, 2014–2024E



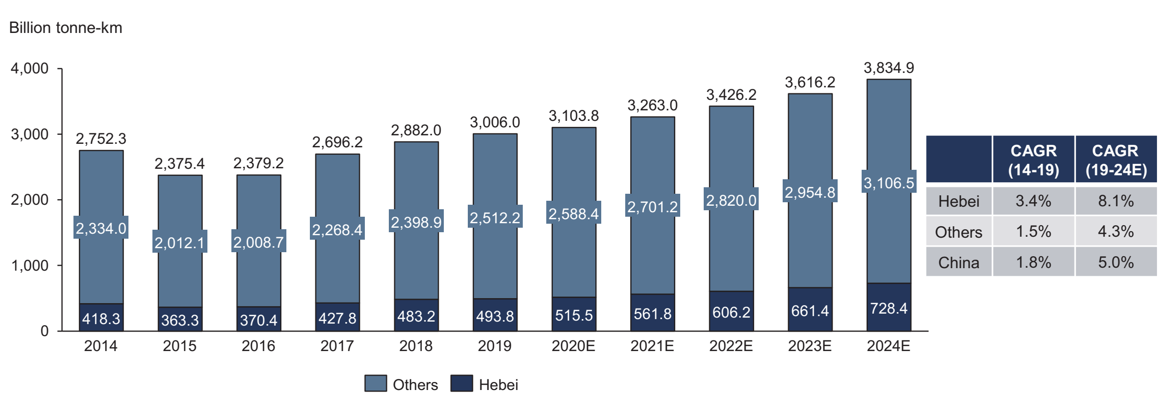
Source: NBS, Frost & Sullivan

Rail Freight Transportation Turnover

Rail freight transportation turnover is the product of a certain quantity of cargo (in tonnes) and the distance of the transportation (in km), which is measured in tonne-km. Total rail freight transportation turnover in China decreased from 2,752.3 billion tonne-km in 2014 to 3,006.0 billion tonne-km in 2019, representing a negative CAGR of 1.8%. The decrease in rail freight transportation turnover from 2014 to 2016 was mainly due to the decrease of coal consumption and production. The decrease in coal production and consumption also had an negative effect on rail freight transportation turnover in Hebei Province during the period from 2014 to 2016. However, rail freight transportation turnover in Hebei recovered strongly in 2017 and 2018 due to the rapid development of freight railway network which significantly increased the average transportation distance, leading to a CAGR of 3.4% from 2014 to 2019. In terms of rail freight transportation turnover in 2019, Hebei ranked the first among all provinces, autonomous regions and municipalities in China. In the future, supported by the adjustment of the transportation structure, rail freight transportation turnover is expected to reach 3,834.9 billion tonne-km in China, and 728.4 billion tonne-km in Hebei Province in 2024, respectively.

The following chart sets forth the historical and estimated rail freight transportation turnover in Hebei Province and China for period indicated.

Rail Freight Transportation Turnover, China and Hebei, 2014–2024E



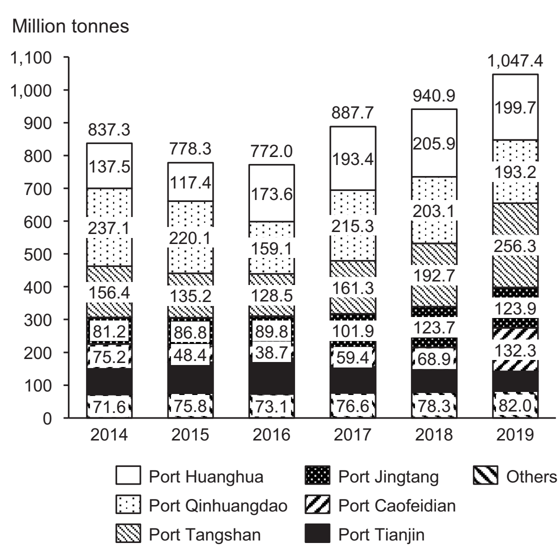
Source: NBS, Frost & Sullivan

Major Ports for Coal Transportation in China

Major ports for the transportation of coal, including Port Huanghua, Port Qinhuangdao, Port Tangshan, Port Jingtang, Port Caofeidian and Port Tianjin, are located on the Bohai Sea (the innermost gulf of China which includes Liaodong Bay, Bohai Bay and Laizhou Bay and is surrounded by Liaoning Province, Hebei Province, Tianjin and Shandong Province), making Hebei and the Bohai Sea crucial junctions for the "Coal Transportation from West to East" national strategy. In 2019, in terms of coal shipment volume, Port Huanghua ranked second among all major ports in China. As the core port for the Shenhua Group, the largest coal producer in China, Port Huanghua has well-established supporting land transportation facilities and port facilities and relatively on the low integrated logistics costs, driving the rapid growth of coal shipment volume through it. According to the Overall Plan of Port Huanghua (2016–2035) 《黃驊港總體規劃(2016–2035)》 approved by the People's Government of Hebei Province on April 1, 2019, Port Huanghua will be an important port for the "Belt and Road Initiative" and development of the Xiong'an New Area in which the government will invest significantly on infrastructure development and facilitate transportation. As such plan is expected to drive growing demand from various industrial zones and plants nearby, such as the Comprehensive Industrial Park at Bohai New Area, the cargo throughput of Port Huanghua is forecasted to increase from 287.7 million tonnes in 2018 to 460.0 million tonnes in 2025 and further to 500.0 million tonnes in 2035. Additionally, several ports operators are actively promoting the utilization of the capacity of railway carriages transporting westbound cargo after delivering eastbound freight to Port Huanghua supported by the developed supporting land transportation facilities and port facilities in Port Huanghua. It is expected that Port Huanghua will become increasingly important to the transportation and distribution of coal in China in the future.

Coal transported through Port Qinhuangdao is mainly from Daqin Railway. The decrease in coal shipment volume through Port Qinhuangdao was mainly caused by recent construction of branch lines on the Daqin Railway which direct the transportation of coal to other ports, such as Port Jingtang.

Shipment Volume of Coal by Port, China, 2014–2019



	CAGR 14-19
Port Huanghua	7.8%
Port Qinhuangdao	-4.0%
Port Tangshan	10.4%
Port Jingtang	8.8%
Port Caofeidian	12.0%
Port Tianjin	-5.2%
Others	2.8%
Total	4.6%

Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF THE RAIL FREIGHT TRANSPORTATION MARKET IN CHINA AND HEBEI PROVINCE

There are more than 500 rail freight transportation companies in China and more than 40 rail freight transportation companies in Hebei Province. In terms of the ownership structure, railways can be classified into (1) state-owned railways, which are solely owned or controlled by the state-owned enterprise, China Railway; (2) joint-venture railways, which are partly owned but not controlled by China Railway; and (3) local railways, in which China Railway has no interest and which are owned either by local enterprises or joint ventures between local enterprises and local governments.

State-owned railways carry the majority of rail freight cargo by volume both in China and Hebei. Historically, approximately 80% of cargo has been transported by state-owned railways. However, with the deepening of reform of the rail freight market, which promotes the marketization and openness of the market, joint-venture and local railways are becoming increasingly important. The proportion of rail freight cargo by volume carried by joint-venture and local railways is expected to keep increasing in both China and Hebei.

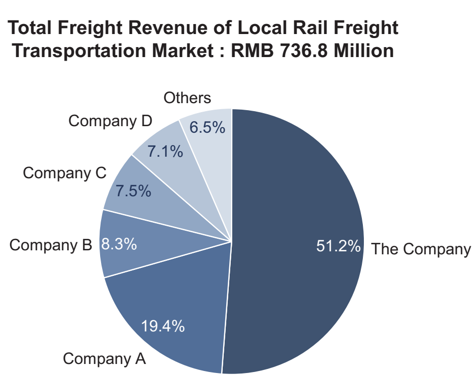
Local railways are usually constructed for the purpose of passenger or freight transportation within the local province, while state-owned railways and joint-venture railways are able to provide passenger and freight transportation across two or more provinces. Stated-owned railways, joint-venture railways and local railways all need to be approved by the National Railway Administration of the PRC. Local railways are usually considered as supplementing of state-owned railway and joint-venture railway transportation. Due to the different functions of state-owned, joint-venture and local railways and overall planning by the relevant administration, state-owned railways, joint-venture railways and local railways form an effective rail transportation network with minimal overlapping. Major competition is therefore from other transportation methods, such as road transportation, and not from competing railways.

Market Share of Local Freight Railway Operators in Hebei Province and China

The railways owned by local freight railway operators usually connect with a main track which is a state-owned railway. Local railways have high degree of regional exclusivity as they seldom overlap and target different destinations.

The local rail freight transportation market in Hebei is concentrated, with top five out of a total of approximately ten players accounting for 93.5% of total market size of RMB736.8 million in 2019. In terms of freight revenue, the Company was the largest local freight railway operator in Hebei and accounted for 51.2% of total freight revenue of the local rail freight transportation market in Hebei.

Ranking of Local Freight Railway Operators by Freight Revenue, Hebei, 2019



Rank	Company	Freight Revenue (RMB Million)	Market Share
1	The Company	376.9	51.2%
2	Company A	142.7	19.4%
3	Company B	61.5	8.3%
4	Company C	55.6	7.5%
5	Company D	52.5	7.1%
	Others	47.6	6.5%
	Total	**736.8**	**100%**

Source: Frost & Sullivan

Notes:

1. Company A, established in 1998, is a private local freight railway operator which provides rail freight transportation service in Hebei province. Its major operating railway line is Shayu Railway with operation length of 140.3 km and freight capacity of 3 million tonnes. The major cargo it transports includes coal and iron ore powder.

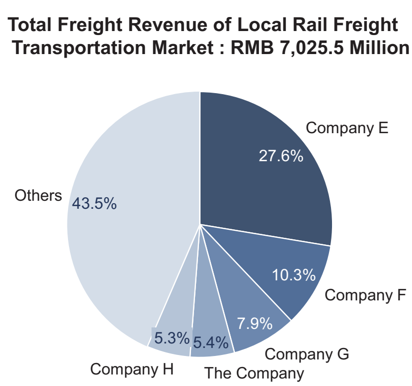
2. Company B, established in 2007, is a private local freight railway operator which provides rail freight transportation service in Hebei province. Its major operating railway line is Dasong Railway with operation length of 38.7 km and freight capacity of 15 million tonnes. The major cargo it transports is coal.

3. Company C, established in 2001, is a private local freight railway operator which provides rail freight transportation service in Hebei province. Its major operating railway line is Zhangshuang Railway with operation length of 50.6 km and freight capacity of 13 million tonnes. The major cargo it transports is coal.

4. Company D, established in 2007, is a private local freight railway operator which provides rail freight transportation service in Hebei province. Its major operating railway line is Sicao Railway with operation length of 15.4 km and freight capacity of 40 million tonnes. The major cargo it transports includes iron ore and gravel.

The local rail freight transportation market in all of China is relatively concentrated with top five out of total approximately 50 players accounting for 56.5% of total market size of RMB7,025.5 million in 2019. In terms of freight revenue, the Company ranked fourth of all local freight railway operators in China, accounting for 5.4% of total freight revenue of local rail freight transportation in China.

Ranking of Local Freight Railway Operators by Freight Revenue, China, 2019



Rank	Company	Freight Revenue (RMB Million)	Market Share
1	Company E	1,942.2	27.6%
2	Company F	724.0	10.3%
3	Company G	555.8	7.9%
4	The Company	376.9	5.4%
5	Company H	372.4	5.3%
	Others	3,054.2	43.5%
	Total	**7,025.5**	**100%**

Source: Frost & Sullivan

Notes:

1. Company E, established in 1998, is a private local freight railway operator which provides rail freight transportation service in Inner Mongolia. Its major operating railway line is Zhundong Railway with operation length of 224.9 km and freight capacity of more than 30 million tonnes. The major cargo it transports is coal.

2. Company F, established in 2002, is subsidiary of a publicly listed company. Company F provides rail freight transportation service in Ningxia province. Its major operating railway line is Ningdong Railway with operation length of 279 km and freight capacity of more than 20 million tonnes. The major cargo it transports includes coal, oil and aluminum.

3. Company G, established in 2015, is a branch of Shandong Railway Bureau and provides rail freight transportation service in Shandong province. Its major operating railway line is Pinglan Railway with operation length of 35.0 km and freight capacity of 25 million tonnes. The major cargo it transports includes coal, iron ore and grain.

4. Company H, established in 2005, is a private local freight railway operator which provides rail freight transportation service in Sichuan province. Its major operating railway line is Guilian Railway with operation length of 30.4 km and freight capacity of around 6 million tonnes. The major cargo it transports includes coal and iron ore powder.

Drivers of the Rail Freight Transportation Market in China

Adjustment of the Freight Transportation Structure. With the increasing awareness of the importance of environmental protection, rail freight transportation, with the advantages of high transportation capacity, low energy consumption and low emissions, has taken a more important position in the overall freight transport structure in China. In the "Three-year Action Plan to Win the Battle of the Blue Sky" (打贏藍天保衛戰三年行動計劃) issued by the State Council of China, the government put forward an adjustment of the freight transportation structure intended to raise the proportion of rail freight transportation volume for bulk commodities and control air pollution emissions caused by road transportation. Additionally, in 2017, the government started to forbid trucks from loading or discharging coal at the Port Tianjin as well as the other ports on the Bohai sea, such as Port Huanghua. The transfer from road freight transportation to rail freight transportation in terms of bulk commodities has significantly stimulated the increase of rail freight transportation volume.

Changing of Settlement Methods. A complete transportation route may involve multiple railways owned and operated by different entities. As a result, in the past a customer for railway freight transportation services may need to settle freight charges with different railway operators for a single freight shipment. In 2018, China Railway implemented a new settlement method under which the main carrier would be responsible for paying for and managing all costs incurred during transportation, including freight charges charged by different railway operators of railway segments utilized for delivering transportation service. It is intended that such settlement method will enable main carriers to increase their profitability by reducing expenses during transportation and give main carriers incentives to expand their operations. Since the adoption of such settlement method by China Railway, it has been managed by China Railway and applied only to state-owned railways and public-private joint-venture railways in the PRC. As a privately owned railway which acts as the main carrier in most of the transportation services we provide, we are not required to adopt, and we have not adopted, such new settlement method. While such new settlement method represents a new development in the industry, it has not been applied to any aspects of our business and has not had any direct impact on our Group as of the Latest Practicable Date.

Increasing Coal Production Volume. As the most important cargo of rail freight transportation, coal has represented more than half of rail freight transportation volume in the past few years. Especially in Shanxi Province, Shaanxi Province and Inner Mongolia, which are the three major coal production areas in China, most coal that is produced is transported by railway. The continuous shifting of key coal output areas to the west and the increase of coal production, which is mainly driven by the optimization of capacity and growing downstream demand, are expected to keep driving growth of rail freight transport volume.

Trends in the Rail Freight Transportation Market in China

Development of Multimodal Transportation. In order to improve the economic efficiency of the transportation system and reduce logistic costs for the whole society, multimodal transportation particularly railway-water combined transportation, is expected to be one of the key development directions in freight transportation, since both railway and water transport have high capacity and relatively low freight rates. As containers represent the standard cargo for multimodal transportation, container transportation will be the growth point of rail freight transportation volume in the next few years. In 2018, railway container volume only occupied around 5% of the total rail freight transportation volume in China. In the 13th Five-year Plan for the Development of Multimodal Railway Container Transportation issued by the NDRC, the Ministry of Transport and China Railway, railway container volume is planned to reach around 20% of total rail freight transportation volume and railway-water combined container transportation volume is planned to increase 10% annually starting in 2020.

Expansion of the Freight Capacity. With the development of high-speed railway and the popularity of high-speed trains, passenger railway transportation in China has gradually turned to high-speed railways. This indicates that the capacity of the normal-speed railway will be freed up gradually to engage in rail freight transportation. Additionally, with normal-speed railways focusing more on rail freight transportation, mixed transportation of passenger and cargo will be phased out, which will further improve total freight transport efficiency and increase total freight transportation capacity.

Improvement of Efficiency and Service Quality. With the deepening application of communication technology, internet technology and automation technology, the operating efficiency of freight railway operation companies is increasing. Freight railway operation companies are putting increasing efforts into improving service quality to attract clients by improving safety and shortening delivery time by means such as increasing investments in IT systems, purchasing more locomotives and upgrading equipment.

Entry Barriers to Rail Freight Transportation Market in China

Strict Regulatory Requirements. Since rail freight transportation is closely related to the public interest and national security, the government implements strict regulations on the rail freight transportation industry. In China, the National Railway Association introduced updated *Detailed Rules for the Implementation of Railway Transport Enterprises Access License* in 2018, setting out detailed requirements on qualifications and experience of personnel and licensing procedures for both rail freight transportation and passenger transportation enterprises, among other things. The new rules also stipulate that rail freight transportation enterprises must comply with the supervision of related railway administrations.

High Capital Requirements. The construction, upgrading and maintenance of freight railways and locomotives are important for market players to stay competitive by reducing cost and increasing capacity. Such activities demand massive capital investment, the payback period for which is relatively long. Therefore, to enter into and compete in the rail freight transportation market, new players need to acquire huge amounts of funds for initial investment, which will be subject to a long payback period.

High Talent Requirement. Rail freight transportation is a highly specialized industry and involves various kinds of work. Railway supervision departments set requirements on the experience and qualification of managers and technicians of rail freight transportation enterprises, requiring such enterprises to establish a team including experienced management personnel and sufficient qualified professionals in order to guarantee the safe and efficient operation of freight railways.

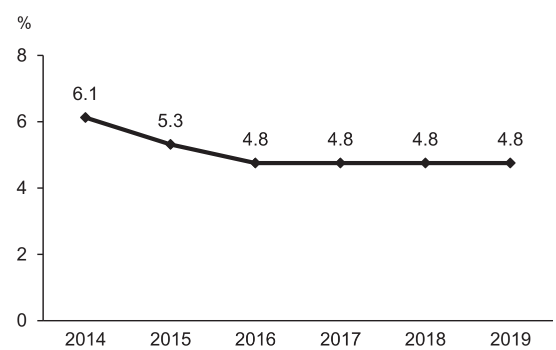
Client Resources Requirement. Rail freight transportation enterprises face competition with not only other rail freight transportation enterprises, but also other modes of transport, including road freight, waterway freight and aviation freight transportation enterprises. Therefore, rail freight transportation enterprises need to gain sufficient clients and establish stable relationships with clients in order to maintain sustainable businesses.

Cost Analysis of Rail Freight Transportation

In China, the major cost components of the rail freight transportation market include financing costs, depreciation costs, labor costs and fuel/electricity costs.

Financing costs, particularly interest on loans, contribute a large portion of total costs because of the heavy reliance on debt financing for freight railway construction and operation. The interest rates that banks offer to enterprises are usually calculated by adding certain base points on the benchmark interest rate issued by People's Bank of China (PBOC), which are determined by various factors, such as credit ratings of enterprise, existence of guarantees and loan type. According to benchmark interest rate published by PBOC, interest rates on loans for one to three years exhibited a declining trend from 2014 to 2016 and have stabilized at 4.8% since 2016.

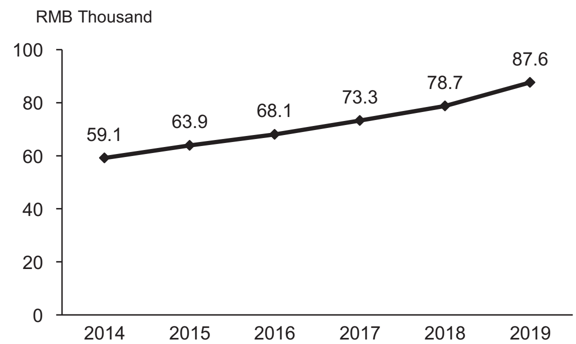
Benchmark Interest Rate on Loans for one to three years, China, 2014–2019



Source: People's Bank of China, Frost & Sullivan

Salary levels for the rail freight transportation industry have been increasing in recent years. The average wage increased from RMB59.1 thousand per year in 2014 to RMB87.6 thousand per year in 2019, representing a CAGR of 8.2%. These levels are expected to continue to increase mainly due to the continuing economic development and growth in the rail freight transportation operation market, especially for transporting commodities.

Average Wage for Rail Freight Operation Employees*, China, 2014–2019



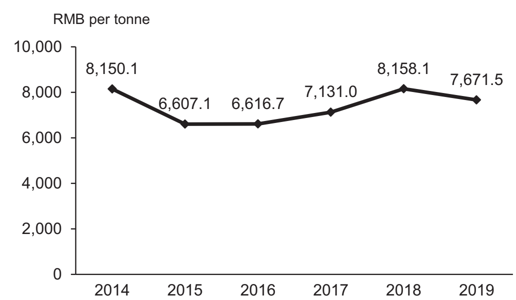
** Average wage is represented by the average wage of employees engaged in the transportation, storage and posts businesses.*

Source: NBS, Frost & Sullivan

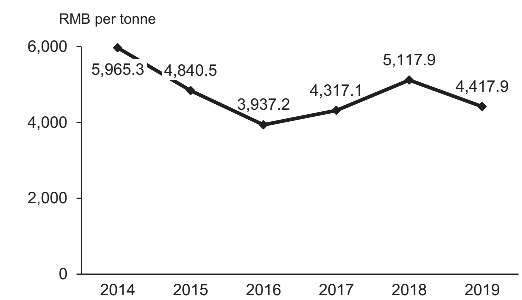
The average price of diesel in Hebei decreased from RMB8,150.1 per tonne in 2014 to RMB6,607.1 per tonne in 2015, and then started to increase, reaching RMB8,158.1 per tonne in 2018 and decreased to RMB7,671.5 per tonne in 2019. The price is mainly influenced by adjustments of the guidance price issued by the National Development and Reform Commission, which are mainly based on international oil prices.

The average price of liquefied natural gas for vehicles in Cangzhou decreased from RMB5,965.3 per tonne in 2014 to RMB3,937.2 per tonne in 2016, and then started to increase, reaching RMB5,117.9 per tonne in 2018 and decreased to RMB4,417.9 per tonne in 2019. During the period from 2013 to 2016, the supply of natural gas was increasingly sufficient with strong development of natural gas production industry in China, leading to the decrease in price. The supply of natural gas become relatively insufficient in 2017 with rapid expanding demand caused by the policy of replacing coal-fired boilers with gas-fired boilers, which was strongly promoted by the government, and the average price of liquefied natural gas for vehicle started to increase.

Average Price of Diesel, Hebei, 2014–2019



Average Price of liquefied natural gas for Vehicle, Cangzhou, 2014–2019



Source: Frost & Sullivan

This section sets forth a summary of the most significant laws and regulations that affect our business in China. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

Regulations on Foreign Investment

Guidance Catalogue of Industries for Foreign Investment

According to the Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定) (Order No. 346 of the State Council), which were promulgated by the State Council of the PRC (the "State Council") on February 11, 2002 and came into effect on April 1, 2002, projects with foreign investment are divided into four categories, namely encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment are listed in the Catalogue of Industries for Guiding Foreign Investment (2017 version) (外商投資產業指導目錄(2017年修訂)) (the "Catalogue"), which was jointly amended by NDRC and MOFCOM on June 28, 2017 and came into effect on July 28, 2017, the Special Management Measures for Foreign Investment Access (Negative List) (2020 version) (外商投資准入特別管理措施(負面清單) (2020版)) (the "Negative List") which came into effect on July 23, 2020 and the Catalogue of Industries for Encouraged Foreign Investment (2019 version) (鼓勵外商投資產業目錄(2019版)) (the "Encouraged List") which came into effect on July 30, 2019. According to the Catalogue, the Negative List and the Encouraged List, Railway Freight Transportation is not restricted or prohibited.

Foreign Investment Law

According to the Foreign Investment Law (the "FIL"), a foreign investor is prohibited or restricted to invest in a field which is listed in the foreign investment access negative list. For fields outside of the foreign investment access negative list, investment administration shall be conducted under the principle of equal treatment to domestic and foreign investment. The business form, structure, and rules of activities of foreign-invested enterprises shall be governed by the PRC Company Law, the Partnership Law of the PRC, and other laws. The Foreign Investment Law came into effect on January 1, 2020, upon which the Law of the PRC on Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法) has been repealed. Foreign-invested enterprises formed under the Law of the PRC on Wholly Foreign-Owned Enterprises before January 1, 2020 may maintain their original business forms, among others, for five years after such date.

On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (外商投資信息報告辦法), which came into effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) (promulgated by MOFCOM and became effective on October 8, 2016, amended on July 30, 2017 and June 29, 2018). Since January 1, 2020, for carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises are required to submit investment information to the commerce authorities pursuant to these measures. Our Group has submitted the required investment information to the commerce authorities.

Regulations on Industry

Administrative Licensing of Railway Transportation Enterprises

Pursuant to the Measures on Access Licensing of Railway Transportation Enterprises (鐵路運輸企業准入許可辦法) which were issued by the MOT on December 8, 2014 and amended on September 29, 2017, to engage in the operations of public transportation of passengers and goods by railway, an enterprise legally registered in the PRC shall file an application with the NRA, and obtain a railway transportation license after passing the examination. Any enterprise applying for a railway transportation license shall meet following requirements:

1. own or have the right to use railway and relevant infrastructures that meet relevant specifications and national standards;

2. own or have the right to use locomotives and rolling stock meeting national and industrial standards and in a quantity satisfying the needs of transportation scale;

3. have production, operation and management personnel meeting the standards for railway transportation positions and holding relevant practicing qualifications and in such number satisfying the needs of transportation scale;

4. have operation safety management organization or safety management personnel in compliance with applicable laws and regulations, as well as a work safety management system and emergency plans;

5. have organizational management measures, service quality standards and production and operation specifications relating to railway transportation; and

6. other conditions as prescribed by laws, regulations and rules.

Where details relevant to the license of an enterprise change significantly due to such enterprise's merger, division or change of operation model or license scope, such enterprise shall apply for a new license.

The enterprise shall, before March 31 of each year, file its annual transportation report of the enterprise for the previous year with the NRA. The content of such report shall include, among other things, a description of the transportation business and pro bono transportation matters, transportation safety conditions and status of other conditions for the license.

In accordance with Hebei Provincial Railway Regulation (河北省地方鐵路條例), issued by Hebei Provincial People's Congress on May 24, 2007 and amended on September 26, 2014 and July 24, 2015 respectively, any enterprise engages in railway transportation operation in Hebei Province shall obtain a Local Railway Transportation License (the "LRTL"). Enterprises applying for the LRTL shall meet following requirements:

1. have transportation facilities and equipment that could satisfy the enterprise's operational needs and which have passed relevant examinations;

2. have thorough safe production management system and organization.

The LRTL is valid for three years. Application for renewal shall be made at least 30 days before expiration.

Road Transportation Enterprises

Pursuant to the Regulations on Road Transportation of the PRC (中華人民共和國道路運輸條例), which were issued on April 30, 2004 and amended on November 9, 2012, February 6, 2016 and March 2, 2019, respectively, the road transportation industry is subject to license administration. Enterprises engaging in road freight transportation (excluding hazardous freight transportation which would require additional approvals) shall:

1. own vehicles that meet their operation needs and have passed the relevant examination;

2. employ qualified drivers; and

3. maintain complete safety management system.

Railway Transportation Safety

Pursuant to the Regulations on Railway Safety Management (鐵路安全管理條例), which were issued on August 17, 2013 and came into effect on January 1, 2014, railway transportation enterprises shall maintain safety management system to ensure the safety of passengers and freight. Enterprises shall use transportation means, loading equipment and other special-purpose facilities which meet national and industrial standards and safety requirements. Pursuant to the Implementation Measures of Administrative Punishment for Violation of the Regulations on Railway Safety Management (違反《鐵路安全管理條例》行政處罰實施辦法) which were issued on December 24, 2013 and came into effect on January 1, 2014, enterprises which fail to use the required facilities can be ordered to make corrections and be subject to a fine ranging from RMB20,000 to RMB100,000, depending on the severity of the circumstances.

Pursuant to the Regulations on Railway Safety Management, railway transportation enterprises shall conduct safety check on freight they transport. Enterprises shall not:

1. carry out dangerous freight transportation procedures at stations where such procedures cannot be carried out in accordance with relevant regulations;

2. transport freight on which the necessary safety check has not been conducted; or

3. transport freight which violates safety regulations or may harm transportation safety.

In accordance with the Implementation Measures on Administrative Punishment for Violation of the Regulations on Railway Safety Management, enterprises which fail to fulfill the relevant obligations can be ordered to make corrections and be subject to a fine ranging from RMB20,000 to RMB100,000, depending on the severity of the circumstances.

Production Safety

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法) which was promulgated on June 29, 2002 and amended on August 27, 2009 and August 31, 2014, business entities shall strengthen their work safety management, enhance work safety conditions, promote work safety standardization and improve work safety levels. Entities which cannot meet the safety conditions prescribed by laws, regulations and national or industry standards shall not engage in production or other business activities. To ensure work safety rules are observed in the production process, business entities shall establish and improve their work safety responsibility systems and work safety policies which specify responsible person(s) at each position, the scope of duties and evaluation criteria. Business entities shall provide their employees with labor protection equipment and work safety training. Where the primary person in charge of a business entity fails to perform his or her duties in respect of work safety, he or she would be subject to legal liabilities, depending on the seriousness of the relevant work safety accidents.

Pricing for Railway Transportation

In accordance with the NDRC's Notice on the Relevant Issues of Deepening the Marketization of Railway Freight Transportation Price (國家發展改革委關於深化鐵路貨運價格市場化改革等有關問題的通知) which was issued on December 14, 2017 and came into effect on January 1, 2018, pricing for railway container transportation, part load transportation and full load transportation of 12 categories of freight, including but not limited to mineral construction materials, metal products and industrial machinery shall be regulated by the market. Railway transportation enterprises shall determine the price themselves in accordance with laws and regulations. Government-guided pricing shall continue to be implemented for transportation of goods not listed in those 12 categories. Price for full-load transportation services under governmental guidance shall be at most 15% higher than the standard price published by governments.

According to the Hebei Provincial Railway Regulations (河北省地方鐵路條例), the rates of local railway passenger and cargo transportation are subject to government guidance, and market-adjusted price is implemented in competitive areas. The scales and rates of other miscellaneous charges of local railway passenger and cargo transportation, and the rates of local railway parcel transportation are solely determined by enterprises.

According to the Pricing Catalog for Hebei Province (河北省定價目錄) issued by the Hebei Provincial Price Bureau on April 9, 2018, other than railway enterprises which are owned or controlled by the State Council and/or its subdivisions shall be regulated by Central Pricing Catalog (中央定價目錄) issued by the State Council on October 8, 2015, railway freight transportation prices for local state-owned railway enterprises and private railway enterprises shall be regulated by provincial pricing authorities.

The "Thirteenth Five-Year Plan" for the Development of the Coal Industry

The "Thirteenth Five-Year Plan" for the Development of the Coal Industry (煤炭工業發展"十三五規劃") was issued by the NDRC and the National Energy Administration on December 22, 2016. It calls for accelerating the optimization and upgrade of coal industry's structure. The key measures include strict control of new coal (mining) capacity, orderly withdrawal of excess coal (mining) capacity, active development of advanced coal (mining) capacity, and promotion of corporate mergers and reorganizations. Specifically, (i) starting from 2016, the approval of new coal mine projects, technical transformation projects for new coal capacity and approval of capacity increase projects will be suspended in principle within three years; (ii) the industry should accelerate the closure of existing small coal mines in accordance with the law, as well as those that overlap with ecologically sensitive areas such as nature reserves, mines that have frequent accidents, and mines that are prohibited by state regulations; (iii) the industry should focus on improving quality and efficiency, develop advanced production capacity with advanced technology, high production efficiency, high resource utilization, strong safety guarantee capability, high level of environmental protection, and low energy consumption per unit product to ensure long-term stable supply of coal; and (iv) the industry should adhere to the principle of combining market leadership, business entities and government support, support the merger and reorganization of coal enterprise that possesses competitive advantage, cultivate large-scale backbone enterprise groups, increase industrial concentration, strengthen market control and anti-risk capabilities. By 2020, the proportion of coal in the country's energy consumption is expected to decrease to around 58%.

This plan also calls for the development of modern coal logistics, including developing water-rail transportation in coal industry, improving coal logistics transfer facilities and realizing the seamless connection between railway freight stations and ports.

The Opinions about Comprehensively Strengthening Ecological Environmental Protection and Resolutely Fighting Against Pollution

The Opinions about Comprehensively Strengthening Ecological Environmental Protection and Resolutely Fighting Against Pollution* (中共中央 國務院關於全面加強生態環境保護、堅決打好污染防治攻堅戰的意見) were issued by the Central Committee of the Communist Party of China and the State Council on June 16, 2018. These Opinions call for the management of bulk coal and reduction of coal consumption. Specifically, they outline the PRC government's policy to increase the use of clean energy, and broaden the channels of clean energy consumption. According to these Opinions, by 2020, the plain areas of Beijing-Tianjin-Hebei and its surroundings and the Fenwei Plain should basically complete the replacement of the bulk coal for heating in winter and domestic use. The total coal consumption in Beijing, Tianjin, Hebei, Shandong, Henan, and the Pearl River Delta region should all decrease by 10% as compared with 2015. The coal consumption in Shanghai, Jiangsu, Zhejiang, Anhui and the Fenwei Plain should all decrease by about 5%.

In addition, these Opinions require significant increase in the proportion of bulk transported by railway or sea in key areas, and increase in the proportion of container railway collection and distribution ports in coastal ports.

The "Three-Year Action Plan to Win the Battle for a Blue Sky"

The "Three-Year Action Plan to Win the Battle for a Blue Sky "(打贏藍天保衛戰三年行動計劃) was issued by the State Council in July 2018. It aims to significantly reduce total emissions of major atmospheric pollutants, implement total coal consumption control and improve air quality. By 2020, the proportion of coal in the country's total energy consumption should decrease to below 58%; the total coal consumption in the five provinces (municipalities) of Beijing, Tianjin, Hebei Province, Shandong Province, and Henan Province should decrease by 10% as compared to 2015; the total coal consumption in the Yangtze River Delta should decrease by 5% and the total coal consumption in Fenwei Plain will achieve negative growth; the coal consumption for new coal-consuming projects should be reduced and replaced by other energy sources. In accordance with the principles of centralized coal use and clean use, the focus of the Action Plan is on reducing non-electricity coal and increasing the proportion of coal used for electricity. In 2020, the proportion of coal used for electricity in China should account for more than 55% of the total coal consumption. The PRC government will continue to promote the replacement of coal and fuel oil with electric energy, with a replacement scale of more than 100 billion kilowatt hours.

According to the Action Plan, by the end of 2018 coal is only allowed to be transported to key ports by sea or railway and by the heating season of 2020, the same restrictions will apply in principle to transportation of other bulk cargo such as ore and coke to key ports. In addition, the Action Plan calls for optimizing and adjusting the structure of cargo transportation, significantly increasing the proportion of railway freight. By 2020, the country's railway freight volume should increase by 30% as compared to 2017, the railway freight volume in the plain areas of Beijing-Tianjin-Hebei and its surroundings should increase by 40%, the railway freight volume in the Yangtze River Delta should increase by 10%, and the railway freight volume in Fenwei plain should increase by 25%. The government plans to increase investment in freight railway construction and promotes the construction of key projects for railway transportation. The restrictions relating to transportation of coal under the Action Plan only apply to transportation of coal to key ports, so they do not directly restrict our road freight transportation business to non-port destinations, such as factories outside the key ports.

The "Notice of the Action Plan for Comprehensive Treatment of Atmospheric Pollution in Autumn and Winter of Beijing-Tianjin-Hebei and Its Surrounding Areas 2019–2020"

The "Notice of the Action Plan for Comprehensive Treatment of Atmospheric Pollution in Autumn and Winter of Beijing-Tianjin-Hebei and Its Surrounding Areas 2019–2020" (京津冀及周邊地區2019–2020年秋冬季大氣污染綜合治理攻堅行動方案) was issued by the Ministry of Ecology and Environment, the NDRC, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Finance, the Ministry of Housing and Urban-Rural Development, the Ministry of Transportation, the MOFCOM, the State Administration for Market Regulation, the National Energy Administration, Beijing Municipal Government, Tianjin Municipal People's Government, People's Government of Hebei Province, People's Government of Shanxi Province, People's Government of Shandong Province and Henan Provincial People's Government on September 25, 2019. It aims to strictly control total coal consumption. Specific measures include (i) strengthening source control, strictly controlling new coal use, strictly implementing new coal consumption projects with equal or reduced replacement; (ii) focusing on reducing non-electricity coal consumption, focusing on reducing bulk coal and high energy consumption, high emissions, overcapacity industries and coal for outdated production capacity; and (iii) accelerating the shutdown and integration of coal-fired boilers and outdated coal-fired small-scale thermal power plants within a heating radius of 15 kilometers of 300,000 kilowatts and above. The use of coal as fuel for industrial furnaces should be accelerated by the use of clean and low-carbon energy sources or by using plant waste heat and power plant heat.

In addition, the notice also calls for the adjustment of the transportation structure. Specifically, it (i) vigorously increases the volume of railway and water freight; (ii) strictly implements the policy of banning the collection of coal by road freight transportation, and prohibits acts such as transportation to the port by short-distance road freight transportation after rail transportation to the freight yard near the port or railway transportation to the port after road freight transportation to the freight yard near the port; (iii) promotes the transportation of bulk cargo such as ore and coke in major coastal ports, Tangshan Port and Port Huanghua by railway or waterway. With respect to large industrial and mining enterprises with special railway lines and newly-built logistics parks, the proportion of railway transportation of bulk cargo such as coal, coke, iron ore should be more than 80% in principle.

Regulations on Environmental Protection and Fire Control

Environmental Protection Law

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "Environmental Protection Law") was promulgated by the Standing Committee of the NPC on December 26, 1989 and amended on April 24, 2014. The Environmental Protection Administrative Department of the State Council supervises and administers environmental protection-related work in the PRC, and establishes national standards for environmental quality and the discharge of pollutants. Local environmental protection bureaus are, in turn, responsible for environmental protection-related work within their respective jurisdictions.

Environmental Protection on Construction Projects

The Environmental Impact Appraisal Law of the PRC (中華人民共和國環境影響評價法) (the "Environmental Impact Appraisal Law"), which was promulgated by the Standing Committee of the NPC on October 28, 2002, amended on July 2, 2016 and December 29, 2018 respectively, provides that construction entities shall prepare an environmental impact report, an environmental impact report form or an environmental impact registration form depending on the environmental impact of the construction projects. According to the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and came into effect on October 1, 2017, the project owner shall, after the completion of a construction project for which an environmental impact report or environmental impact statement is prepared, conduct acceptance check of the environmental protection supporting facilities and prepare an acceptance check report in accordance with standards and procedures prescribed by the environmental protection administrative department of the State Council.

Fire Control

Pursuant to the Fire Control Law of the PRC (中華人民共和國消防法) which was promulgated on April 29, 1998, and amended on October 28, 2008 and further amended on April 23, 2019, enterprises shall perform the following fire safety duties:

1. establish a fire safety responsibility system, a fire safety system and fire safety operational procedures and formulate fire extinguishment and emergency evacuation plans;

2. have firefighting facilities and equipment meeting national and industrial standards, post fire safety signs and organize inspection and maintenance on a regular basis to ensure that their facilities and equipment are in good conditions;

3. conduct a comprehensive inspection of firefighting facilities in buildings at least once a year to ensure that such facilities are in good working condition. Inspection records shall be complete and accurate and filed for reference;

4. ensure that evacuation access, safety exits and fire engine access are clear and the fire and smoke bay and firebreak distance comply with fire control technical standards;

5. conduct fire prevention checks to promptly eliminate hidden fire hazards;

6. organize and carry out fire drills; and

7. perform any other fire safety duties stipulated by laws and regulations.

The key person-in-charge of an organization shall be responsible for fire safety of such organization.

Where the housing and urban-rural development authority under the State Council requires that an application for fire protection final inspection of an as-built construction project should be filed, a construction enterprise shall file such an application with the housing and urban-rural development authority. For a construction project other than one specified in the preceding paragraph, the construction enterprise shall report for recordation to the housing and urban-rural development authority after final inspection, and the housing and urban-rural development authority shall conduct random inspection.

Where a construction project that is subject to fire protection final inspection according to the law fails or is nonconforming as established by the fire protection final inspection, it shall be prohibited from being put into use; and any other construction project that is nonconforming as established by random inspection conducted under the law shall cease to be used.

Regulations on Employment and Social Securities

Employment

The Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the "Labor Contract Law"), which was promulgated by the Standing Committee of the NPC on June 29, 2007 and came into effect on January 1, 2008, and further amended on December 28, 2012 and came into effect on July 1, 2013, regulates the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law provides that employment contracts must be in writing and signed by the parties. It imposes stringent restrictions on employers in respect of fixed-term employment contracts, hiring of temporary employees and employee dismissals.

Social Security and Housing Provident Fund

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which came into effect on July 1, 2011 and was amended on December 29, 2018, the Regulations on Occupational Injury Insurance (工傷保險條例), which first came into effect on January 1, 2004, and was further amended on December 20, 2010 and came into effect on January 1, 2011, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) which came into effect on January 1, 1995, the Interim Regulations concerning the Levy of Social Insurance (社會保險費徵繳暫行條例), which came into effect on January 22, 1999 and amended on March 24, 2019 and the Regulations concerning the Administration of Housing Fund (住房公積金管理條例) which came into effect on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, respectively, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.

Regulations on Intellectual Property

Trademarks

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of PRC (中華人民共和國商標法實施條例) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the State Administration for Industry and Commerce of the PRC (the "Trademark Office") shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for an additional ten year period upon request from the trademark owner. Trademark licensing agreements must be filed with the Trademark Office for record. The Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Domain Name

In accordance with the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) which was issued by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Information Industry is responsible for supervision and administration of domain name services in the PRC and all provinces, autonomous regions and municipalities directly under the Central Government of the PRC shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information. Where any organization or individual registers or uses any domain name in violation of the laws and regulations which constitutes a crime, it or he will be subject to criminal liability in accordance with the applicable laws. If such action does not constitute a crime, it or he will be punished by the relevant authorities in accordance with the applicable laws.

Regulations on Tax

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "EIT Law") which was promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018 respectively, and the Implementation Rules of the EIT Law (中華人民共和國企業所得稅法實施條例) (the "Implementation Rules") which were issued on December 6, 2007, first came into effect on January 1, 2008 and amended on April 23, 2019, enterprises in the PRC are divided into two categories: resident enterprises and non-resident enterprises. Resident enterprises shall pay enterprise income tax on their income obtained in and outside the PRC at the rate of 25%. Non-resident enterprises with institutions in the PRC shall pay enterprise income tax on the income obtained by such entities in and outside the PRC at the rate of 25%. Non-resident enterprises with no premises in the PRC, and non-resident enterprises whose income has no substantial connection with their premises in the PRC, shall pay enterprise income tax on their income obtained in the PRC at a reduced rate of 10%.

According to the Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), which was promulgated by the State Administration of Taxation (the "SAT") on August 21, 2006 and came into effect on December 8, 2006, a company incorporated in Hong Kong will be subject to withholding tax at the lower rate of 5% on dividends it receives from a company established in the PRC if it holds 25% or more equity interest in the PRC company. According to the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties (國家稅務總局關於稅收協定中"受益所有人"有關問題的公告) (the "Announcement") promulgated by the SAT, the "beneficial owner" is the person who has ownership and control over interests it receives or has ownership and control over the right or property arising from such interests. When determining the status of residence of a contract party who applies for the treatment as a "beneficiary owner", a comprehensive analysis shall be conducted based on several factors and the actual conditions of each case. The Announcement applies to matters requiring treatment under Tax Treaties for the tax liability or the withholding obligation arising on and after April 1, 2018.

Value-added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (中華人民共和國增值稅暫行條例) (the "VAT Regulations"), which were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994, and was amended on November 10, 2008, February 6, 2016 and November 19, 2017 respectively, and the Rules for the Implementation of the Provisional Regulations on Value Added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則), which were promulgated by the Ministry of Finance ("MOF") on December 25, 1993 and amended on December 15, 2008 and October 28, 2011 respectively, taxpayers engaging in selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax ("VAT"). Unless otherwise provided by laws and regulations, the rate of the VAT shall be 17%.

The MOF and the SAT promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value Added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知) on March 23, 2016, which came into effect on May 1, 2016. According to such circular, the Value Added Tax Pilot Program has been applicable throughout the since May 1, 2016.

According to the Provisions in the Notice on Adjusting the Value added Tax Rates (CaiShui [2018] No. 32) (關於調整增值稅稅率的通知(財稅[2018]32號)) issued by the SAT and the MOF on April 4, 2018 and came into effect on May 1, 2018, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 17% to 16% or from 11% to 10%, respectively.

Pursuant to the Notice of MOF, SAT and the General Administration of Customs of the PRC on Relevant Policies for Deepening the Value-Added Tax Reform《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》which was promulgated on March 20, 2019 and came into effect on April 1, 2019, the tax rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Regulations on Land and Property

According to the Property Law of the PRC (the "Property Law") (中華人民共和國物權法), which was promulgated by the NPC on March 16, 2007 and came into effect on October 1, 2007, the real property right refers to the exclusive right of direct control of the holder over a specific property, including ownership, usufructuary right and security right. The creation, change, transfer or elimination of the real property right of real property shall become effective after it is registered in accordance with the law. It shall have no effect if it is not registered in accordance with the law, except it is otherwise prescribed by any laws. The property right of the state, collectives, individuals and any other right holder shall be protected by law.

According to the Land Administration Law of the PRC (the "Land Administration Law") (中華人民共和國土地管理法), which was promulgated by the Standing Committee of the NPC on June 25, 1986 and latest amended on August 26, 2019, and came into effect on January 1, 2020, land within the territory of the PRC falls into two categories: state-owned land and land collectively owned by peasants. Land in urban areas of cities belongs to the state. Land in rural areas and suburban areas of cities excluding those belonging to the state as prescribed by law belongs to peasants' collective ownership, House sites, land allotted for personal needs and hilly land allotted for private use belong to peasants' collective ownership. State-owned land and land collectively owned by peasants may be used by units or individuals in accordance with the law. Units and individuals using the land have the obligation to protect, manage and rationally utilize the land. In general, the term of use of state-owned land is 50 years for industrial use and 70 years for residence.

Regulations on Foreign Exchange and Oversea Investment

Foreign Exchange

According to the Regulations on the Control of Foreign Exchange (外匯管理條例), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996 and were amended on January 14, 1997 and August 5, 2008, foreign exchange receipts of domestic institutions or individuals may be transferred to the PRC or deposited abroad, the conditions for transfer to the PRC or overseas deposit, time limit and other details are specified by the foreign exchange control department of the State Council. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaging in the settlement of foreign exchange in accordance with relevant regulations. Domestic institutions or individuals that make direct investments abroad or are engaging in the overseas distribution or trade of valuable securities or derivative products should register according to the provisions of the foreign exchange control department of the State Council. Relevant institutions or individuals should submit relevant documentation for examination and approval or for record-filing prior to foreign exchange registration, if they are required to file with, or receive approval from, the competent administration departments in advance as required by the State.

In 2012, SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (the "SAFE Circular No. 59"), which substantially amended and simplified the foreign exchange procedure. Pursuant to SAFE Circular No. 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In 2013, SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (外國投資者境內直接投資外匯管理規定), which specified that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to direct investment in the PRC based on the registration information provided by SAFE and its branches.

In February 2015, SAFE issued the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "SAFE Circular No. 13"). As prescribed, foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment will be directly reviewed and handled by banks in accordance with SAFE Circular No. 13 and the Guidelines for Direct Investment-related Foreign Exchange Business which is an appendix to SAFE Circular No. 13, and SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via the banks.

The Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (the "SAFE Circular No. 19") (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) was promulgated on March 30, 2015 and came into effect on June 1, 2015.

Discretionary settlement of foreign exchange capital of foreign-invested companies means that foreign exchange capital in the capital account of foreign-invested companies whose rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or book-entry registration through the banks) can be settled at the banks based on the actual operating needs of the companies. The proportion of discretionary settlement of foreign exchange capital for foreign-invested companies is temporarily set at 100%. Capital by foreign-invested companies should only be used for legitimate operating needs within the business scope. The capital of foreign-invested companies and capital in RMB obtained through foreign exchange settlement should not be used for the following purposes:

1. directly or indirectly, for payments outside the business scope or for payments prohibited under national laws and regulations;

2. directly or indirectly, for investment in securities unless otherwise provided by laws and regulations;

3. directly or indirectly, for granting entrust loans in RMB (unless permitted by the scope of business), repaying inter-company borrowings (including advances by third parties) or repaying bank loans in RMB that have been on-lent to a third party; and

4. paying expenses related to the purchase of real estate not for self-use, except for foreign-invested real estate companies.

Except for transfers of equity investment in the original currency, foreign-invested companies whose primary business is investing (including foreign-invested investment companies, foreign-invested venture capital companies and foreign-invested equity investment companies) are permitted to directly settle foreign exchange capital or transfer capital in RMB to the account of the invested companies provided that the domestic investment project is authentic and compliant.

The Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts ("SAFE Circular No. 16") (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) was promulgated and came into force on June 9, 2016, stipulates that domestic enterprises (including Chinese-funded enterprises and foreign-funded enterprises, but excluding financial institutions) may go through foreign exchange settlement procedures for their external debts at their discretion. The proportion of discretionary settlement of domestic institutions' foreign exchange receipts under the capital account is temporarily determined as 100%. SAFE may, based on the international balance of payments, adjust the aforesaid proportion at the appropriate time.

Overseas Investment

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents Through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "SAFE Circular No. 37") on July 4, 2014, which replaced the former circular commonly known as the "SAFE Circular No. 75". SAFE Circular No. 37 requires PRC residents (institutions and individuals) to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a "special purpose vehicle". According to SAFE Circular No. 37, domestic institution shall undergo the foreign exchange registration procedure for foreign investment in accordance with the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (國家外匯管理局關於發布《境內機構境外直接投資外匯管理規定》的通知). SAFE Circular No. 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

According to the Measures for the Administration of Overseas Investment (境外投資管理辦法) promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014, the MOFCOM and the provincial departments of commerce shall record or verify the overseas investment of enterprises, depending on the actual circumstances of such investment. Except overseas investment involving sensitive countries or regions or sensitive industries, overseas investment in other industries must be recorded. Local enterprises should undergo recordation with the local provincial department of commerce.

According to the Measures for the Administration of Overseas Investment of Enterprise (企業境外投資管理辦法) promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018, an investor should, in overseas investment, undergo the formalities for the verification or recordation, among others, of an overseas investment project, report the relevant information, and cooperate in supervisory inspection. An investor should, in overseas investment, neither violate the laws and regulations of China nor threaten or jeopardize the national interests and national security of China. Sensitive projects conducted by investors directly or through overseas enterprises controlled by them are subject to verification management, while non-sensitive projects directly conducted by investors are subject to recordation. If the investor is a local enterprise, and the amount of Chinese investment is less than USD 300.0 million, the recording authority is the development and reform department of the provincial government at the place of registration of such investor.

Merger and Acquisition

On August 8, 2006, MOFCOM, together with five other ministries, issued the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "Circular No. 10"), which came into effect on September 8, 2006 and were amended on June 22, 2009. An acquisition under Circular No. 10 can be either an equity acquisition or an asset acquisition. An equity acquisition is an acquisition of equity interest in a PRC domestic company or the subscription of registered capital of a PRC domestic company by foreign investors for the purpose of converting such PRC domestic company into a foreign-invested company.

An asset acquisition is the acquisition of a domestic PRC company's assets (i) by a foreign-invested company for the purpose of controlling such assets and using them in business operations or (ii) by foreign investors, through contract, in order to establish a foreign-invested company for the purpose of conducting business operations.

According to the Circular No. 10, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully establishes or controls, the acquisition is subject to the examination and approval of the MOFCOM. Where a domestic company or natural person holds equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

OUR HISTORY AND DEVELOPMENT

Overview

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 19, 2018, following which we implemented the Corporate Reorganization, as a result of which our Company became the holding company of our Group. Details of the Corporate Reorganization are set out in the paragraph headed "Corporate Reorganization" below.

Our history can be traced back to October 2009 when Canggang Company (previously known as Huanghua Jinghai Logistics Co., Ltd.*) was founded by Mr. Liu. Canggang Company was established as a wholly-owned subsidiary of Chengyu Company and was primarily engaged in the provision of loading and unloading of coal and logistics services at the time of its establishment. In December 2014, Chengyu Company transferred its rail freight transportation business to Canggang Company. Since then, Canggang Company has been primarily engaging in the rail freight transportation service.

We utilize Canggang Railway Line for conducting our major business of providing rail freight transportation service and Canggang Railway Line represents a significant part of our assets. Canggang Railway Line was first constructed by the local governments of Cangzhou City in 1979 and commenced operations in 1982. It had been operated by Cangzhou Railway Bureau (滄州市地方鐵路局) since 1982 until November 2004 when staff of Cangzhou Railway Bureau acquired the entire state-owned net assets of Cangzhou Railway Bureau at nil consideration to establish Chengyu Company pursuant to the direction from the local government. Chengyu Company is a limited liability company established under the laws of the PRC which was owned by the labor union of Cangzhou Railway Bureau (滄州市地方鐵路局工會) and three senior management members of Cangzhou Railway Bureau pursuant to the direction from the local government. There were 347 staff in the labor union and three members of the senior management of Cangzhou Railway Bureau involved in the establishment of Chengyu Company. Chengyu Company was owned as to 79.73% by the labor union of Cangzhou Railway Bureau and 20.27% by three senior management members of Cangzhou Railway Bureau at the time of establishment. Mr. Liu did not hold any position in Cangzhou Railway Bureau.

As Mr. Liu's hometown is located in Cangzhou, Hebei Province, he was approached by local government officials to invest in Chengyu Company in June 2007. Mr. Liu was optimistic about the rail freight transportation industry in the PRC due to PRC's rapid economic growth. He became one of the investors in Chengyu Company and acquired an effective interest of 26.9% in Chengyu Company in November 2007. Between November 2007 and October 2012, the effective interest of Mr. Liu in Chengyu Company increased from 26.9% to 97.5% after a series of acquisitions and capital contributions by Mr. Liu and companies controlled by him, which were funded by Mr. Liu's personal wealth and financial resources of his controlled companies. In December 2014, Chengyu Company contributed its rail freight transportation operations and related assets, including the Canggang Railway Line, as part of its assets contribution into Canggang Company. Since then, the Canggang Railway Line has been operated by our Group. Set out below are the major milestones of acquisitions and capital contributions by Mr. Liu and companies controlled by him regarding Chengyu Company:

1. *Initial acquisition of equity interest in Chengyu Company by Huanghua Port Jinghai Energy Industry Co., Ltd.* (黃驊港京海能源實業有限公司) ("Jinghai Energy")*

In October 2007, Huanghua Port Xinghua Company, a company indirectly owned as to 80% Mr. Liu, acquired 33.63% interest in Jinghai Energy for a consideration of RMB15,200,000, which was the amount of registered capital of Jinghai Energy being acquired. Huanghua Port Xinghua Company was a wholly-owned subsidiary of Tianjin Beifang Yongkang International Trading Co., Ltd.*(天津北方永康國際貿易有限公司) ("Beifang Yongkang") which was owned as to 80% by Mr. Liu and 20% by an Independent Third Party. Pursuant to the equity transfer agreement dated November 16, 2007 entered into between Jinghai Energy as the purchaser, the labor union and the three senior management members of Cangzhou Railway Bureau as the vendors, Jinghai Energy acquired the entire direct interest in Chengyu Company at a consideration of RMB5.44 million which was determined with reference to the then registered capital of RMB4.44 million of Chengyu Company, and a premium of RMB1.00 million to the then registered capital, which was determined based on arm's length negotiation among the parties to the agreement. As a result, Mr. Liu had a 26.90% effective interest of Chengyu Company via his indirect shareholding in Jinghai Energy.

2. *Increase in share capital of Chengyu Company and acquisition of Chengyu Company from Jinghai Energy by Huanghua Port Xinghua Company in which Mr. Liu had more indirect interest*

On December 6, 2007, the share capital of Chengyu Company increased from RMB4.44 million to RMB81.17 million by way of capital contribution by Jinghai Energy. On December 18, 2007, pursuant to an equity transfer agreement among Huanghua Port Xinghua Company, Mr. Liu and Mr. Yi as the purchasers, and Jinghai Energy as the vendor, the purchasers acquired an aggregate direct interest of 80.0% in Chengyu Company from Jinghai Energy at an aggregate consideration of RMB64.94 million which was determined with reference to the then registered capital of RMB81.17 million of Chengyu Company. As a result, Mr. Liu's effective interest in Chengyu Company increased to 68.04% (as to 5.38% through Jinghai Energy, as to 59.36% through Huanghua Port Xinghua Company and as to 3.30% held directly by him).

3. *Acquisition of equity interest in Jinghai Energy and Huanghua Port Xinghua Company as a result of which all investment holding companies holding Chengyu Company were indirectly wholly-owned by Mr. Liu*

On July 20, 2008, pursuant to an acquisition agreement between the then shareholders of Jinghai Energy, Huanghua Port Xinghua Company acquired the remaining direct interest of 66.37% in Jinghai Energy at a consideration of RMB30.00 million which was the amount of registered capital of Jinghai Energy being acquired. As a result, Jinghai Energy was wholly-owned by Huanghua Port Xinghua Company.

On July 28, 2008, pursuant to acquisition agreements between Beifang Yongkang as the vendor, and Mr. Liu and Tianjin Dongfang Zhenghe Commercial Services Co., Ltd.* (天津東方政和商務服務有限公司) ("Dongfang Zhenghe") as the purchasers, the purchasers acquired an aggregate direct interest of 100.0% in Huanghua Port Xinghua Company from Beifang Yongkang at an aggregate consideration of RMB10.00 million which was the amount of the then registered share capital of Huanghua Port Xinghua Company. At that time, Dongfang Zhenghe was wholly-owned by Mr. Liu. As a result, Mr. Liu's effective shareholding in Huanghua Port Xinghua Company increased from 80.0% to 100.0%.

After the transactions as described above, Mr. Liu's effective interest in Chengyu Company increased to 97.5%, comprising indirect interests of 74.2% through Huanghua Port Xinghua Company, and 20% through Jinghai Energy and a direct interest of 3.30% held by him.

4. *Subsequent shareholding changes and increase in share capital of Chengyu Company and transfer of interest in Chengyu Company among companies controlled by Mr. Liu*

From August 2010 to June 2012, by way of capital contribution of an aggregate amount of RMB20.00 million, Mr. Liu Yonggang, brother of Mr. Liu, acquired a total of 30.77% equity interest in Huanghua Port Xinghua Company. As a result, Mr. Liu's effective interest in Huanghua Port Xinghua Company was reduced from 100% to approximately 69.23% and his effective interest in Chengyu Company was reduced to approximately 73.18% in June 2012.

In July 2012, Mr. Liu acquired the 30.77% equity interest in Huanghua Port Xinghua Company at a consideration of RMB20.00 million from Mr. Liu Yonggang, which was the amount of registered capital in Huanghua Port Xinghua Company acquired by Mr. Liu, and Huanghua Port Xinghua Company has been wholly-owned by Mr. Liu since then.

From February 2011 to August 2012, by way of capital contributions of an aggregate amount of RMB68.25 million, Shiji Jinding, a company indirectly wholly-owned by Huanghua Port Xinghua Company through Jinghai Energy at that time, acquired a total of 26.25% equity interest in Chengyu Company. In October 2012, Mr. Liu acquired 100% equity interest in Shiji Jinding for a consideration of RMB50.00 million from Jinghai Energy which was the amount of the then registered capital of Shiji Jinding.

In addition, subsequent to July 2008, Mr. Liu had himself and through his several controlled companies, namely Huanghua Port Xinghua Company, Dongfang Zhenghe and Shiji Jinding, contributed capital into Chengyu Company. As a result, the share capital of Chengyu Company increased from RMB81.17 million in August 2008 to RMB260.00 million in October 2012. As a result of such acquisition, Mr. Liu's effective interest in Chengyu Company increased to 97.5%.

Business Milestones

The following table illustrates major milestones of Canggang Railway Line and our Group:

Year	Milestones
June 1982*	Canggang Railway Line commenced operations.
November 2004*	All staff of Cangzhou Railway Bureau acquired the assets, including the Canggang Railway Line, from Cangzhou Railway Bureau to establish Chengyu Company to operate Canggang Railway Line.

Year	Milestones
September 2006*	The branch line connecting Shuo-Huang Railway Line (朔黃線聯絡線) commenced operations.
October 2009*	Canggang Company was established under the name of "Huanghua Jinghai Logistics Co., Ltd.* (黃驊京海物流有限公司) in Cangzhou, Hebei Province, the PRC to engage in the provision of loading and unloading of coal and logistics services.
December 2010*	The annual railway transportation volume of Canggang Railway Line was more than 5 million tonnes.
December 2014	Huanghua Jinghai Logistics Co., Ltd.* was renamed as Canggang Company and commenced its operation of Canggang Railway Line after its asset injection by Chengyu Company.
	The annual railway transportation volume of Canggang Railway Line first exceeded 10 million tonnes.
December 2015	Canggang Company was awarded as an "Advanced Enterprise, the National Local Railways in 2015 (全國地方鐵路2015年度先進單位)".
July 2017	Jinghai International was established in Cangzhou, Hebei Province, the PRC.
March 2018	Canggang Company was awarded as a "Prominent Enterprise for Production Safety Management, Hebei Railway Transportation System (河北省鐵路運輸系統安全生產目標管理優秀單位)" for 2017.
October 2018	Our Company was incorporated in the Cayman Islands.
December 2018	The annual railway transportation volume of Canggang Railway Line first exceeded 15 million tonnes.
August 2018	Canggang Company was awarded as "Top 100 Private Enterprises of Cangzhou (滄州市百強民營企業)" for 2017.
August 2019	The branch line connecting to the Han-Huang Railway Line (邯黃線聯絡線) commenced operations.
	Canggang Company was awarded as "Top 100 Private Service Enterprises in Hebei (河北省民營企業服務一百強)".

* *Major milestones of Canggang Railway Line before it was operated by Canggang Company.*

See "Business – Awards and Recognition" in this prospectus for details on the awards and recognitions received by our Group.

HISTORY OF OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, our Group comprised our Company, Canggang BVI, Puji Global, Canggang HK, Puji HK, WFOE, Canggang Company and Jinghai International. The following sets forth the corporate development of the principal operating subsidiaries of our Group, namely, Canggang Company and Jinghai International, since their respective dates of establishment.

Canggang Company

Canggang Company was established in the PRC on October 22, 2009 (previously known as Huanghua Jinghai Logistics Co., Ltd.*). At the time of the establishment of Canggang Company, its paid-up registered capital was RMB50.00 million which was contributed by Chengyu Company. From June 2010 to March 2011, Chengyu Company contributed RMB110.00 million to Canggang Company to increase the paid-up registered capital of Canggang Company from RMB50.00 million to RMB160.00 million.

Since April 2013 and as of the Latest Practicable Date, Chengyu Company was owned as to 1.93% by Mr. Liu, 2.50% by Mr. Yi, 40.50% by Beijing Shiji Jinding Investment Co., Ltd.* (北京世紀金鼎投資有限公司) ("Shiji Jinding") (which is wholly-owned by Mr. Liu), 11.69% by Dongfang Zhenghe (which is owned as to 97.83% by Mr. Liu and 2.17% by Shiji Jinding) and 43.38% by Huanghua Port Xinghua Port Development Co., Ltd.* (黃驊港興華港務開發有限公司) ("Huanghua Port Xinghua Company") (which is owned as to 86.15% by Mr. Liu and 13.85% by Dongfang Zhenghe).

Pursuant to the shareholder's resolution of Canggang Company dated December 3, 2014, the registered capital of Canggang Company was increased from RMB160.00 million to approximately RMB332.23 million by way of (i) assets contribution of approximately RMB223.99 million (including Canggang Railway Line and other railway operations and related assets); and (ii) additional cash contribution of approximately RMB16.61 million by Mr. Yi with his personal funds. The valuation of assets contributed by Chengyu Company was determined by reference to the valuation of its assets and liabilities as of July 31, 2014 with an excess in valuation of approximately RMB68.37 million contributed to the capital reserve of Canggang Company. Upon the completion of the said assets and cash contribution to the registered capital of Canggang Company in December 2014, Chengyu Company ceased to have business operation. The cash contribution was settled by Mr. Yi on December 3, 2014 and had been fully utilized as general working capital of Canggang Company as of the Latest Practicable Date. No special rights was granted to Mr. Yi in his cash contribution in Canggang Company. For illustrative purposes only, by dividing the value of the share capital of Canggang Company at the time of the aforesaid capital investment with the number of issued Shares of our Company immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the effective cost paid by Mr. Yi for such investment on a per Share basis is approximately RMB0.46 (equivalent to approximately HK$0.51) which represents a discount of approximately 40.00% to the low end of the stated Offer Price range of HK$0.85, and a discount of approximately 53.64% to the high end of the stated Offer Price range of HK$1.10. See "Pre-IPO Investment" in this section for details. Following the increase of registered capital, Canggang Company was owned as to 95.00% by Chengyu Company and 5.00% by Mr. Yi.

Pursuant to the investment agreement and shareholders agreement entered into by and among Canggang Company, Chengyu Company, Mr. Yi, Mr. Liu and Cornerstone BJ dated March 21, 2016, the registered capital of Canggang Company was further increased from approximately RMB332.23 million to approximately RMB347.88 million by way of additional cash contribution by Cornerstone BJ which was settled on March 30, 2016, further details of which are set out in the paragraph headed "Pre-IPO Investments – Cornerstone BJ" below. Following the increase of registered capital, Canggang Company was owned as to 90.73% by Chengyu Company, 4.77% by Mr. Yi and 4.50% by Cornerstone BJ. Since March 21, 2016 and up to the Latest Practicable Date, save for the acquisition of Canggang Company by WFOE and Puji HK as part of the Corporate Reorganization, details of which are set out in the paragraphs headed "Corporate Reorganization – 4. Acquisition of equity interest in Canggang Company" below, there has not been any change in the registered capital or shareholding of Canggang Company.

Haixing Branch

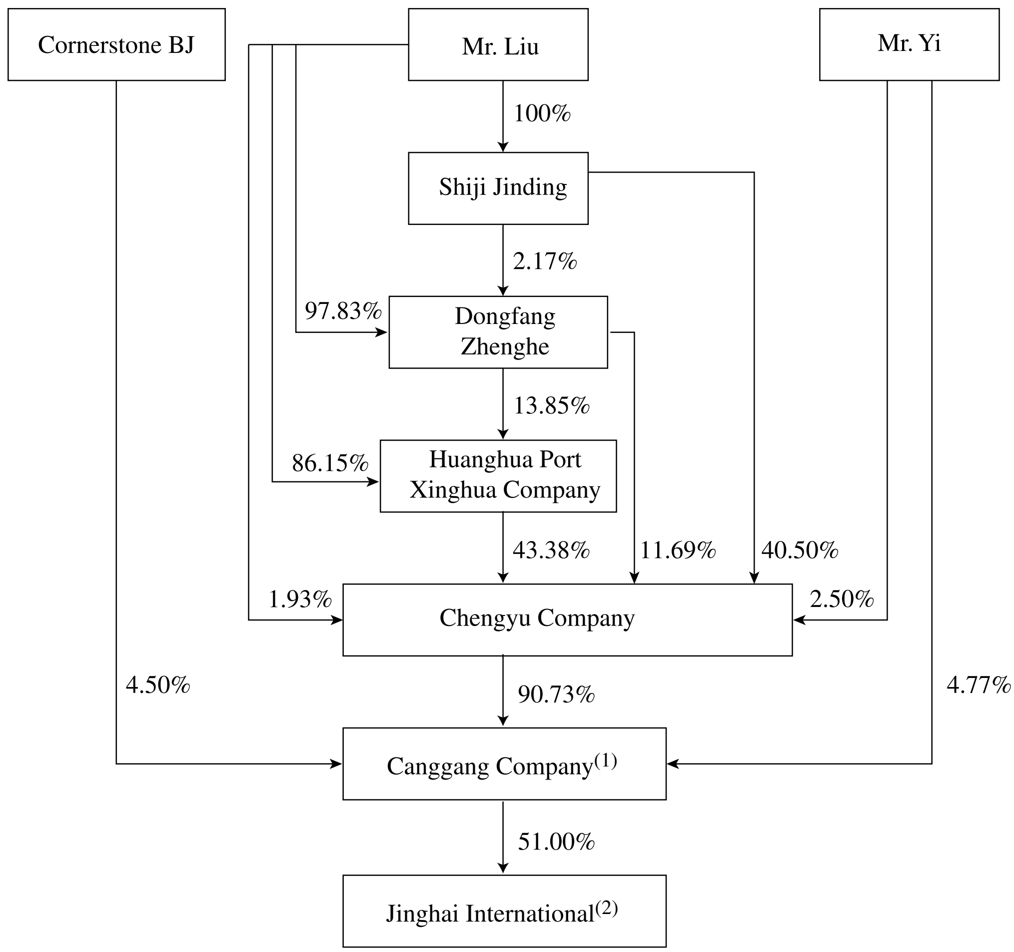
Haixing Branch was established as a branch office of Canggang Company in the PRC on November 29, 2013 for the purpose of providing loading and unloading services in Haixing County (海興縣). It was deregistered on December 23, 2016 due to our decision to cease the provision of such services because the demand originally contemplated did not materialize. To the best knowledge of our Directors, there is no outstanding or potential claims or liabilities against Haixing Branch since its deregistration.

Jinghai International

Jinghai International principally engages in provision of logistics agency services. Jinghai International was established in the PRC on July 20, 2017. At the time of its establishment, Jinghai International had a registered capital of RMB60.00 million, which was fully paid up. Since its establishment, Jinghai International has been owned as to 51.00% by Canggang Company and 49.00% by Tianjin Xinlian International Shipping Agency Co., Ltd.* (天津信聯國際貨運代理有限公司) ("Tianjin Xinlian"). As of the Latest Practicable Date, Tianjin Xinlian was owned by Mr. Chen Shiwen (陳世文) and Mr. Chen Lei (陳雷) who were Independent Third Parties. Tianjin Xinlian is an Independent Third Party other than holding 49% equity interest in Jinghai International.

CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately prior to the commencement of the Corporate Reorganization:



Notes:

(1) Canggang Company also held 40.00% equity interest in Cangzhou Bohai New Area Huanghua Port Railway Logistics Co., Ltd.* (滄州渤海新區黃驊港鐵路物流有限公司) ("Huanghua Logistics") and the remaining 60.00% equity interest was held by an Independent Third Party. Huanghua Logistics also held 49.00% equity interest in Shandong Qiyan Railway Logistics Co., Ltd.* (山東齊燕鐵路物流有限公司) ("Shandong Qiyan") and the remaining equity interest was held by Wudi Caijin Logistics Development Co., Ltd.* (無棣財金物流發展有限公司) ("Wudi Logistics"), an Independent Third Party.

(2) The remaining equity interest in Jinghai International was owned by Tianjin Xinlian which was owned by Mr. Chen Shiwen (陳世文) and Mr. Chen Lei (陳雷) who were Independent Third Parties.

In preparation for the Global Offering, we underwent the following Corporate Reorganization:

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 19, 2018 with an authorized share capital of HK$380,000 divided into 38,000,000 Shares with par value of HK$0.01 each. At the time of incorporation, one Share was transferred to Jinghai BVI. On the same date, our Company allotted and issued 9,071 Shares and 478 Shares to Jinghai BVI and Greenport BVI, respectively, for a consideration at par value. Our Company is the holding company of our Group.

On December 21, 2018, our Company allotted and issued 450 Shares at par value to Cornerstone BVI, a wholly-owned subsidiary of Cornerstone BJ. On the same day, Greenport BVI transferred one Share at par value to Jinghai BVI.

2. Incorporation of the offshore group companies

Canggang BVI

Canggang BVI serves as an investment holding company in our Group.

Canggang BVI was incorporated as a BVI business company on October 29, 2018 with an authorized share capital of US$50,000 divided into 50,000 shares without par value. On the same day, one share of Canggang BVI was allotted and issued to our Company for a consideration of US$1.00.

Canggang HK

Canggang HK serves as an investment holding company in our Group.

Canggang HK was incorporated as a limited liability company under the laws of Hong Kong on December 5, 2018 with an issued share capital of HK$1.00 and wholly owned by Canggang BVI.

3. Establishment of WFOE

WFOE serves as an investment holding company in our Group.

On February 14, 2019, WFOE was established in the PRC as a wholly owned foreign enterprise with a registered capital of HK$10 million, which was wholly owned by Canggang HK.

4. Acquisition of equity interest in Canggang Company

On January 10, 2019, Chengyu Company, Puji HK, Cornerstone BJ and Mr. Yi, entered into an equity transfer agreement, pursuant to which Chengyu Company agreed to transfer its 3.00% equity interest in Canggang Company to Puji HK for a consideration of approximately RMB10.84 million, which was determined by reference to the valuation of Canggang Company of approximately RMB361.2 million, mainly representing the valuation of its land and buildings, net off by its bank loans as of August 31, 2018. See "Pre-IPO Investments – Puji International" in this section for details. Such equity transfer was completed on January 29, 2019.

On March 31, 2019, the then shareholders of Canggang Company, namely Chengyu Company, Cornerstone BJ, Mr. Yi, Puji HK and WFOE entered into an equity transfer agreement, pursuant to which, Chengyu Company, Cornerstone BJ and Mr. Yi agreed to transfer 87.73%, 4.50% and 4.77% equity interest in Canggang Company to WFOE for a consideration of approximately RMB316.87 million, RMB16.25 million and RMB17.23 million, respectively. The consideration in relation to the aforesaid equity transfer were determined by reference to the valuation of Canggang Company of approximately RMB361.2 million as of August 31, 2018. Such equity interest transfer was completed on April 22, 2019.

Since the completion of the above equity interest transfer, Canggang Company has been owned as to 97.00% by WFOE and 3.00% by Puji HK.

5. Transfer of entire issued share capital of Puji Global held by Puji International to Canggang BVI

On June 17, 2019, the Company, Jinghai BVI and Puji International entered into a share transfer agreement pursuant to which the Company agreed to acquire the entire issued share capital of Puji Global from Puji International in consideration for the transfer of 300 Shares by Jinghai BVI to Puji International. Immediately before such share transfer, Puji International was the sole shareholder of Puji Global, which in turn was the sole shareholder of Puji HK, which owned 3.00% of the equity interest in Canggang Company. Puji HK was incorporated as a limited liability company under the laws of Hong Kong on December 28, 2018 with an issued share capital of HK$1.00 and wholly-owned by Puji Global. Immediately after such share transfer, Puji Global became an indirect wholly-owned subsidiary of our Company and our Company was owned as to 87.73% by Jinghai BVI, 4.77% by Greenport BVI, 4.50% by Cornerstone BVI and 3.00% by Puji International.

Puji Global was incorporated as a BVI business company on October 18, 2018 with an authorized share capital of US$50,000 divided into 50,000 Shares without par value. One share of Puji Global was owned by Puji International since the incorporation of Puji Global until the aforesaid share transfer. Puji Global serves as an investment holding company in our Group after the aforesaid share transfer.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisors confirmed that the establishment of each of our subsidiaries in China and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects.

Our PRC Legal Advisors confirmed that all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Corporate Reorganization have been obtained, and the Corporate Reorganization has complied with all applicable PRC laws and regulations.

PRE-IPO INVESTMENTS

Cornerstone BJ

On March 21, 2016, Canggang Company, Chengyu Company, Mr. Yi and Cornerstone BJ entered into an investment agreement and shareholders' agreement (the "Pre-IPO Investment Agreement"), pursuant to which Cornerstone BJ agreed to invest RMB30.00 million in Canggang Company, among which approximately RMB15.65 million was contributed to the registered capital of Canggang Company with the remaining amount contributed to the capital reserve of Canggang Company. Details of the Pre-IPO Investment are set forth as follows:

Pre-IPO Investment	On December 21, 2018, our Company issued 450 Shares to Cornerstone BVI primarily to reflect the capital investment made by Cornerstone BJ in Canggang Company in March 2016. See "History of our major subsidiaries – Canggang Company" in this section for details.
Background	Cornerstone BJ is a limited partnership established under the laws of the PRC on May 21, 2015. Cornerstone BJ's general partner, Beijing Cornerstone Venture Investment Management Centre (Limited Partnership)* (北京基石創業投資管理中心(有限合夥)), is primarily engaged in investment of the railway and related industry in the PRC through various funds, including Cornerstone BJ. Beijing Cornerstone Venture Investment Management Centre (Limited Partnership)'s general partner, Beijing Jianyuan Investment Management Co., Ltd.* (北京鑒遠投資管理有限公司), was owned as to 58.45% by Huang Libo, 16.92% by Qin Shaobo, our non-executive Director, 16.92% by Jiang Jianwen and 7.7% by Wang Longjian as of the Latest Practical Date. To the best of the knowledge of our Directors, other than Mr. Qin Shaobo, who is our non-executive Director, Beijing Jianyuan Investment Management Co., Ltd.* (北京鑒遠投資管理有限公司) and its ultimate beneficial owners are Independent Third Parties. The limited partners of Cornerstone BJ include a company listed in the PRC, being its largest limited partner, several companies which are state-owned enterprises or in which state-owned enterprises are major shareholders, and certain individual entrepreneurs holding a minor portion of the partnership interest. Cornerstone BJ has invested in listed and non-listed companies in the PRC across a wide range of industries and sectors, including transportation, information technology and online services, high-tech and industrial products.

	Mr. Qin Shaobo, the managing partner of Cornerstone BJ, was acquainted with Mr. Yi, the chief executive officer and an executive Director of our Company, in mid-2014 through the introduction by a mutual friend. After taking into account the main business as well as the location of Canggang Company, Cornerstone BJ considered that Canggang Company was in line with its investment requirements and thus decided to invest in Canggang Company.
Date of the Pre-IPO Investment Agreement	March 21, 2016
Total consideration	RMB30.00 million (representing the initial consideration for the investment made by Cornerstone BJ in Canggang Company in March 2016)
Basis of consideration	The consideration was determined by reference to the financial condition of Canggang Company as of December 31, 2015.
Number of Shares held by Pre-IPO investor and cost per Share	As of the Latest Practicable Date, Cornerstone BVI held 450 Shares in our Company, representing approximately 4.50% of the then total issued share capital of our Company. Upon the Listing, Cornerstone BVI will hold 33,750,000 Shares, representing approximately 3.37% of the total issued share capital of our Company (without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). On such basis, at the time of Listing, the effective cost per Share paid by Cornerstone BJ is approximately RMB0.89 (equivalent to approximately HK$0.98), which represents a premium of approximately 15.29% to the low end of the stated Offer Price range of HK$0.85, and a discount of approximately 10.91% to the high end of the stated Offer Price range of HK$1.10.
Payment date of the consideration	March 30, 2016

Public float	Since each of Cornerstone BJ and Cornerstone BVI will not be a core connected person of our Company upon the Listing and will not be accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares held by Cornerstone BJ and Cornerstone BVI, nor have the acquisition of these Shares been financed directly or indirectly by any core connected person of our Company, the Shares held by Cornerstone BVI will be considered as part of the public float.
Special rights	Cornerstone BJ was granted certain special rights as set out below which were terminated on March 31, 2019: ***Anti-dilution right***: Save for any shares or equity securities issued pursuant to the approved share incentive plan, Canggang Company is not allowed to issue or sell any shares or other equity securities at an effective price per share which is less than the subscription price of Cornerstone BJ prior to the Listing. Otherwise, Cornerstone BJ is entitled to request (1) the then shareholders of Canggang Company to transfer additional equity securities in Canggang Company at RMB1.00 in total in order to maintain its existing shareholding in Canggang Company; or (2) Chengyu Company to compensate in cash at the amount of RMB30.00 million × (RMB66.67 million – the value of Canggang Company at the time of new investment) ÷ RMB66.67 million; or (3) other compensation approaches. Such right had not been exercised/trigged prior to its termination on March 31, 2019. ***Director nomination right***: Cornerstone BJ has the right to appoint a director to the board of directors of Canggang Company. Our executive Director, namely, Mr. Qin Shaobo, was nominated by Cornerstone BJ and was appointed as a director of Canggang Company in May 2016. ***Information right***: Cornerstone BJ is entitled to receive, amongst others, the annual and quarterly financial accounting information and annual budget forecast of Canggang Company, notices in relation to any matters which may have significant influence on the operation of Canggang Company.

	Redemption right: Cornerstone BJ is entitled to require Chengyu Company and Mr. Liu to redeem all its equity securities in Canggang Company at the consideration calculated based on the following formula in any situations as set out below by issuing a redemption notice which had not been trigged prior to its termination on March 31, 2019: i. if Canggang Company fails to consummate an initial public offering by December 31, 2019; ii. if Mr. Liu loses his control in Canggang Company; iii. if there is any dissolution, liquidation or winding up of Canggang Company; or iv. if there is any breach to the representations and warranties as described under the Pre-IPO Investment Agreement which have significant adverse effects on Canggang Company or Cornerstone BJ. Redemption price = RMB30.00 million × (1 + 10%) × subscription period (in years) ***Other special rights***: Cornerstone BJ is also entitled to other customary special rights, including the pre-emptive right, right of first refusal, right of co-sale. These rights had not been exercised/trigged prior to their termination on March 31, 2019.
Use of Proceeds	Fully utilized for business development and working capital as of the Latest Practicable Date.
Strategic benefits	Our Directors are of the view that such investment can widen our shareholder base, strengthen the financial position of our Group and provide business strategy support based on its rich experience in investment in transportation industry.
Lock up	Six months from the date of the Listing.

Puji International

On January 10, 2019, Chengyu Company, Puji HK, Cornerstone BJ and Mr. Yi, entered into an equity transfer agreement, pursuant to which Chengyu Company agreed to transfer its 3.00% equity interest in Canggang Company to Puji HK for a consideration of RMB10.84 million, which was determined by reference to the valuation of Canggang Company as of August 31, 2018. Details of the Pre-IPO Investment are set forth as follows:

The Investor	Puji HK was wholly-owned by Puji Global, which was in turn wholly owned by Puji International. Puji International is an investment holding company which has been wholly owned by Mr. Wei since its incorporation. Mr. Wei is an Independent Third Party. Mr. Wei is a citizen and resident of Australia. As of the Latest Practicable Date, he had approximately nine years of experience in investment in industries such as infrastructure and real estate. He was acquainted with Mr. Liu, the chairman, an executive Director and one of the Controlling Shareholders, in private investment events in Australia between October 2015 and November 2015. Mr. Wei was optimistic about the rail freight transportation industry in the PRC and decided to invest in Canggang Company.
Date of equity transfer agreement	January 10, 2019
Total consideration	RMB10.84 million
Basis of consideration	The consideration was determined by reference to the valuation of Canggang Company as of August 31, 2018.

Number of Shares held by Puji International and cost per Share	Pursuant to a share transfer agreement entered into by and among Puji International, the Company and Jinghai BVI, Puji International agreed to transfer its 100% equity interest in Puji Global to the Company in consideration for Jinghai BVI transferring 300 Shares to Puji International. On June 17, 2019, Jinghai BVI transferred 300 Shares to Puji International. Upon the Listing, Puji International will hold 22,500,000 Shares, representing approximately 2.25% of the then total issued share capital of our Company (without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). On such basis, at the time of Listing, the effective cost per Share paid by Puji International is approximately RMB0.48 (equivalent to approximately HK$0.53), which represents a discount of approximately 37.65% to the low end of the stated Offer Price range of HK$0.85, and a discount of approximately 51.82% to the high end of the stated Offer Price range of HK$1.10. Our Directors are of the view that such discount was commensurate with the risk taken by Puji HK in relation to its Pre-IPO Investment at the time when the investment was made, taking into account that (i) there was no public market for our Shares and the pricing of the shares may suffer from backfill bias; and (ii) Puji HK was not entitled to any divestment right and the investment was illiquid, for which Puji HK need to bear liquidity risk until the end of the lock up period indicated below.
Payment date of the consideration	April 11 and April 17, 2019
Public float	Since Puji International will not be a core connected person of our Company upon the Listing and will not be accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares held by Puji International, nor has the acquisition of these Shares been financed directly or indirectly by any core connected person of our Company, the Shares held by Puji International will be considered as part of the public float.
Special rights	There were no special rights granted to Puji International in connection with its investment in our Group.
Use of proceeds	As the Shares owned by Puji International were acquired from Jinghai BVI by virtue of the Corporate Reorganization, there was no proceeds to our Group from such Pre-IPO Investment.

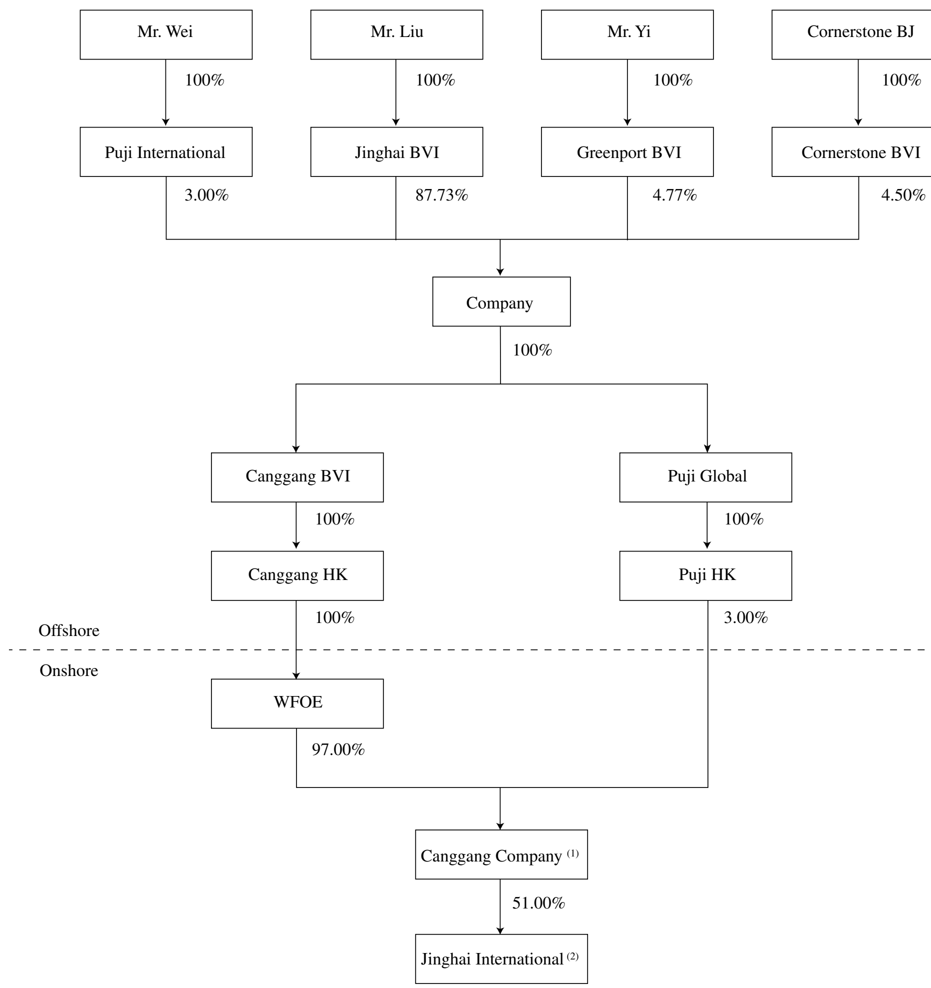
Strategic benefits	Our Directors are of the view that (i) the investment made by Puji International will widen our shareholder base; and (ii) we can benefit from Mr. Wei's commitment to our Company as his investment through Puji International in our Company demonstrates his confidence in the operations of our Group and serves as an endorsement of our Company's performance, strengths and prospects.
Lock up	Twelve months from the date of the Listing.

Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments (HKEX-GL29-12), Guidance on Pre-IPO Investments (HKEX-GL43–12) and Guidance on Pre-IPO investments in convertible instruments (HKEX-GL44-12) issued by the Stock Exchange.

GROUP STRUCTURE UPON THE CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately after the Corporate Reorganization and immediately prior to the Listing:



Notes:

(1) As of the Latest Practicable Date, Canggang Company also (i) held 40.00% equity interest in Huanghua Logistics and the remaining 60.00% equity interest was held by an Independent Third Party; and (ii) held 40.00% equity interest in Shangcheng and the remaining 60.00% equity interest was held by an Independent Third Party. Huanghua Logistics also held 49.00% equity interest in Shandong Qiyan and the remaining equity interest was held by Wudi Logistics, an Independent Third Party.

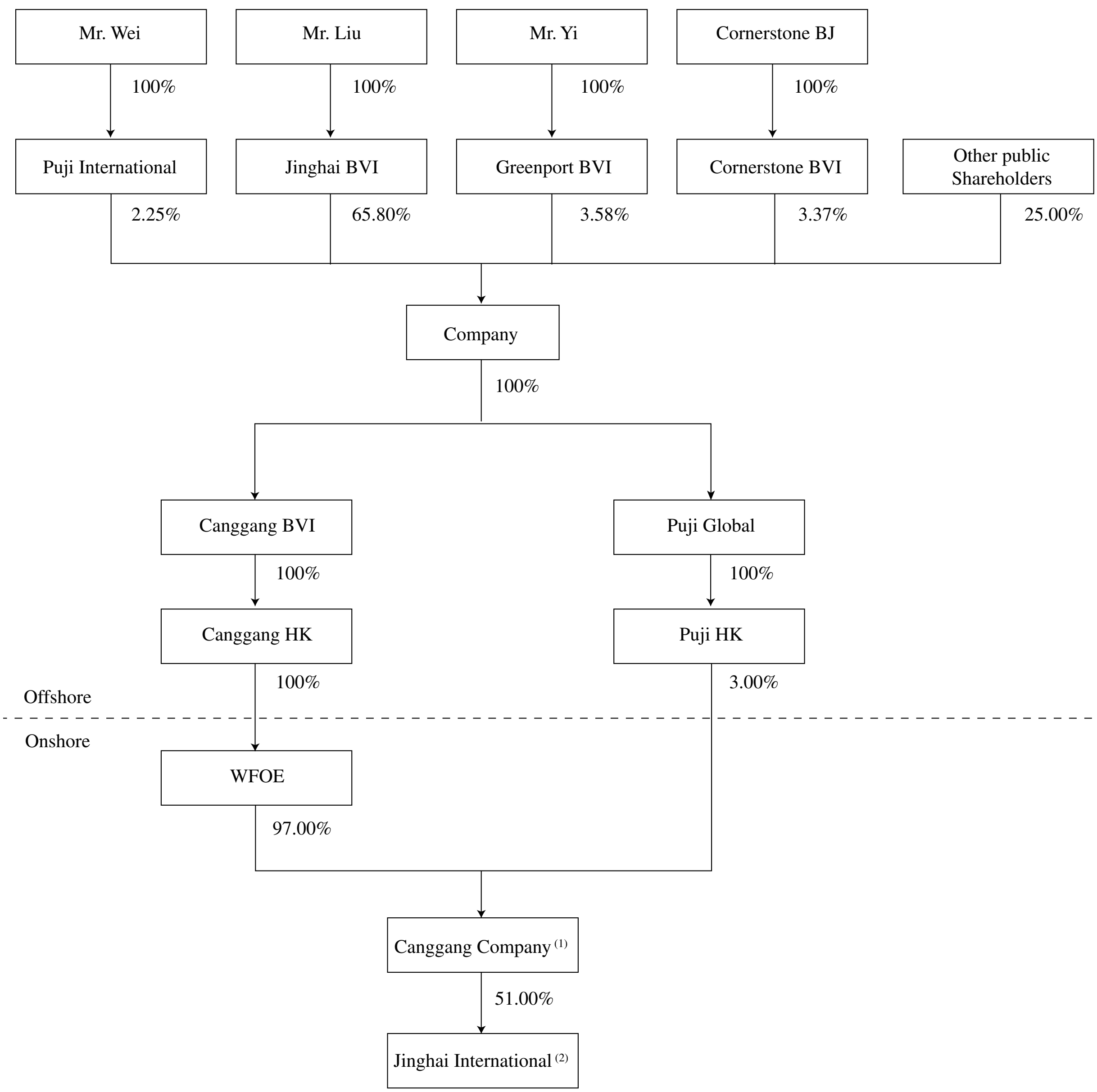
(2) As of the Latest Practicable Date, the remaining equity interest in Jinghai International was owned by Tianjin Xinlian which was owned by Mr. Chen Shiwen (陳世文) and Mr. Chen Lei (陳雷) who were Independent Third Parties.

Capitalization Issue and Global Offering

Conditional on the share premium account of the Company being credited as a result of the Global Offering, HK$7,499,900 will be capitalized and be applied in paying up in full at par a total of 749,990,000 Share for allotment and issue to shareholders registered in the register of the Company and such Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares of the Company.

GROUP STRUCTURE IMMEDIATELY UPON THE GLOBAL OFFERING

The following chart sets forth our corporate structure upon the Listing (assuming the Over-allotment Option or any options that may be granted under the Share Option Scheme are not exercised):



Notes:

(1) As of the Latest Practicable Date, Canggang Company also (i) held 40.00% equity interest in Huanghua Logistics and the remaining 60.00% equity interest was held by an Independent Third Party; and (ii) held 40.00% equity interest in Shangcheng and the remaining 60.00% equity interest was held by an Independent Third Party. Huanghua Logistics also held 49.00% equity interest in Shandong Qiyan and the remaining equity interest was held by Wudi Logistics, being an Independent Third Party.

(2) As of the Latest Practicable Date, the remaining equity interest in Jinghai International was owned by Tianjin Xinlian which was owned by Mr. Chen Shiwen (陳世文) and Mr. Chen Lei (陳雷) who were Independent Third Parties.

SAFE REGISTRATION AND ADMINISTRATION OF OVERSEAS INVESTMENTS

Pursuant to the SAFE Circular No. 37 and the SAFE Circular No. 13, where domestic residents (including institutions and individuals) conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with relevant banks with respect to their investments. Domestic institution shall undergo the foreign exchange registration procedure for foreign investment in accordance with the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (國家外匯管理局關於發佈《境內機構境外直接投資外匯管理規定》的通知). For details, please see the section heeded "Regulatory Overview".

Mr. Liu and Mr. Yi have completed registration with Agricultural Bank of China Cangzhou Branch on November 26, 2018.

According to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》), except overseas investment involving sensitive country or region or any sensitive industry, overseas investment in other industries shall be subject to recordation. For local enterprise, it shall undergo recordation with the local provincial department of commerce. On February 26, 2019, Beijing Municipal Bureau of Commerce issued the Certificate of Overseas Investment of Enterprises, which means Cornerstone BJ has completed the recordation for its overseas investment under the Measures for the Administration of Overseas Investment.

According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》), non-sensitive projects directly conducted by investors shall be subject to recordation. If the investor is a local enterprise, and the amount of Chinese investment is less than US$300 million, the recordation authority is the development and reform department of the provincial government at the place of registration of the investor. On March 1, 2019, Beijing Municipal Development and Reform Commission issued the Recordation Notice, which means Cornerstone BJ has completed the recordation for its overseas investment under the Measures for the Administration of Overseas Investment of Enterprises.

Cornerstone BJ has completed registration with Bank of Beijing Zhongguancun Branch on July 31, 2019.

M&A RULES

Pursuant to Article 11 of M&A Rules, where a domestic individual or enterprise intends to implement a merger and acquisition of his/her/its related company in the name of an offshore company which he/she/it lawfully establishes or controls ("**Related Party M&A**"), such merger and acquisition shall be subject to the examination and approval of the MOFCOM.

Our PRC Legal Advisors advised that the Article 11 of M&A Rules was not applicable to the acquisition of 3.00% equity interests in Canggang Company by Puji HK and the acquisition of 97.00% equity interests in Canggang Company by WFOE on the basis that the above acquisitions were not Related Party M&A. According to the interview conducted on March 15, 2019 by our Company's PRC Legal Advisors with the officer of Huanghua Business and Industrial Informatization Bureau (黃驊市商務和工業信息化局), who has the authority to make representation, the officer was of the same view. Accordingly, the Corporate Reorganization (including the above acquisitions) was not subject to the examination and approval of the MOFCOM.

OVERVIEW

We are an established and expanding local railway operator based in Hebei Province providing eastbound and westbound rail freight transportation services and other ancillary services, including loading and unloading, road freight transportation, operation, repair and maintenance of Special Service Lines, railway roadbed and other railway facility construction and certain other businesses. According to the Frost & Sullivan Report, we ranked first among all local freight railway operators in Hebei Province and fourth among all local freight railway operators in China in terms of revenue in 2019. We operate one railway, the Canggang Railway Line (滄港線), which is strategically located, effectively connecting the Shuo-Huang Railway Line (朔黃線) and the Han-Huang Railway Line (邯黃線) with the Bohai New Area in Cangzhou (滄州渤海新區), a national economic and technological development area encompassing Port Huanghua (黃驊港), an important and busy port on the east coast of Hebei Province/ Bohai Bay (渤海灣). Our railway line also connects the Beijing-Shanghai Railway Line (京滬線) to this area. Therefore, our railway line constitutes a key part of a comprehensive railway-port transportation network that effectively links coal rich regions in west China, particularly Shaanxi Province, Shanxi Province and Inner Mongolia, where a large number of coal mines are located, to the Bohai New Area and Port Huanghua. We believe this positioning provides us with significant strategic advantages and opportunities to grow. In addition, the PRC government has formulated the "Coal Transportation from West to East" national strategy (西煤東運戰略) emphasizing the importance of transporting coal from west to east. Pursuant to this policy the PRC government has promoted the development of rail freight transportation to support transportation of coal from west China, particularly, Shaanxi, Shanxi and Inner Mongolia, to south and east China. As of the Latest Practicable Date, the total length of the main track of our railway line was approximately 87.4 km. As of the same date, there were a total of 13 stations on the Canggang Railway Line, 10 stations on the main track and three stations on branch lines.

In addition to our core rail freight transportation business, we have developed comprehensive operating capabilities covering various transportation and logistics needs of our customers, particularly those in coal and ore-related industries. We are thus able to provide comprehensive services to our customers, which we believe has allowed us to leverage existing relationships to grow and further diversify our revenue and to deepen and strengthen our relationship with our customers. Our ability to provide such ancillary services also helps drive growth of our core rail freight transportation business, as we believe our ability to offer one-stop solutions in terms of freight transportation makes us more attractive to new customers.

We believe recent regulatory changes and favorable government policies help us maintain our geographic advantages and provide us with competitive benefits over other potential modes of transportation. According to the Frost & Sullivan Report, the proportion of overall coal transportation volume in China carried by road freight transportation was 29.8% and the relevant proportion carried by rail or sea transportation was 70.2% in 2019. Since 2018, for the purpose of environmental protection, the PRC government has been adjusting the overall freight transportation structure in China to promote the use of rail freight transportation and decrease road freight transportation. According to the Announcement on Adjusting Transportation Structure in Three Years (國務院辦公廳關於印發推進運輸結構調整三年行動計劃2018–2020年的通知) issued by the State Council in September 2018, for the purpose of protecting the environment, the volume of bulk cargo transported by road freight transportation will be significantly replaced by rail freight and by sea by 2020. In addition, there are a number of additional factors that insulate us from competition and grant us a significant degree of exclusivity.

We have established strong business relationships with our major customers, including Customer B, who is the largest coal producer in China, and several other major enterprises that altogether contributed a large portion of our revenue during the Track Record Period. See "– Customers – Our Customers" for further details of our top five customers during the Track Record Period. In particular, we have assisted some of our customers to construct the roadbeds for Special Service Lines owned by such customers and stretching directly into the factories or premises of these customers from our main railway line, facilitating easier rail transportation.

Our revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020 was approximately RMB354.3 million, RMB386.9 million, RMB376.9 million, RMB150.2 million and RMB151.8 million, respectively.

The following table sets forth revenue contribution by each of our business operating segments and as a percentage of our total revenue during the Track Record Period:

	For the year ended December 31,						For the five months ended May 31,			
	2017		2018		2019		2019		2020	
	RMB in thousands, except percentages									
Rail freight transportation[1]	**253,026**	**71.4%**	**259,423**	**67.1%**	**259,065**	**68.8%**	**100,454**	**66.9%**	**107,208**	**70.6%**
Ancillary businesses										
Loading and unloading	73,350	20.7%	84,833	21.9%	65,654	17.4%	28,877	19.2%	24,560	16.2%
Road freight transportation	18,196	5.1%	33,841	8.7%	32,530	8.6%	17,047	11.4%	15,612	10.3%
Construction, maintenance and repair[2]	7,513	2.1%	6,528	1.7%	15,525	4.1%	2,923	1.9%	2,054	1.4%
Others[3]	2,258	0.6%	2,264	0.6%	4,130	1.1%	857	0.6%	2,397	1.5%
Subtotal	101,317	28.6%	127,466	32.9%	117,839	31.2%	49,704	33.1%	44,623	29.4%
Total	354,343	100.0%	386,889	100.0%	376,904	100.0%	150,158	100.0%	151,831	100.0%

Notes:

(1) Includes revenue from railway transportation, taking trains out of and into stations, railway connection utilization charges and occupancy charges.

(2) Primarily includes revenue from operation, repair and maintenance of Special Service Lines and railway facility construction.

(3) Primarily includes revenue from car arrival service, freight agency, antifreeze treatment, scattering prevention of coal services and coal filtering, among others.

Our profit for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020 was approximately RMB80.4 million, RMB81.5 million, RMB69.5 million, RMB25.1 million and RMB30.0 million, respectively. The decrease in our profit for 2019 compared with 2018 was largely related (i) a decrease in revenue from our loading and unloading business of RMB19.2 million, primarily as a result of regulatory changes at the end of 2018 which impacted our ability to transport coal directly to Port Huanghua and therefore affecting our related loading and unloading business; and (ii) an increase in general and administrative expenses of RMB8.6 million, primarily due to the increase in the listing expenses. On August 15, 2019 we received the consent letter from the Han-Huang Railway Line to connect our line to the Han-Huang Railway via our connecting railway line to transport cargo directly to Port Huanghua entirely by railway, which we were unable to provide before obtaining such consent letter. On August 20, 2019, the said connecting railway line commenced operations. Our fee charged on the majority of our customers for the use of our Han-Huang connecting line to reach Port Huanghua via Han-Huang Railway Line is approximately RMB0.25 per tonne per km (except for Han Huang Railway Co., Ltd., with which we have a special price arrangement as they may use their own locomotive for transportation), which is comparable to that for using other parts of the Canggang Railway Line since we charged similar unit price, i.e. price per tonne per km in respect of transportation of cargo via both Han-Huang connecting line and other parts of the Canggang Railway Line and hence, we expect the respective railway lines will have similar profitability. Nonetheless, we believe this connecting line will help us increase revenue and profit forward by increasing the overall demand for our rail freight transportation service. Our profit for the five months ended May 31, 2020 improved to RMB30.0 million as compared to RMB25.1 million for the corresponding period in 2019.

OUR STRENGTHS

We believe the following competitive strengths differentiate us from our competitors and have contributed to the success of our business:

Established and expanding local railway operator with excellent location of our railway and potential to grow

We are an established and expanding local railway operator based in Hebei Province. We operate one railway, the Canggang Railway Line, which starts in Cangzhou and ends in the Bohai New Area which contains Port Huanghua and is connected to the Shuo-Huang Railway Line and the Han-Huang Railway Line. Our railway line also connects the Beijing-Shanghai Railway Line to the Bohai New Area.

Coal transportation accounts for a majority of our total rail freight transportation cargo. During the Track Record Period, coal transportation accounted for 84.5%, 78.5%, 74.0% and 74.0% of revenue from rail freight transportation, for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, respectively. The location of the Canggang Railway Line puts us between coal rich areas in west China, particularly Shaanxi Province, Shanxi Province and Inner Mongolia, where a large number of coal mines are located, and coal hungry areas in east and south China. According to the Frost & Sullivan Report, Shaanxi, Shanxi and Inner Mongolia together accounted for approximately 70.5% of the total coal production in China in 2019. According to that report, demand for coal in the eastern and southern markets in China, which make up the primary markets for coal is expected to continue to increase from 1,427.1 million tonnes in 2019 to 1,494.1 million tonnes in 2024 as China's economy continues to grow. The PRC government has formulated the "Coal Transportation from West to East" national strategy (西煤東運戰略) emphasizing the importance of transporting coal from west to east. Pursuant to this policy, the PRC government has promoted the development of rail freight transportation to support transportation of coal from west China, particularly, Shaanxi, Shanxi and Inner Mongolia to south and east China. The location of the Canggang Railway Line makes us an integral part of a comprehensive railway-port transportation network (together with the Shuo-Huang Railway Line and the Han-Huang Railway Line) linking the coal production areas and consumption areas in China and allows us to benefit from this policy and provides us with a stable business pipeline relating to the transportation of coal.

The railway lines and port to which we connect are significant in terms of strategic importance and cargo transportation volume. In particular, according to the Frost & Sullivan Report, the Shuo-Huang Railway Line is one of the two major railway lines (in terms of annual freight transportation volume) under the national strategy "Coal Transportation from West to East", alongside Han-Huang Railway Line. According to the Frost & Sullivan Report, Port Huanghua was the largest and second largest port in China in terms of coal shipment volume in 2018 and 2019, respectively. In addition, Port Huanghua ranked eighth and eleventh among all ports in China in terms of the average daily throughput of ore in 2018 and 2019, respectively according to the same report. Furthermore, according to the Overall Plan of Port Huanghua (2016-2035) (黃驊港總體規劃 (2016-2035)) approved by the People's Government of Hebei Province (河北省人民政府) on April 1, 2019, Port Huanghua will be an important port for the "Belt and Road Initiative" and development of the Xiong'an New Area (雄安新區). The cargo throughput of Port Huanghua is expected to increase from 287.7 million tonnes in 2018 to 460.0 million tonnes in 2025, representing a CAGR of 6.9%. As a result, according to Frost & Sullivan Report, Port Huanghua is expected to become even more important to the transportation and distribution of coal in China in the future.

We believe the region in which many of our existing customers are located, namely the Bohai New Area (渤海新區), itself provides us with significant opportunities for future growth. Pursuant to the Development Plan of Hebei Coastal Area (河北沿海地區發展規劃) issued by the NDRC on November 27, 2011, the Bohai New Area is recognized as a national economic and technological development area, a national model base of new industrialization and an experimental base for logistics in China. Bolstered by the development of Xiong'an New Area and the implementation of the "Belt and Road Initiative", we believe the Bohai New Area will play an increasingly important role in the national economy, provide synergies to the overall development of the adjacent areas and provide us with access to a growing number of potential customers as the area continues to grow. In addition, the local government of the Bohai New Area is planning to help local chemical industry to increase its revenue to RMB110 billion, which is almost double the corresponding figure from that area in 2017. This expected rapid development of the chemical industry in the Bohai New Area will largely increase demand for energy resources, in particular coal and oil, and as a result, the demand for rail freight transportation will be stimulated accordingly and therefore helps us to grow our business.

We also provide services to a number of customers in the northern Shandong area. Northern Shandong area is part of the Yellow River alluvial plain with flat terrain that is suitable for development of rail freight transportation. It is also the core junction of the Jing-Jin-Ji area and Shandong Province where a number of heavy coal users, chemical manufacturers and petrochemical companies are located. In 2018 and 2019, we served such customers by rail transportation to Yangzhuang Station from where cargo could be further transported by truck to customers. We currently plan to construct a branch line to connect with customers in this area directly by rail. See "– Our Strategies – Construct additional branch lines to expand our business scale".

We believe our prime location provides us with a stable business pipeline and opportunities to grow.

Favorable government policies which help us maintain our geographic advantages

Construction of railways in China is strictly regulated and must be conducted in accordance with relevant laws and government policy. According to the relevant government plans for railway construction, in particular, the 13th Five-Year Plan for Railway (鐵路十三五規劃) promulgated in 2017, the Announcement of the Ministry of Transportation and Eight Other Ministries on Implementation of the Office of State Council's Three-Year Plan (2018-2020) on Propelling the Adjustment of Transportation Structure (交通運輸部等九部門落實國務院辦公廳推進運輸結構調整三年行動計劃 (2018-2020年) 的通知) and the Planning of Comprehensive Urban Transportation System in Huanghua (2017–2030)《黃驊市城市綜合交通體系規劃(2017–2030)》, there are no construction plans indicating that any new freight transportation railways will be constructed in the next five years within the Cangzhou-Port Huanghua area that may potentially compete with our railway. Given the above and that currently there are no new railway lines being constructed in the Cangzhou-Port Huanghua area, we believe we are insulated from the addition of new market competition from other rail freight transportation operators for our business in the near future.

According to the Frost & Sullivan Report, pursuant to, among others, the Action Plan, China is undergoing an exercise to reform and optimize the consumption structure of primary energy and as a result clean energy is expected to grow and to take a larger proportion of primary energy consumption in China. In addition, under the Opinions about Comprehensively Strengthening Ecological Environmental Protection and Resolutely Fighting Against Pollution* (中共中央國務院關於全面加強生態環境保護、堅決打好污染防治攻堅戰的意見) issued by the Central Committee of the Communist Party of China and the State Council on June 16, 2018, total coal consumption in Hebei and Shandong, the regions in which all our existing and proposed business are located, and Beijing, Tianjin, Henan, and the Pearl River Delta, should all decrease by 10% as compared with 2015. Practically, considering the resources endowment in China and energy safety issues, the structural reform of the consumption structure of primary energy in the PRC is mainly aimed at increasing the consumption of renewable energy among all clean energy sources. Nonetheless, despite the encouragement from the PRC government, there are limitations in the development of renewable energy, for example, solar power, hydro power and wind power including the significant capital requirements and constraints in identifying appropriate locations for the construction of renewable energy plants. Taking into account (i) coal is the cheapest energy source in China since China is a coal-rich country; (ii) the limitations in development of renewable energy; and (iii) the inevitable increasing demand for energy which cannot be satisfied by renewable energy or other clean energy sources, the aforesaid energy reform is not expected to lead to a decrease in coal production and consumption nationwide in absolute terms. The renewable energy consumption in the PRC is expected to increase from approximately 390.5 million toe for 2019 to approximately 610.5 million toe for 2024. However, it is far from sufficient to replace coal as the primary energy source as it represents only approximately 11.7% of total energy consumption in 2019 and is expected to represent only approximately 15.9% of total energy consumption in 2024. In the contrary, while the proportion of coal consumption for energy is expected to decrease from 57.8% in 2019 to 52.1% in 2024, the absolute amount of coal consumption for energy is expected to increase from approximately 1,930.6 million toe in 2019 to approximately 1,995.9 million toe in 2024. Coal production and demand in China are expected to remain at high levels and even exhibit a mild rate of growth over the next five years. Hence, we believe that the negative impact of the policies relating to coal consumption and production on our business operations and our major customers who are coal producer(s) or consumer(s) will be limited.

Our Group will continue to assess the impact of the latest government policies in relation to the structural reform of the energy and coal industry in the PRC. While we expect that coal will remain the primary source of energy in the PRC, in the long term, we plan to adopt the following strategies if the relevant government policies have potentially significant impact on our business: (i) gaining access, by constructing branch lines and Special Service Lines, to chemical factories which use coal as a raw material in their production process, as coal which is not used for energy generation is not subject to restrictions pursuant to the energy and coal industry reform; and (ii) further diversifying the mix of cargo we transport by, among other means, increasing westbound rail freight transportation pursuant to our business initiatives as described under the paragraphs headed "Explore the potential for westbound transportation business and diversify our sources of income" in this section and increasing the volume of ore, chemicals, steel ingots, aluminum ingots and containers we transport with the aim of reducing the proportion of coal transportation in our business.

Recent regulatory changes and favorable policies towards rail freight transportation provide us with competitive benefits over other potential modes of transportation. Since 2018, for the purpose of environmental protection, the PRC government has been adjusting the overall transportation structure to increase rail freight transportation and decrease road freight transportation. According to the Announcement on Adjusting Transportation Structure in Three Years (國務院辦公廳關於印發推進運輸結構調整三年行動計劃2018-2020年的通知) issued by the State Council in September 2018, for the purpose of protecting the environment, the volume of bulk cargo transported by rail freight and by sea should be significantly increased by 2020. Specifically, the volume of cargo transported by rail freight in 2020 in the Jing-Jin-Ji and nearby regions should be increased by 40% as compared to the corresponding amounts in 2017.

Further, according to the Action Plan issued by the State Council in July 2018, by the end of 2018 the only allowed method of transporting coal to key ports, including Port Huanghua, was by sea or railway. By the end of 2020, the same restrictions will also apply in principle to transportation of other bulk cargo, such as ore and coke, to and from Port Huanghua and other key ports. In addition, the Action Plan encourages heavy users of coal to build their own dedicated rail lines that enable direct rail freight transportation to their premises, and by 2020, volume of rail freight transportation of bulk cargo should exceed 50% of total bulk cargo transportation volume in high coal consumption areas.

Leaning on such policies, the rail freight transportation industry is expected to grow, which provides us with potential to develop our business. According to the Frost & Sullivan Report, total revenue from rail freight transportation industry is expected to grow from RMB533.0 billion in 2019 to RMB663.2 billion in 2024, representing a CAGR of 4.5%. Even though our coal transportation volume decreased in 2018 after the implementation of the Action Plan due to our inability to transport coal to Port Huanghua through railway directly at the time, we believe these policies leave us well-positioned to provide a significant portion of the transportation business previously undertaken by road freight transportation, particularly after commencing operation of the Han-Huang connecting line in August 2019 which enables us to transport coal to Port Huanghua directly by rail.

A high degree of exclusivity and insulation from competition

In addition to favorable government policies, there are a number of additional factors that insulate us from competition and grant us a significant degree of exclusivity. These factors include:

- We took part in the construction of the roadbeds of Special Service Lines. Some of the Special Service Lines stretch directly into the factories or premises of major local customers from our main railway line. As of May 31, 2020, we operated 15 Special Service Lines. Such Special Service Lines strengthen our relationship with major customers and make it more difficult for potential competitors to compete with us, as once such Special Service Lines are constructed, the cost for other services providers (such as road freight transportation service providers) to transport cargo to such customers is significantly higher while transportation efficiency is lower;

- While there currently are other railways including, the Shuo-Huang Railway Line and the Han-Huang Railway Line within the Cangzhou-Port Huanghua area, direct competition from such other railways is limited due to pre-existing differentiation by the function of each railway. The Han-Huang Railway Line provides northeast-bound and southwest-bound rail freight transportation services in Hebei Province, which serve different customers located in different provinces while our Canggang Railway Line provides eastbound and westbound rail freight transportation services. The Shuo-Huang Railway Line mainly serves its related companies in the same group as its owner, while the Canggang Railway Line is open to all third party customers. There is no other railway in the Cangzhou-Port Huanghua area which fulfills the same function as the Canggang Railway Line, allowing us a significant degree of exclusivity in rail freight transportation of coal. See "– Competition" for details of market segmentation and its effect on potential competition. Our directors believe that we also enjoy functional exclusivity of railway transportation of non-coal cargo to and from Port Huanghua. Historically, the Shuo-Huang Railway Line generally undertook eastbound coal transportation from Shaanxi Province, among others, to Port Huanghua;

- Our railway is the only railway line that stretches to the Hekou Area (黃驊港河口港區), a developing area to the southeast of Port Huanghua. Prior to 2019, piers in this area were of limited functionality. However, as of the Latest Practicable Date, according to the letter of approval issued by the Transportation Bureau of Hebei dated July 4, 2019, the Transportation Bureau of Hebei approved the use of the coastlines for the construction of four additional piers at the Hekou Area, each of which is able to service larger ships of up to 5,000 tonnage. Our Directors estimate that these additional piers would be operational in early 2022. After these piers commence operation, coal transported by our railway to these piers can be further transported by sea from the Hekou Area directly to customers who have piers in Shandong. A connecting line to be owned by Cangzhou Gangwu Group Co., Ltd., which is a state-owned enterprise primarily engaged in the management, operation and development of Port Huanghua, will be extended directly to these planned piers reducing the need for road freight transportation, and allowing us to better take advantage of Canggang Railway's position as the exclusive freight railway line connecting to the Hekou Area for both eastbound and westbound rail freight transportation business. Construction of this connecting line is expected to commence in December 2020 and be completed by the end of 2021; and

- In northern Shandong area, due to the close proximity of our stations to the premises/factories of several of our major customers, we are able to deliver coal from the Shuo-Huang Railway Line to these customers at comparatively competitive prices. Coal is delivered to such customers from our Yangzhuang Station in Hebei by road freight transportation. We believe our competitive advantage in delivering coal to such customers will be strengthened by our planned construction of a new branch line directly connecting our railway line to a new station in the Northern Shandong Industrial Park, where such customers are located. See "– Our Strategies – Construct additional branch lines to expand our business scale".

Strong relationships with our major customers

We have established strong business relationships with our major customers. Such customers include the largest coal producer in China, and several other major enterprises that contributed a large and stable portion of our revenue. In particular, for some of our customers we have constructed Special Service Lines owned by such customers stretching directly into the factories or premises of these customers from our main railway line, facilitating easier rail freight transportation. As of May 31, 2020, among the 15 Special Service Lines, one was owned by us, two were owned by our customers engaged in chemical manufacturing and power generation businesses, respectively. The other 12 Special Service Lines were mainly owned by third-party logistics warehousing, and/or loading/unloading service providers connecting the main track of Canggang Railway Line to their freight yards for transit of our customers' cargo. As confirmed by the respective owners of the Special Service Lines, we are allowed to transport cargo via their Special Service Lines. We have also obtained proper land title for the one Special Service Line that we own. Such arrangement with major customers through Special Service Lines allows us to increase our transportation volume for such customers and strengthens the exclusivity of our relationship with such customers. As these lines were built to connect the Canggang Railway Line, no other railway can connect with the Special Service Lines, allowing us to have the geographical exclusivity in using these Special Service Lines. We also provided operation, repair and maintenance services of Special Service Lines to owners of such lines. See "Business – Our Business – Ancillary Businesses – Other Businesses" for details of ours and our customers' obligations and risk allocation.

The following table sets out revenue contribution by each connecting station of our Special Service Line:

No.	Name of Special Service Line	Nature of the owner	Nature of Destination	Business relationship since year	Connecting Station	Revenue contribution by connecting station *(Note 1)* *RMB '000* For the year ended December 31, 2017	2018	2019	For the five months ended May 31, 2020
1.	Zaopo Station Special Service Line	Third party service provider	Freight yard	2014	Zaopo Station	8,754	21,727	10,598	1,746
2.	Tangwa Station Special Service Line I	Third party service provider	Freight yard	2012	Tangwa Station	17,548	25,181	23,541	7,141
3.	Tangwa Station Special Service Line II	Third party service provider	Freight yard	2012					
4.	Tangwa Station Special Service Line III	Third party service provider	Freight yard	2016					
5.	Shahutong Station Special Service Line I	Third party service provider	Freight yard	1998	Shahutong Station	25,399	26,450	32,631	13,558
6.	Shahutong Station Special Service Line II	Third party service provider	Freight yard	2014					
7.	Shahutong Station Special Service Line III	Third party service provider	Freight yard	2013					
8.	Shahutong Station Special Service Line IV	Third party service provider	Freight yard	2014					
9.	Lingang Park Station Special Service Line I	Our customer	Factory of our customer	2015	Lingang Park Station	53,917	62,994	62,456	25,223
10.	Linggang Park Station Special Service Line II	Our customer	Factory of our customer	2015					
11.	Yangerzhuang Station Special Service Line I	Jinghai International	Freight yard	2018	Yangerzhuang Station	21,713	10,329	29,053	25,315
12.	Yangerzhuang Station Special Service Line II	Third party service provider	Freight yard	2017					
13.	Yangerzhuang Station Special Service Line III	Third party service provider	Freight yard	2016					
14.	Yangzhuang Station Special Service Line	Third party service provider	Freight yard	2009	Yangzhuang Station	2,976	1,144	282	215
15.	Gangkou Station Special Service Line	Third party service provider	Freight yard	2009	Gangkou Station	1,911	3,621	3,572	1,663
	Total					132,218	151,446	162,133	74,861

Note 1: Revenue contribution represents revenue generated from provision of rail freight transportation services through the Canggang Railway Line to the connecting stations of the respective Special Service Line.

In addition, several existing and potential customers, including equipment manufacturing companies, chemical companies and petroleum suppliers, among others, have indicated their intention to have us to help them in their construction of additional Special Service Lines stretching directly into their factories. For details, see "Business – Our Strategies – Construct additional branch lines to expand our business scale – Special Service Lines".

Comprehensive business capabilities with operations covering various aspects of the industry

We have developed comprehensive operating capabilities covering the various transportation and logistics needs of our customers, particularly those in coal and ore-related industries. Our main business activities focus on rail freight transportation. In addition, we provide a range of ancillary logistics and transportation services such as loading and unloading services, road freight transportation, operation, repair and maintenance of Special Service Lines, and railway facility construction, among others. To support such ancillary businesses, we have, among other things, purchased coal filtering and warehousing properties and equipment, constructed several freight yards to allow for loading and unloading of cargo and established a comprehensive logistics services chain, including a fleet of 80 trucks for road freight transportation as of the Latest Practicable Date. We are thus able to provide comprehensive services to our customers, which has allowed us to further diversify our revenue, deepen and strengthen our relationship with our customers and leverage existing relationships to grow our revenue. For example, we have been able to leverage our core business, rail freight transportation, to develop our loading and unloading and road freight transportation businesses, which constitute important parts of the entire transportation/logistics chain.

Our ability to provide ancillary services closely related to our core business, also helps drive growth of our core business, as we believe our ability to offer such ancillary services provides our customers with one-stop solutions in terms of freight transportation and makes us more attractive to new rail freight transportation customers.

Experienced and dedicated management team

We are led by a management team with a comprehensive understanding of and extensive experience in the rail freight transportation industry. Our management team comprises over 30 members, all of whom have over ten years of experience in rail freight transportation operation and management. Mr. Liu, our chairman and an executive Director of our Company, has more than 12 years' experience in transportation operations in China. Mr. Liu is in charge of the overall management and strategic development of our Company. Mr. Yi, an executive Director of our Company, has more than 12 years' experience in rail freight transportation and logistics services. Mr. Yi has a bachelor's degree in science and economics, and master's and doctoral degrees in economics, from Nankai University (南開大學) in Tianjin, China. Mr. Yi is responsible for the overall operation and management of our Group. Prior to joining our Company, Mr. Yi also served as a deputy professor at Nankai University and has over nine years of experience in the financial service industry.

We believe our management team's extensive experience and deep knowledge in the transportation and logistics industry has helped us identify and secure business opportunities in the rail freight transportation market and is essential to the continued development of our business.

OUR STRATEGIES

Our goal is to further strengthen our position as an established player and to capture opportunities for rapid growth in the local rail freight transportation market in the Hebei Province. We plan to achieve our goal by pursuing the following strategies:

Construct additional branch lines to expand our business scale

Historically, as our railway line did not have access to Port Huanghua or northern Shandong area by railway, cargo to be transported to Port Huanghua and northern Shandong area could only be transported through our railway to nearby stations then further transported by road freight transportation to Port Huanghua and northern Shandong area, respectively. Since rail freight transportation is a more cost-efficient transportation method as compared to road transportation, the construction of additional branch lines stretching deeper into these areas and new Special Service Lines connecting directly to the factories or premises of existing and future customers can help secure existing and future business opportunities and increase transportation volume, and also allows us to overcome the restriction on road freight transportation after the implementation of the Action Plan in 2018. We believe the construction of new branch lines will provide us with new opportunities from customers in different geographic areas and increase our transport cargo volume and revenue significantly. We plan to transport more types of cargo, in particular, coal, ore, bauxite and chemicals to our existing and future customers in these areas via our branch lines. According to the Frost & Sullivan Report, rail freight transportation services and special service lines for the northern Shandong area and the Comprehensive Industrial Park at Bohai New Area are expected to capture a significant portion of the demand for logistics services as cost and stability factors make them more competitive than other transportation methods. In addition, rail freight transportation is also more environment-friendly than road freight transportation. Therefore our Directors believe the rail freight transportation service we offer to customers in these areas will be more competitive than road freight transportation and hence, the identified existing or potential customers would opt to use railway freight instead of the other transportation methods. We are pursuing strategic partnerships with other logistics industry participants and coal users to effectuate such plans. We and our strategic partners have established joint ventures, through which all parties are responsible for the investment, operation and management of these branch lines in accordance with the respective joint venture agreement. Each party is responsible for liabilities of the joint ventures to the extent of its capital contribution. Our current construction plans include the following:

Northern Shandong Industrial Park branch line

A branch line connecting the Gangkou Station of our railway to the Northern Shandong Industrial Park (魯北工業園) will provide us direct railway access to a number of new and existing customers who need bulk cargo (primarily coal and, to a lesser extent, bauxite) transportation services in the northern Shandong area. This branch line is expected to be approximately 20.7 km. As part of the construction of this new branch line we intend to build two new stations: one in Wudi County (無棣縣), Shandong Province and one in the Northern Shandong Industrial Park. The northern Shandong area where the Northern Shandong Industrial Park is located has a number of power plants and metallurgical factories and other coal consuming companies. We believe there is strong demand for cargo we transport (in particular, coal, bauxite and chemicals) from these companies. Through this branch line we will be able to transport coal from coal rich areas in west China, particularly Shaanxi Province, Shanxi Province and Inner Mongolia, where a large number of coal mines are located, via the Canggang Railway Line directly to the Northern Shandong Industrial Park where a number of existing and potential customers are located. We believe the availability of this branch line will help increase the volume of cargo transportation to our existing customers and help attract new customers in the Northern Shandong Industrial Park in a cost-efficient manner. The demand as indicated by potential customers, which was uncommitted, for southbound and northbound rail freight transportation from eight identified potential customers is expected to be 27.2 million and 2.1 million tonnes per year in 2030, respectively, including, among others, demand for transportation of 14.0 million tonnes of southbound bauxite and 13.2 million tonnes of southbound coal. Such uncommitted indicative demand will further increase during 2030 to 2040 due to the planned expansion of the aforementioned eight potential customers, and additional projects from one other potential customer, which is an aluminium oxide factory demanding coal and bauxite in their smelting process. In aggregate, the uncommitted indicative demand for southbound and northbound transportation is expected to reach 46.4 million and 3.0 million tonnes per year, respectively, in 2040, including, among others, demand for transportation of 24.0 million tonnes of southbound bauxite and 22.4 million tonnes of southbound coal. We believe that the construction of this Northern Shandong Industrial Park branch line, which will connect our railway to northern Shandong area and further directly to the factories or premises of our existing and potential customers in this area through the further construction of Special Service Lines, will enable us to offer a more competitive transportation service to our customers to capture their demand since rail freight transportation is more cost-efficient and environment-friendly as compared to road transportation.

The aforementioned forecasted demand is based on the Frost & Sullivan Report and also potential customers' indicative demand in a survey conducted by China Railway Liuyuan Group Co., Ltd.* (中鐵第六勘察設計院集團有限公司) (the "China Railway Liuyuan") an independent consultant China Railway Liuyuan is a wholly-owned subsidiary of China Railway Group Limited* (中國中鐵股份有限公司) with the business focus on railway, urban rail transport and municipal engineering related research, design and consulting. It has various licences and qualifications including Engineering Consulting Qualification Class A (工程諮詢單位甲級資信) in railway, urban rail transport and municipal engineering issued by the Institute of Engineering Consulting of China* (中國工程諮詢協會), Engineering Design Class A(I) in Railway Industry (工程設計單位鐵道行業甲(I)級) issued by Ministry of Housing and Urban-Rural Development of the PRC* (中華人民共和國住房和城鄉建設部). According to Frost and Sullivan, China Railway Liuyuan is a well-known and authoritative expert in terms of railway-related consulting and research. In conducting the survey, China Railway Liuyuan has reviewed the planning documents of the Northern Shandong Industrial Park and nearby areas and identified enterprises with potential demand for logistics service. Also, it has performed site visits to the factories and plants in the park and interviewed staff in charge of the relevant projects to confirm their current and future demand of various types of bulk cargo. The forecast of demand was estimated based on the demand as advised by the local enterprises, being potential customers of our Group.

Our investment in this project will be carried out through a joint venture, namely, Shandong Qiyan, with Wudi Logistics which is a government-owned logistic company in which our associate, Cangzhou Bohai New Area Huanghua Port Railway Logistics Company Limited* (滄州渤海新區黃驊港鐵路物流有限公司) (in which we own 40% equity interest), will contribute RMB98 million as registered capital contribution in the joint venture for its 49% equity interest and Wudi Logistics will contribute RMB102 million as registered capital contribution in the joint venture for its 51% equity interest in the joint venture. Shandong Qiyan was established under the PRC laws on August 8, 2018. According to the articles of association of Shandong Qiyan, the board of directors consists of nine seats. Wudi Logistics has the right to appoint four seats, our associate has the right to appoint three seats, an independent director shall be appointed at the shareholders' meeting and an employee director will be elected by the employees. Our associate also can appoint a general manager of the joint venture company, who is responsible for the daily operation of the company and report to the board of directors. The board of supervisors of Shandong Qiyan consists of five seats. Each joint venture partner will have the right to appoint two supervisors and the employee supervisor will be elected by the employees. As of the Latest Practicable Date, we had not entered into any further agreement with the joint venture or our joint venture partners in relation to the rights and obligations of each party in the joint venture. It is expected that the parties will negotiate further terms of their cooperation through the joint venture, including but not limited to their respective rights and obligations in each phase of the project, as the project progresses.

As of the Latest Practicable Date, we expected construction to begin in the fourth quarter of 2020 and be completed by the first quarter of 2022. The total expected costs for this branch line are expected to be approximately RMB1.5 billion of which we will be responsible for RMB101.3 million. In addition to our use of the net proceeds of approximately HK$78.0 million (equivalent to approximately RMB70.6 million), from the Global Offering, we will fund the balance through cash generated from our operations and bank borrowings. See ''Future Plans and Use of Proceeds – Use of Proceeds'' for details.

Comprehensive Industrial Park (Bohai New Area) branch line

During the Track Record Period, a portion of our revenue was derived from transportation services for cargo to two customers in the industrial park area (as shown on the map under the section headed ''– Our Railway''), amounting to approximately RMB61.9 million, RMB66.3 million, RMB69.0 million and RMB26.0 million, respectively. The industrial park area comprises several industrial parks, one of which is Comprehensive Industrial Park (Bohai New Area) where a number of power generation companies, chemical factories with a strong demand for inbound and outbound transportation services of coal, oil, asphalt, etc. are located.

Currently, we transport the cargo directly into the premises of our customers in the industrial park area of the Bohai New Area by railway where feasible. However, we are not yet able to reach into the Comprehensive Industrial Park by rail. This restricts our ability to serve potential customers inside this park.

A branch line connecting the Yangerzhuang Station of our railway to the Comprehensive Industrial Park at Bohai New Area (渤海新區綜合產業園區) will allow us to reach the Comprehensive Industrial Park and with the further construction of Special Service Lines, a number of existing and potential customers who need cargo transportation (primarily coal and, to a lesser extent, petroleum) located in the park directly by rail, without the need to use road transportation (which has become increasingly limited due to the Action Plan) for the final short distance to the Comprehensive Industrial Park. The length of this branch line is expected to be approximately 7.2 km. As part of the construction of this new branch line we intend to build a new station, Comprehensive Industrial Park Station (綜合產業園站), which we can then connect to our customers' factories via Special Service Lines in the future.

According to the Frost & Sullivan Report and as advised by four potential customers in relation to their expected future demand, the demand, which was uncommitted, of our rail freight transportation through this branch line is expected to reach not less than 9.0 million tonnes per year in 2025 and further increase to not less than 11.0 million tonnes per year in 2035, along with the anticipated expansion of the existing business and development of new logistics business by these potential customers. Such new annual uncommitted indicative demand in 2025 and 2035 represents not less than 55.9% and 68.3% of our transportation volume in 2019, respectively. These customers include a polymer material manufacturer, an oil country tubular goods manufacturer, a petrochemical manufacturer and a power generation company, which have indicated (though not committed) strong demand for inbound transportation of raw materials for their production (primarily being coal and crude oil), and/or outbound transportation of their final products (primarily being asphalt). We believe that the construction of the Comprehensive Industrial Park (Bohai New Area) branch line will enable us to offer a more competitive transportation service to our potential customers and capture their demand.

Our investment in this project will be carried out by a joint venture with one of the largest independent coke producers in the world ("Partner I") and a leading oil pipe manufacturer in China ("Partner II"). Each of Partner I, Partner II and Canggang Company will contribute RMB32 million, RMB32 million and RMB36 million as registered capital contribution in the joint venture for its 32%, 32% and 36% equity interest in the joint venture, respectively. Our Directors expect to enter into the joint venture agreement in 2020. According to the draft articles of association of the joint venture, the board of directors of the joint venture company consists of three seats, and each joint venture partners has the right to appoint one. If there are any changes to the ownership percentage, the joint venture partners will discuss and re-allocate their respective director nomination rights as appropriate. We have the right to appoint the chairman who is responsible for the overall management of the joint venture company. The board of supervisors of the joint venture company will consist of two seats. Each of Partner I and Partner II has the right to appoint one supervisors. As of the Latest Practicable Date, we had not entered into any further agreement with the joint venture or our joint venture partners in relation to the rights and obligations of each party in the joint venture. It is expected that the parties will negotiate further terms of their cooperation through the joint venture, including but not limited to their respective rights and obligations in each phase of the project, as the project progresses.

As of the Latest Practicable Date, we expected construction to begin in the fourth quarter of 2020 and be completed by the first quarter of 2022. The total expected costs for this branch line are approximately RMB347.7 million of which we are responsible for RMB125.2 million. In addition to our use of the net proceeds of approximately HK$47.9 million (equivalent to approximately RMB43.3 million), from the Global Offering, we will fund the balance through cash generated from our operations and bank borrowings. See "Future Plans and Use of Proceeds – Use of Proceeds" for details.

Pursuant to applicable laws and regulations, and as advised by our PRC Legal Advisers, we need to obtain necessary approvals and complete certain procedures before the construction of the Northern Shandong Industrial Park branch line and the Comprehensive Industrial Park (Bohai New Area) branch line, which mainly include enterprise investment project approval, relevant construction project planning permit, approval of report form on environmental impact of construction project and approval for land use rights and there are no material legal and environmental obstacles expected in constructing the new branch lines so long as our Group complies with relevant laws and regulations in so doing. As such, as of the Latest Practicable Date, we did not expect there would be any legal impediment to obtaining the necessary approvals for the construction of the two branch lines. With reference to the conference minutes of Cangzhou Bohai New Area Management Committee * (滄州渤海新區管理委員會), our Directors expect that we will obtain the necessary approvals by no later than the fourth quarter of 2020. In the event that the relevant approvals cannot be granted, for example, as a result of objections to the proposed design of these branch lines, we would work with the relevant government authorities and to the extent that is commercially viable, adjust the design of the branch lines, including but not limited to their route and technical specifications, to accommodate the relevant authorities' concerns in order to obtain the necessary approvals. However, pursuant to the aforementioned conference minutes from Cangzhou Bohai New Area Management Committee, our Directors expect that it is unlikely that our Group will fail to obtain the relevant approvals.

Special Service Lines

In order to continue to attract new customers and strengthen relationships with existing important customers, we are currently in discussion with a number of existing and potential customers regarding construction of additional Special Service Lines connecting us directly into the business premises of such additional customers. In 2019, one existing customer and four potential new customers, indicated interest in building Special Service Lines connecting to our Comprehensive Industrial Park (Bohai New Area) branch line. The five companies include Hebei Lunte Group Limited Company *(河北倫特集團有限公司), Hebei Xinhai Chemical Group Co., Ltd. *(河北鑫海化工集團有限公司) and three other companies. We have received the application letters for building the Special Service Lines connecting to their factories or premises from the five companies. We are in the process of conducting feasibility studies on the applications as of the Latest Practicable Date. Our Directors expect that our Group will enter into definitive agreements with these customers after the construction of the aforesaid branch line. We will continue to leverage our ability to construct such Special Service Lines as a bargaining position to reach transportation agreements with new significant customers.

Upgrade and increase transportation efficiency of our existing railway

Our railway is the foundation of our business. The construction of our Canggang Railway Line dates back to the late 1970s. We assess the necessity to undertake any upgrade projects from time to time, taking into account the utilization rate of the Canggang Railway Line, potential demand for additional capacity, capital required and availability of financial resources. We invested RMB57.1 million, RMB58.4 million, RMB75.3 million and nil on maintaining, upgrading and expansion our railway for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, respectively. In order to support our further growth and meet increasing demand for our rail freight transportation services, in particular, to accommodate the additional demand expected to be brought by the new branch lines, we plan to modernize and upgrade our existing railway and equipment, and therefore increase our transportation efficiency. According to the Frost & Sullivan Report, rail freight transportation services in Hebei Province grew from approximately RMB62.5 billion in 2014 to RMB73.7 billion in 2019, representing a CAGR of approximately 3.3% and is expected to continue to grow to approximately RMB101.1 billion in 2024 at a CAGR of 6.5%. According to that report, such growth is mainly driven by adjustment of the freight transportation structure in favor of railways, changing of settlement methods, and increasing coal production volume. For further information about the drivers of the rail freight transportation industry, see ‘‘Industry Overview – Drivers of the Rail Freight Transportation Market in China’’. In addition, according to the Frost & Sullivan Report, the construction of the Northern Shandong Industrial Park branch line and the Comprehensive Industrial Park (Bohai New Area) branch line are expected to bring estimated additional demand of 35.7 million tonnes for our rail freight transportation services from existing and potential customer by 2030.

We plan to upgrade and renovate the basic infrastructure of our Canggang Railway Line, including upgrading railway tracks, renovating the surrounding roadbed and building culverts and other necessary infrastructure. Specifically, such upgrades will primarily involve (i) upgrading the tracks and roadbed by using materials of higher specifications, which will enhance the reliability of our railway tracks and the stability of train transports; (ii) upgrading the blocking system from telephone-based to automatic blocking, creating a centralized train dispatch center with a more advanced train control system and train dispatch equipment, which will shorten the cycle time for train trips on Canggang Railway Line and increase the efficiency of our railway operation; and (iii) automating the monitoring of railway crossings to improve the safety at railway crossings and enable our trains to travel at higher speed. These upgrades will increase the overall operating efficiency and hence, the overall capacity of the Canggang Railway Line.

In addition, we plan to purchase an additional new locomotive and equipment to upgrade our communication, signal automation, and remote monitoring systems. Our planned capital expenditure for the above upgrade projects is estimated to be approximately RMB145.1 million.

A breakdown of such capital expenditure is set out below:

Upgrade	**Planned capital expenditure** *(RMB in thousands)*
Upgrade of railway tracks	99,384
Renovation of roadbed and building culverts and other necessary infrastructure	14,132
Purchase of additional locomotive	10,600
Purchase of equipment to upgrade communication, signal automation and remote monitoring systems	20,994
Total	145,110

Details of specific equipment we plan to purchase to upgrade our communication, signal automation, and remote monitoring systems and their respective expected useful life are set out below:

Equipment	**Quantity** *(Unit)*	**Price per unit** *(RMB in thousands)*	**Total amount of cost** *(RMB in thousands)*	**Expected useful life** *(Year)*
Optical cables for transportation depots (場站光電纜)	Three	298	894	5
Trunked mobile communication antenna towers (集群移動通信天線鐵塔)	Three	100	300	5
Transmission devices (傳輸設備)	Three	500	1,500	10
Power supply devices (電源設備)	One	300	300	5
Computer interlocking system devices (微機聯鎖建築工程設備)	Four	4,500	18,000	10-30
			20,994	

Upon completion of the above proposed upgrades and renovations for Canggang Railway Line, the capacity of Canggang Railway Line is expected to increase from 18.0 pairs of eastbound and westbound trips per day to 30.0 pairs of eastbound and westbound pairs of trips per day. In addition, we believe the upgrading of Canggang Railway Line will allow us to reduce the need for railway staff and help to reduce staff costs. As of May 31, 2020, we employed 147 workers involved in repair and maintenance for our rail freight transportation business. We expect to reduce this number to approximately 80 workers once the upgrade is complete. Such upgrades will also help us increase our overall rail freight transportation capacity. For illustrative purpose, based on the staff cost per employee of approximately of RMB82,249 for the year ended December 31, 2019 (which is calculated by dividing total staff cost by the average number of employees for the year ended December 31, 2019), the reduction in our headcount by 67 would result in a reduction of our staff cost by approximately RMB5.5 million per annum.

We plan to incur such capital expenditure in stages from the fourth quarter of 2020 and aim to complete in the fourth quarter of 2021. Out of such capital expenditure, we plan to finance approximately HK$40.0 million (equivalent to approximately RMB36.2 million) from the net proceeds from the Global Offering and the remaining balance through cash generated from our daily operations and bank borrowings. See ''Future Plans and Use of Proceeds – Use of Proceeds'' for details. We believe that such purchases and upgrades will significantly increase the quality of our rail freight transportation services by reducing lag time in our railway operation caused by our current technological limitation.

Explore the potential for westbound transportation business and diversify our sources of income

Historically, we were a part of the logistics chain focusing on transportation of cargo, particularly coal, from sources in the west to destinations in the east of China, in particular to Port Huanghua. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, revenue generated from eastbound rail freight transportation accounted for approximately 89.3%, 88.5%, 82.5% and 82.2%, respectively, of total revenue generated from our rail freight transportation business (both westbound and eastbound). While we have engaged in providing westbound rail freight transportation services in the past, the volume was limited. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, our westbound railway transportation volumes were approximately 2.2 million tonnes, 3.0 million tonnes, 4.2 million tonnes and 2.2 million tonnes, representing approximately 15.1%, 19.1%, 26.1% and 32.0%, respectively, of the total volume of cargo transported by rail freight transportation for the same years.

We are exploring ways of increasing westbound rail freight transportation, including engaging more business for rail freight transportation of iron, manganese and bauxite and other ore from Port Huanghua to Hebei, Inner Mongolia, Ningxia and other nearby provinces, participating in large scale logistics industry conferences, offering preferential prices to key customers and services for westbound rail freight transportation, and constructing ancillary logistics facilities such as Jinghai Ore Freight Yard. We maintained a balance between expanding our customer base and streamlining our customer base with customers with high quality, in terms of, among others, scale of operation and repayment record. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31 2020, the number of customers for our eastbound rail freight transportation services was 81, 113, 98 and 67, respectively. During the same periods, the number of customers for our westbound rail freight transportation services was 27, 22, 26 and 25, respectively.

Starting in 2019, led by Mr. Yi, our Chief Executive Officer, staff from our transportation department and logistic department proactively reached out to our existing customers to advertise our westbound rail freight transportation services. For customers who are interested in our westbound rail freight transportation service, we are able to leverage our experience and expertise to help them upgrade their facilities, including freight yards, to be suitable for non-coal cargo transportation. In 2019, we added two new customers for our westbound rail freight transportation and constructed Jinghai Ore Freight Yard (京海礦石貨場), which commenced operations in November 2019. Jinghai Ore Freight Yard is a freight yard located at our Yangerzhuang Station (羊二莊站) and dedicated to westbound cargo, in particular, ore, through our railway line. Jinghai Ore Freight Yard primarily serves as a facility for storage and unloading of ore transported from Port Huanghua. With the commencement of operation of Jinghai Ore Freight Yard, our customers can use our road transportation services to transport ore from Port Huanghua up to Jinghai Ore Freight Yard, where they can temporarily store the ore and load their ore to our trains for further westbound rail freight transportation. The designed capacity of Jinghai Ore Freight Yard is 5.0 million tonnes (3.0 million tonnes of coal, and 2.0 million tonnes of ore) per annum with an area of 151,000 m^2. We believe such logistic arrangement would enhance our loading and unloading business and also our westbound rail freight transportation. As of the Latest Practicable Date, we had entered into contracts with two customers, pursuant to which we transport ore cargo from Port Huanghua to Jinghai Ore Freight Yard and provided the relevant loading and unloading services. For the two months ended December 31, 2019 and the five months ended May 31, 2020, revenue generated from these contracts amounted to approximately RMB5.4 million and RMB34.5 million, respectively, in aggregate. We will continue our efforts to increase westbound business going forward.

We believe such strategy will help us to better utilize existing westbound rail freight transportation capacity, further diversify our sources of income and increase our revenue.

Further information about our expansion plans

As set out in the sub-sections headed "Construct additional branch lines to expand our business scale" and "Upgrade and increase transportation efficiency of our existing railway" above, we intend to utilize approximately 63.3% (or HK$125.9 million) of the net proceeds from the Global Offering to construct two new branch lines and 20.2% (or HK$40.0 million) of the net proceeds from the Global Offering to upgrade and renovate basic railway infrastructure, acquire a new locomotive and purchase additional equipment (the "Expansion Plans"). Our Directors believe that the Expansion Plans are justified and supported by adequate demand for the following reasons:

Demand for the new branch lines and the upgrade and renovation of the existing railway

The Northern Shandong Industrial Park branch line and the Comprehensive Industrial Park (Bohai New Area) branch line will enable us to reach new geographical markets which are not currently served by us, namely the northern Shandong area and the Comprehensive Industrial Park at Bohai New Area, respectively.

Please refer to the sub-section headed "– Our Strategies – Construct additional branch lines to expand our business scale" for details on the potential demand for these branch lines.

Our reasons for choosing Northern Shandong Industrial Park and Comprehensive Industrial Park as the destinations of our new branch lines include:

- ***Extension to neighboring areas with existing customer base and identified potential demand***: According to the Frost and Sullivan Report, the Northern Shandong Industrial Park and the Comprehensive Industrial Park are the nearest major industrial parks to our railway with substantial demand for bulk cargo transportation and which are not currently reachable by our railway directly. We have an existing customer base in both northern Shandong area and the industrial park area, where the aforementioned two industrial parks are located, respectively. Among our top five customers, two of them are located in the industrial park area, namely China Resources Power Holdings Limited (Bohai New Area)* (華潤電力(渤海新區)有限公司) and Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd.* (河北正元氫能科技有限公司), from which we derived RMB61.9 million, RMB66.3 million, RMB69.0 million and RMB26.0 million of our revenue during the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, respectively; and two of them are located in the northern Shandong area, namely Bohui Group and Customer H, from which we derived RMB82.0 million, RMB80.9 million, RMB75.3 million and RMB24.3 million of our revenue during the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, respectively. We will continue our efforts to identify new customers in these areas. For example, we identified and derived revenue of RMB5.8 million during the five months ended May 31, 2020 from a new customer in the northern Shandong area with which we started business relationship in February 2020.

We believe the reputation we have built through cooperation with existing customers has provided us an advantageous position from which to capture demand from potential customers in the region. Pursuant to the Frost & Sullivan Report, a survey conducted by the China Railway Liuyuan and the written confirmation from certain potential customers, the identified demand, in terms of transportation volume, in the Northern Shandong Industrial Park is expected to reach over 20 million tonnes for southbound and over 2 million for northbound per year and in the Comprehensive Industrial Park is expected to reach over 9 million tonnes per year by the time or soon after construction of the new branch lines is completed. For details of this potential demand, see the sub-section headed ‘‘- Our Strategies – Construct additional branch lines to expand our business scale’’.

- ***Strong government support***: According to the conference minutes of the Executive Committee of Cangzhou Bohai New Area Management Committee (滄州渤海新區管理委員會主任辦公會) on February 22, 2020, the Cangzhou Bohai New Area Management Committee (滄州渤海新區管理委員會) requested the relevant government departments to facilitate the completion of certain required procedures for the construction of the two branch lines following a set schedule. In addition, the local governments of Shandong Province and Hebei Province have shown support for the construction of a Northern Shandong Industrial Park branch line. For example, in May 2019, this project was admitted to the Binzhou City Implementation Plan for Promoting the Adjustment of Transportation Structure* 《濱州市推進運輸調整工作實施方案》, and to the Cangzhou City Implementation Plan for Promoting the Adjustment of Transportation Structure (2019–2020*)《滄州市推進運輸結構調整實施方案 (2019–2020年)》.

Further, following the construction of the Northern Shandong Industrial Park branch line and the Comprehensive Industrial Park (Bohai New Area) branch line, the cargo to be transported to northern Shandong area and the Comprehensive Industrial Park area will have to be transported to the connecting station of the branch lines, being Gangkou Station and Yangerzhuang Station, respectively, through the main track of Canggang Railway Line before being further transported to the final destination via the branch lines. Therefore, the additional transportation volume to be brought by these branch lines is expected to cause pressure on the capacity and efficiency of the existing main track of Canggang Railway. The additional demand attributable to the new branch lines as indicated by potential customers, which is uncommitted, is expected to reach 38.3 million tonnes per year (29.3 million tonnes per year attributable to the Northern Shandong Industrial Park branch line and 9.0 million tonnes per year attributable to the Comprehensive Industrial Park (Bohai New Area) branch line as indicated by potential customers of respective branch lines) in total in 2030, representing 2.4 times of the transportation volume in 2019. Our Directors believe that such large amount of demand provides a promising opportunity for us to grow. Our Directors are of the view that there is prominent need for upgrading and renovating the main track of the Canggang Railway to improve and enhance its efficiency and capacity to accommodate the expected increase in demand to be brough by these new branch lines.

Organic growth

According to the Frost & Sullivan report, it is estimated that coal production in China, driven by economic growth and demand for energy, will increase at a CAGR of 2.1% during the five years from 2019 to 2024 despite certain policies regarding energy and coal industry structural reform. See "Regulatory Overview – Regulations on Industry" for details of such policies. According to the Frost & Sullivan Report, despite the energy and coal industry structural reform in the PRC, mainly aims at controlling or lowering the proportion of coal in the consumption of all primary sources, it will not lead to the decrease in coal production and demand in absolute, given the continuing increase in energy consumption in China. Further, although certain measures stipulated in the Action Plan restrict the consumption of coal, such as (i) shutting down coal-fired boiler with capacity of less than 300 MW, (ii) reducing the consumption of coal as scattered heat sources in rural areas and (iii) setting a goal of reducing the proportion of coal in total energy consumption to less than 58% by the end of 2020, such measures have limited impact on our business as (i) the reason for controlling coal consumption under the Action Plan is to lower the proportion of coal in the consumption of all primary energy sources. The total consumption of coal, however, is still expected to remain at high levels, steadily growing at a CAGR of 0.7% from 2019 to 2024, since the total consumption of primary energy sources in China is expected to continue increasing with the growth of China's economy; and (ii) the proportion of coal transported by railway will continue to increase under the policies of shifting road transportation to railway transportation.

In addition, according to the Frost & Sullivan Report, from 2019 to 2024, the total revenue from rail freight transportation in Hebei Province is expected to continue to increase at a CAGR of 6.5% with the growing railway transport volume. See "Industry Overview – Analysis of the Rail Freight Transportation Market in China – Rail Freight Transportation Market Size in China and Hebei" and "Industry Overview – Analysis of the Rail Freight Transportation Market in China – Rail Freight Transportation Volume" for details.

In summary, aside from developments specific to our business, demand for our railway transportation service in the region we serve and for the types of cargo we transport is expected to grow organically in the next five years.

Impact of the outbreak of COVID-19 on our Expansion Plans

Towards the end of 2019, an outbreak of respiratory illness caused by COVID-19 emerged and has been expanding within the PRC and globally. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat. Since the outbreak, draconian measures including travel restrictions have been implemented within the PRC, as well as other countries and territories, in an effort to contain the COVID-19 outbreak. The WHO is closely monitoring and evaluating the situation. On January 30, 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). On March 11, 2020, the WHO further characterized COVID-19 as a pandemic. As of the Latest Practicable Date, the virus had spread across China and to over 200 countries and territories globally with the death toll and number of infected cases continuing to rise.

Based on the current situation, our Directors have assessed the impact of the outbreak on our business considering the following factors:

(i) at the beginning of February 2020, the NDRC and the National Energy Administration of the PRC (中華人民共和國國家能源局) had a conference to ensure the stable supply of energy during the COVID-19 outbreak. In addition, to promote the recovery of coal production, the Coal Department of the National Energy Administration issued the Letter Concerning Further Accelerating the Resumption of Operation and Production of Coal Mines to Ensure Stable Supply of Coal* (《關於進一步加快煤礦復工復產保障煤炭穩定供應的函》), stipulating that enterprises in coal mining industry are not compulsively required to delay operation due to the COVID-19 outbreak, in order to avoid the undersupply of coal which may lead to an undersupply of energy. Pursuant to the abovementioned conference and notice, among other things, (a) coal production enterprises should ensure the production of coal during the epidemic; and (b) government authorities should coordinate to facilitate the normal transportation and provision of coal, particularly in Northeast China and the Jing-Jin-Ji area, where we conduct our business, and in outbreak areas. On February 23, 2020, the head of the Coal Department of the National Energy Administration announced that as a result of the measures taken by the government, the impact of the COVID-19 outbreak on coal production has been limited and the level of coal production has resumed to a similar level as compared to the previous year. This was evidenced by the official number for coal production in China, which increased by 2.7% in the first half of 2020 as compared to the corresponding period in 2019, supporting a year-on-year increase of 0.4% in total coal consumption in the first half of 2020, according to the Frost & Sullivan Report. Therefore, the COVID-19 outbreak is not expected to have a significant impact on coal production. As coal represents the largest portion of cargo transported by rail in the PRC, the corresponding impact on the rail transportation business, particularly that of transporting coal, is also expected to be limited;

(ii) according to the Frost & Sullivan Report, the consumption of coal is not expected to be materially affected by the COVID-19 outbreak as coal is the major material used in the generation of energy in the PRC and it is widely used in the production of cement and steel, which are essential to infrastructure projects. Moreover, energy consumption and infrastructural projects are expected to increase significantly when the epidemic situation ends. After the COVID-19 outbreak and up to the Latest Practicable Date, we have been conducting business normally with our customers, particularly our top five customers for the year ended December 31, 2019 and for the five months ended May 31, 2020. We also noted that a longer settlement period may be needed for our customers. Nevertheless, we have not been notified by our major customers that their business, their demand for our logistics services or their demand for coal has been materially affected by the COVID-19 outbreak;

(iii) with reference to the fact that even despite the outbreak of SARS from November 2002 to September 2003, rail freight transportation volume experienced year over year growth of 9.4% in 2003, according to the Frost & Sullivan Report, since the areas through which rail freight transportation occurs are generally not densely populated, the COVID-19 outbreak is not expected to cause manpower shortage problems or have a material effect on the rail freight transportation industry; and

(iv) according to the Frost & Sullivan Report, as road freight transportation was severely restricted in the PRC during the COVID-19 outbreak, demand for road freight transportation was partially shifted to rail freight transportation. This had and may continue to have an adverse impact on our road freight transportation business in the short term. However, our rail freight transportation business, which is our core business, is expected to be positively affected in the short term.

Based on the above, we believe that our expansion plans remain feasible, and it is unlikely that we will change the use of the net proceeds from the Global Offering. However, there can be no assurance that the direct and indirect effects of COVID-19 will not have a greater impact on the PRC economy and the rail freight transportation industry. If the epidemic evolves, economic slowdown and/or negative business sentiment could still potentially have an adverse impact on the rail freight transportation industry or the industries in which our major customers operate, in particular the coal production industry, which could adversely affect our business operations and financial condition. See "Risk Factors – Our business operations may be affected by the outbreak of COVID-19." for details.

Impact of market and regulatory developments in relation to the rail freight transportation industry

According to the Frost & Sullivan Report, the PRC government has established certain laws and regulations aimed at adjusting the freight transportation structure to raise the proportion of rail freight transportation volume for bulk commodities, in order to control air pollution emissions caused by road transportation.

In July 2018, the State Council issued the Action Plan, which aims to significantly reduce total emissions of major atmospheric pollutants and improve air quality. According to the Action Plan, by the end of 2018 the only allowed method of transporting coal to key ports, including Port Huanghua, was by sea or railway. Pursuant to the confirmation from the Economy and Development Bureau of the Bohai New Area* (渤海新區經濟發展局), being the competent authority as advised by our PRC Legal Advisers, semi coke, coke and coking coal are excluded from such restriction. As such, coal cargo (other than semi-coke, coke and coking coal) which we transported by road by our Group during the Track Record Period prior to the Action Plan taking effect become subject to restrictions on transportation to Port Huanghua by road under the Action Plan. By the end of 2020, the same restrictions will also apply in principle to the transportation of other bulk cargo, such as ore and coke, to and from Port Huanghua and other key ports. As a result, our road and rail freight transportation business to Port Huanghua, as well as our loading and unloading in or near Port Huanghua was adversely affected since the implementation of the Action Plan in the third quarter of 2018. We ceased road freight transportation for coal into Port Huanghua from October 2018, and our rail freight transportation and loading and unloading service for coal designated for Port Huanghua was also suspended due to our lack of direct railway access to Port Huanghua at the time. Port Huanghua is an important part of our railway and road transportation service network. The tables below set forth the revenue, transportation volume, proportion of volume, average monthly revenue and average monthly transportation volume in respect of our road freight transportation to/from Port Huanghua in the periods before and after the implementation of the Action Plan.

	For the year ended December 31, 2017[1]		For the nine months ended September 30, 2018[1]		For the three months ended December 31, 2018[2]		For the eight months ended August 31, 2019[2]		For the four months ended December 31, 2019[3]		For the five months ended May 31, 2020[3]	
	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume
	(RMB'000)	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*
Coal Cargo												
Coal	4,514	498	13,730	966	–	–	–	–	–	–	–	–
Semi coke, coke and coking coal	607	54	2,881	195	601	41	3,896	330	3,776	433	1,050	90
	5,121	552	16,611	1,161	601	41	3,896	330	3,776	433	1,050	90
Non-coal cargo	2,636	273	3,446	398	5,952	608	17,560	1,939	3,820	344	14,081	1,051
Total	**7,757**	**825**	**20,057**	**1,559**	**6,553**	**649**	**21,456**	**2,269**	**7,596**	**777**	**15,131**	**1,141**
	Average monthly revenue	**Average monthly volume**	**Average monthly revenue**	**Average monthly volume**	**Average monthly revenue**	**Average monthly volume**	**Average monthly revenue**	**Average monthly volume**	**Average monthly revenue**	**Average monthly volume**	**Average monthly revenue**	**Average monthly volume**
	(RMB'000)	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB '000)*	*(tonnes'000)*
Coal Cargo												
Coal	376	42	1,526	107	–	–	–	–	–	–	–	–
Semi coke, coke and coking coal	51	4	320	22	201	14	487	41	944	108	210	18
	427	46	1,846	129	201	14	487	41	944	108	210	18
Non-coal cargo	219	23	383	44	1,984	203	2,195	242	955	86	2,816	210
Total	**646**	**69**	**2,229**	**173**	**2,185**	**217**	**2,682**	**283**	**1,899**	**194**	**3,026**	**228**
		Percentage of volume		**Percentage of volume**		**Percentage of volume**		**Percentage of volume**		**Percentage of volume**		**Percentage of volume**
Coal Cargo												
Coal		60.4%		62.0%		–		–		–		–
Semi coke, coke and coking coal		6.5%		12.5%		6.3%		14.5%		55.7%		7.9%
		66.9%		74.5%		6.3%		14.5%		55.7%		7.9%
Non-coal Cargo		33.1%		25.5%		93.7%		85.5%		44.3%		92.1%
Total		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%

Notes:

(1) Before the implementation of the Action Plan.

(2) After the implementation of the Action Plan and before the Han-Huang connecting line began operation.

(3) After the Han-Huang connecting line began operation.

Before the implementation of the Action Plan, our road transportation business for (i) coal, (ii) semi-coke, coke and coking coal, and (iii) non-coal cargo to/from Port Huanghua were all growing rapidly. In particular, as compared to the year ended December 31, 2017, the average monthly revenue generated from road transportation to/from Port Huanghua during the nine months ended September 30, 2018 increased from RMB376,000 to RMB1.5 million for coal and from RMB51,000 to RMB320,000 for semi-coke, coke and coking coal. In aggregate, the monthly average revenue derived from road transportation of coal cargo to/from Port Huanghua for the nine months ended September 30, 2018 amounted to RMB1.8 million which indicated the scale of the coal cargo transportation business to/from Port Huanghua prior to the implementation of the Action Plan. In addition, our monthly average revenue generated from road transportation of non-coal cargo to/from Port Huanghua also increased from RMB219,000 to RMB383,000 during the same periods.

After the implementation of the Action Plan, our road transportation of coal to/from Port Huanghua completely ceased. In order to mitigate the negative impact of the cessation of road transportation of coal to/from Port Huanghua, we expanded our businesses of road transportation of cargo that was not subject to restrictions under the Action Plan. As a result of our management's efforts, our road transportation of semi coke, coke and coking coal as well as non-coal cargo to/from Port Huanghua continued to grow in general after the implementation of the Action Plan. As compared to the three months ended December 31, 2018, the average monthly revenue from the road transportation of semi coke, coke and coking coal to/from Port Huanghua during the eight months ended August 31, 2019 increased from RMB201,000 to RMB487,000, and that of non-coal cargo increased from RMB2.0 million to RMB2.2 million during the same period.

Our loading and unloading business for coal designated to Port Huanghua was also affected following the implementation of the Action Plan, due to the reduction of coal transported to/from Port Huanghua. As a result, our revenue from loading and unloading business dropped from RMB84.8 million for the year ended December 31, 2018 to RMB65.7 million for the year ended December 31, 2019, representing a decrease of RMB19.2 million or 22.6%.

After the Han-Huang connecting line commenced operation in late August 2019, our road transportation business to/from Port Huanghua did not display any definitive trend, as the performance of our road transportation business for different types of cargo fluctuated according to local market demand from time to time. Based on the historical performance of our road transportation business from September 2019 to May 2020, our Directors are of the view that, primarily due to differences in customer preferences, our road transportation business has not been and would not be materially affected by the commencement of operation of the Han-Huang connecting line. Our monthly average revenue derived from road transportation of semi coke, coke and coking coal was RMB944,000 per month and RMB210,000 per month for the four months ended December 31, 2019 and for the five months ended May 31, 2020, respectively, as compared to RMB487,000 per month for the eight months ended August 31, 2019 before the commencement of the Han-Huang connecting line. Our monthly average revenue derived from road transportation of non-coal cargo was RMB955,000 per month and RMB2.8 million per month for the four months ended December 31, 2019 and for the five months ended May 31, 2020, respectively, as compared to RMB2.2 million per month for the eight months ended August 31, 2019.

Further, after the implementation of the Action Plan, Customer B, Bohui Group and four other customers ceased to transport coal to Port Huanghua through us. This was particularly significant with respect to Customer B, which was our largest customer for the year ended December 31, 2018 and which contributed over 90% of our Group's revenue in 2018 from road freight transportation of coal to Port Huanghua. The following table sets forth the revenue and volume of the road and rail freight transportation by cargo types attributable to Customer B during the Track Record Period.

	For the years ended December 31,						For the five months ended May 31,			
	2017		2018		2019		2019		2020	
	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume
	(RMB'000)	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*
– Coal cargo	18,462	1,005	34,068	2,933	9,478	585	2,795	175	5,241	285
– Non-coal cargo	10,110	1,053	20,649	1,647	34,732	2,996	15,232	1,281	8,405	683
Total	**28,572**	**2,058**	**54,717**	**4,580**	**44,210**	**3,581**	**18,027**	**1,456**	**13,646**	**968**

We resumed rail freight transportation into Port Huanghua in late August 2019 when our Han-Huang connecting line commenced operations, enabling us to transport coal and other cargo directly to Port Huanghua entirely by rail. While we are still not able to use road freight transportation to transport coal (except for semi coke, coke and coking coal) from Yangzhuang Station to Port Huanghua as we previously did, the commencement of operation of our Han-Huang connecting line allows us to carry out transportation into Port Huanghua directly by rail, mitigating the impact of the prohibition of road freight transportation for coal and restoring our ability to transport coal to/from Port Huanghua. However, after the Han-Huang connecting line commenced operation, the average monthly transportation revenue and volume attributable to the transportation of coal to/from Port Huanghua by rail via the Han-Huang connecting line for the four months ended December 31, 2019 of approximately RMB83,000 and 9,000 tonnes, respectively, was significantly lower than it had been prior to the implementation of the Action Plan, as indicated by our monthly average revenue and volume attributable to road transportation of coal cargo to/from Port Huanghua for the nine months ended September 30, 2018 of approximately RMB1.8 million and 129,000 tonnes per month, respectively. Our Directors believe that this was primarily due to the fact that the Han-Huang connecting line was still in the early stages of operation at that time and it would take time for us to develop such business. The average monthly revenue and volume attributable to the transportation of coal cargo to/from Port Huanghua via the Han-Huang connecting line increased significantly for the five months ended May 31, 2020 to approximately RMB382,000 and 36,000 tonnes per month, respectively, representing an increase of 358.8% and 305.9%, respectively, as compared to the monthly average for the four months ended December 31, 2019. Nonetheless, such performance for the five months ended May 31, 2020 has not reached the pre-Action Plan level and represented only 20.7% of the pre-Action Plan level in terms of average monthly revenue attributable to transportation of coal cargo to/from Port Huanghua as we are still in the process of developing our clientele for this business and securing a stable level of orders from our existing customers. Our Directors expect that the business of transportation of coal cargo to/from Port Huanghua via the Han-Huang connecting line will continue to grow, taking into consideration (i) the current rapid growth in the revenue from the transportation of coal cargo to/from Port Huanghua via our Han-Huang connecting line during the five months ended May 31, 2020 as mentioned above; (ii) that in August 2020, we have entered into a binding transportation service agreement with Customer B, one of our largest customers during each year of the Track Record Period and the largest coal producer in China, to use our rail transportation services to transport coal cargo to/

from Port Huanghua via our Han-Huang connecting line with an indicative and uncommitted annual demand of 2.0 million tonnes, equivalent to approximately 167,000 tonnes per month on average (equivalent to approximately RMB1.8 million per month on average based on the average price of coal transportation to Port Huanghua via our Han-Huang connecting line for the five months ended May 31, 2020 of RMB10.7 per tonne.); and (iii) that another potential customer has indicated to us uncommitted demand for coal transportation via our Han-Huang connecting line to Port Huanghua of no less than 250,000 tonnes per month on average (equivalent to approximately RMB2.7 million per month on average based on the same average price as stated in (ii) above) after entering into service agreement with us by the end of 2020. Such potential customer is primarily engaged in the trading and logistics business of coal, with most of its customers being power generation companies in south China. Based on the foregoing, in particular, the indicative and uncommitted demand by our customers, our Directors expect that revenue from rail freight transportation for coal cargo to/from Port Huanghua will gradually and fully recover to pre-Action Plan level.

Despite the fact that the Action Plan has affected our ability to transport cargo to/from Port Huanghua, its impact on our business is expected to be limited since the consumption of coal in China is expected to grow continuously after the implementation of the Action Plan. Nevertheless, to minimize the potential impact of the Action Plan on our Group, we have taken the following measures to diversify our product mix and business:

(i) Expand our business of rail freight transportation of non-coal cargo

During the Track Record Period, our management has made efforts to diversify our business by expanding transportation of non-coal cargo. As a result, revenue generated from our rail freight transportation service for non-coal cargo increased from RMB39.3 million for the year ended December 31, 2017 to RMB56.0 million for the year ended December 31, 2018 and further to RMB67.4 million for the year ended December 31, 2019. Revenue generated from our rail freight transportation service for non-coal cargo also recorded slight growth from RMB27.8 million for the five months ended May 31, 2019 to RMB27.9 million for the five months ended May 31, 2020;

Furthermore, on April 13, 2020, Canggang Company entered into the Shangcheng Cooperation Agreement with an Independent Third Party which is primarily engaged in the construction of municipal projects, pursuant to which Shangcheng was established. Shangcheng has commenced operations in May 2020 and is primarily engaged in the trading of construction materials, particularly gravel. Pursuant to the Shangcheng Cooperation Agreement, Canggang Company will provide railway transportation services to Shangcheng for the construction materials it supplies. We believe the Shangcheng Cooperation Agreement will help us secure additional demand for our railway transportation services from Shangcheng, in particular for non-coal cargo.

(ii) Expand our westbound transportation business which is primarily for non-coal cargo

In 2019, we added two new customers for our westbound rail freight transportation and constructed Jinghai Ore Freight Yard (京海礦石貨場), which commenced operations in November 2019. Jinghai Ore Freight Yard is a freight yard located at our Yangerzhuang Station (羊二莊站) and dedicated to westbound cargo, in particular, ore. It primarily serves as a facility for storage and unloading of ore transported from Port Huanghua. Our customers typically use our road transportation services to transport ore from Port Huanghua to Jinghai Ore Freight Yard, where they can temporarily store the ore and load their ore onto our trains for westbound rail freight transportation. As of the Latest Practicable Date, we had entered into contracts with the aforementioned two customers, pursuant to which we transported ore cargo from Port Huanghua to Jinghai Ore Freight Yard and provided the relevant loading and unloading services. For the two months ended December 31, 2019 and the five months ended May 31, 2020, revenue generated from these contracts amounted to approximately RMB5.4 million and RMB34.5 million in aggregate, respectively.

(iii) Expand our businesses of road freight transportation of non-coal cargo and of coal products that are not subject to restrictions under the Action Plan

As a result of our management's effort to secure orders for road freight transportation of non-coal cargo and for non-restricted coal products, our road freight transportation of semi coke, coke and coking coal as well as non-coal cargo to/from Port Huanghua generally continued to grow after implementation of the Action Plan. Average monthly revenue from road freight transportation of non-coal cargo and non-restricted coal products to/from Port Huanghua increased from RMB2.4 million for the year ended December 31, 2019 to RMB3.0 million for the five months ended May 31, 2020.

Our Directors are of the view that the above measures have been effective and have successfully diversified our Group's business.

In addition to the Action Plan, since 2018, for the purpose of environmental protection, the PRC government has been adjusting the overall transportation structure to increase rail freight transportation and decrease road freight transportation in accordance with the Announcement on Adjusting Transportation Structure in Three Years (國務院辦公廳關於印發推進運輸結構調整三年行動計劃2018–2020年的通知) issued by the State Council in September 2018. According to such announcement, for the purpose of protecting the environment, the volume of bulk cargo transported by rail freight and by sea should significantly increase in 2020. Specifically, the volume of cargo transported by rail freight in 2020 in the Jing-Jin-Ji and nearby regions should increase by 40% as compared to the corresponding amounts in 2017.

Our Directors expect the Action Plan, together with the Announcement on Adjusting Transportation Structure in Three Years, will result in road transportation of bulk cargo previously conducted in the Cangzhou area, in particular the transportation of bulk cargo into and out of Port Huanghua, being progressively and partially substituted by railway transportation. We believe such substitution will lead to an increase in the demand for our railway transportation services as our Canggang Railway Line is connected to Port Huanghua via the Han-Huang connecting line since August 2019. Meanwhile, our road freight transportation in the same area may be negatively affected. Our Directors believe that such substitution effect will benefit our Group on the whole in the long run because rail freight transportation has been much more significant than our road freight transportation in terms of revenue contribution and we enjoy a high degree of exclusivity and insulation from competition in relation to our rail freight transportation business as discussed in the section headed "Business – Our Strengths – A high degree of exclusivity and insulation from competition" above.

Capacity and utilization rate

According to a report prepared by the Design Institution, the capacity of the Canggang Railway Line for the years ended December 31, 2017, 2018 and 2019 was estimated to be 18.0, 18.0 and 18.0 pairs of eastbound and westbound trips per day, respectively. Based on the estimated daily number of pairs of eastbound and westbound trips actually traveled during the relevant years, the utilization rate of the Canggang Railway Line was approximately 58%, 63% and, 63% for the years ended December 31, 2017, 2018 and 2019, respectively. In line with the increase in the utilization rate of the Canggang Railway Line, our rail freight transportation volume was approximately 14.6 million tonnes, 15.7 million tonnes and 16.1 million tonnes for the years ended December 31, 2017, 2018 and 2019, respectively. It is estimated that the proposed upgrade and renovation of basic railway infrastructure in the Expansion Plans will increase the capacity of Canggang Railway Line to 30.0 pairs of eastbound and westbound trips per day.

According to the Design Institution, a railway line is recommended to undergo upgrade and expansion when its utilization rate reaches 65%, which is very close to the utilization rate of Canggang Railway Line in 2019. It is estimated that the proposed upgrade and renovation of the Canggang Railway Line will take approximately 18 months. Given the lead time in implementing the upgrade and renovation and the expected rapid increase in the use of the existing railway line in the next few years from the construction of branch lines and our organic growth, our Directors believe that it is in the interests of our Company to invest in the upgrades and renovations in the near term in order to capitalize on the said growth opportunity.

OUR RAILWAY

As of the Latest Practicable Date, we operated one local railway, the Canggang Railway Line, comprising a main track starting in Cangzhou and ending in the Bohai New Area which contains Port Huanghua, and two branch lines. Our railway line connects to the Shuo-Huang Railway Line at Litianmu Station in Cangzhou and to the Han-Huang Railway Line at Bohaixi Station. These three railway lines together constitute a comprehensive railway-port transportation network that effectively transports cargo, primarily coal, from coal-rich regions in west China to the Bohai New Area for consumption and further transportation by sea from the Comprehensive Pier at Port Huanghua to areas of high demand for coal in south and east China. Our railway line also connects the Beijing-Shanghai Railway Line to the Bohai New Area.

Construction of the Canggang Railway Line began in 1979 and operation of the railway first began in 1982. As of the Latest Practicable Date, the total length of the Canggang Railway Line was approximately 216.6 km, including:

(i) a main track of approximately 87.4 km;

(ii) station tracks of approximately 56.1 km. We have station tracks in each of our train stations. Our station tracks of 56.1 km in total account for approximately 25.9% of the total length of the Canggang Railway Line, equivalent to 64.2% of the length of the main track. Our station lines serve complex functions in the operation of our rail freight transportation business and hence contributing to its significant length. Our station tracks mainly include the following types:

(a) tracks for the arrival and departure of trains;

(b) tracks for the arrangement and scheduling for the composition of locomotives and carriage cars;

(c) tracks for the parking of carriage cars or locomotives pending checking, repair and maintenance;

(d) tracks for the loading and unloading of cargo; and

(e) tracks for the parking of standby locomotives

(iii) 15 Special Service Lines stretching for a total of approximately 44.2 km and directly connecting certain of our major customers to our main line;

(iv) two branch lines: (a) a branch line (the Haixing Branch Line* (海興支線)) stretching approximately 12.6 km and connecting us with Haixing Freight Yard; and (b) a branch line stretching approximately 5.3 km from Shahutong Station to Lingang Park Station (3.2 km of which is made up of a Special Service Line); and

(v) a railway line connecting us with the Shuo-Huang Railway Line of approximately 7.1 km and a railway line connecting us with the Han-Huang Railway Line of approximately 7.1 km.

As of the Latest Practicable Date, there were a total of 13 stations on the Canggang Railway Line, 10 stations on the main track and three stations on branch lines.

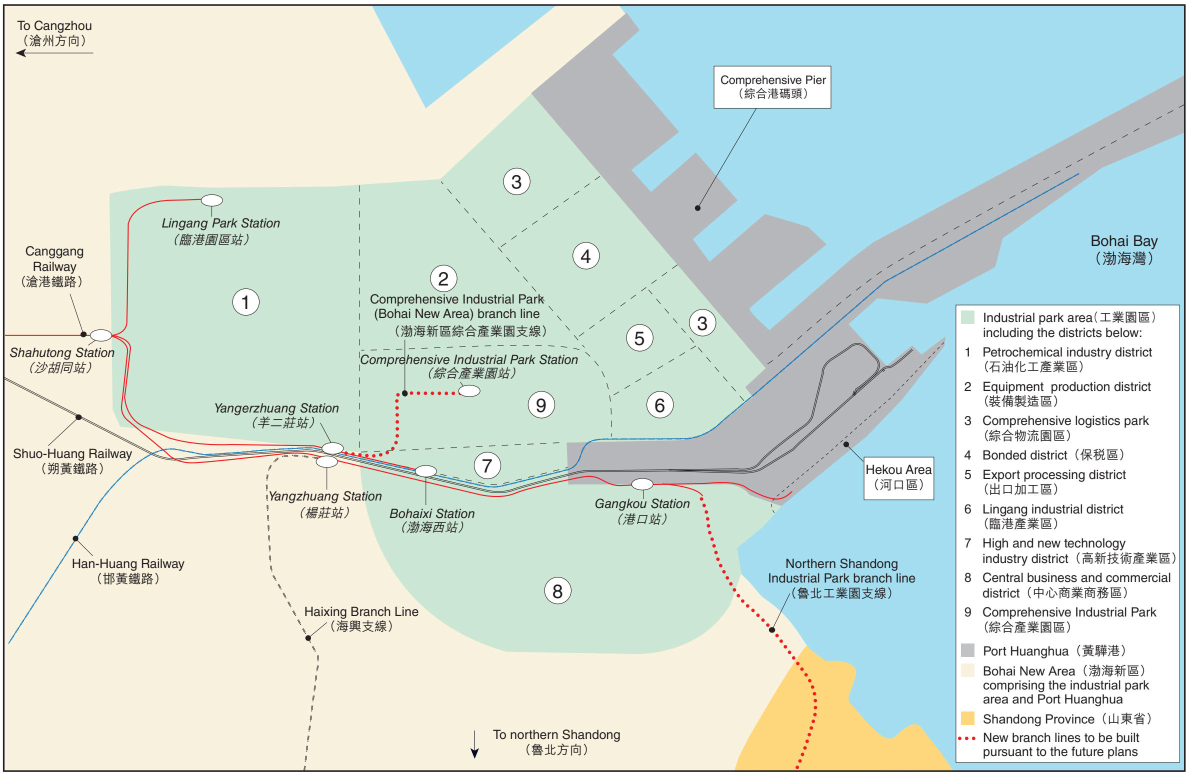
We are currently in the process of expanding our railway through construction of additional branch lines and stations including:

- a branch line connecting Gangkou Station of the Canggang Railway Line to the Northern Shandong Industrial Park in Binzhou, Shandong Province, with a total length of approximately 20.7 km and two additional stations; and

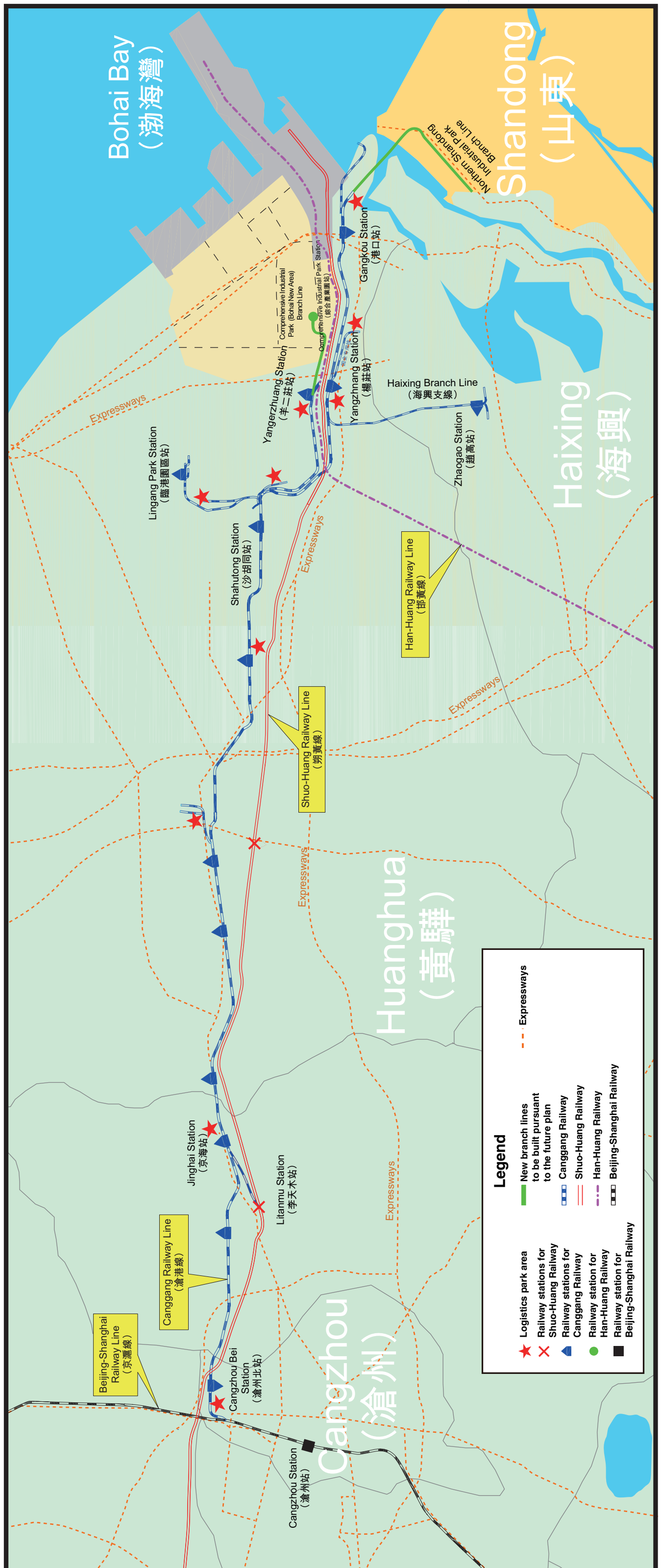
- a branch line connecting our Yangerzhuang Station to the Comprehensive Industrial Park at Bohai New Area, with a total length of approximately 7.2 km and a new station.

In addition, we are discussing with existing and potential customers to build additional Special Service Lines. See "– Our Strategies – Construct additional branch lines to expand our business scale" and "Future Plans and Use of Proceeds – Use of Proceeds" for details of these two additional branch lines and Special Service Lines.

The following maps show the location and other related information of the Canggang Railway Line.



The following map shows the location and other related information for the Canggang Railway Line from Cangzhou to Port Huanghua.



OUR BUSINESS

We are a local railway operator based in Hebei Province which owns[1], operates, manages and develops the Canggang Railway Line. According to the Frost & Sullivan Report, we ranked first among all local freight railway operators in Hebei Province and fourth among all local freight railway operators in China in terms of revenue in 2019. We primarily engage in rail freight transportation and other ancillary businesses as follows:

- ***Rail Freight Transportation**:* Rail freight transportation is our core business. We provide rail freight transportation services through the Canggang Railway Line, transporting a variety of cargo (primarily including coal and, to a lesser extent, petroleum, ore, and other cargo including PVC, asphalt and gravel) between Cangzhou and Port Huanghua and charging transportation fees for such services.

- ***Ancillary Businesses**:* We also engage in a number of other businesses related to our main rail freight transportation business. Such businesses include:

  - ***Loading and Unloading**:* To supplement our rail freight transportation business, we provide loading and unloading services for cargo transported by us or others through railway and road.

  - ***Road Freight Transportation:*** During the Track Record Period we also supplemented our rail freight transportation business by providing road freight transportation services to transport cargo (i) between the stations on the Canggang Railway Line and our customers' premises; (ii) to/from the various piers of Port Huanghua both before and after transportation by railway/by sea; and (iii) between our customers' premises located at Port Huanghua to the Comprehensive Pier. Following issuance of the Action Plan we have not been able to use road transportation to transport coal to Port Huanghua and, by the heating season of 2020, the same restrictions will apply to other bulk cargo in principle.

  - ***Construction, Maintenance and Repair**:* We provide construction, maintenance and repair services, primarily including operation, repair and maintenance of Special Service Lines and railway roadbed and other railway facility construction.

  - ***Other Businesses:*** We also provide certain additional ancillary services, primarily including car arrival service, freight agency, antifreeze treatment and scattering prevention of coal services. During the Track Record Period, we also provided coal filtering services to some of our customers.

Note:

(1) Other than one Special Service Line connecting to our Jinghai Ore Freight Yard, we do not own the other 14 Special Service Lines, and we do not own the Haixing Branch Line.

The following table sets forth revenue contribution from each of our business operation segments and as a percentage of our total revenue during the Track Record Period:

	For the year ended December 31,						For the five months ended May 31,			
	2017		2018		2019		2019		2020	
	RMB in thousands, except percentages									
Rail freight transportation[1]	**253,026**	**71.4%**	**259,423**	**67.1%**	**259,065**	**68.8%**	**100,454**	**66.9%**	**107,208**	**70.6%**
Ancillary businesses										
Loading and unloading	73,350	20.7%	84,833	21.9%	65,654	17.4%	28,877	19.2%	24,560	16.2%
Road freight transportation	18,196	5.1%	33,841	8.7%	32,530	8.6%	17,047	11.4%	15,612	10.3%
Construction, maintenance and repair[2]	7,513	2.1%	6,528	1.7%	15,525	4.1%	2,923	1.9%	2,054	1.4%
Others[3]	2,258	0.6%	2,264	0.6%	4,130	1.1%	857	0.6%	2,397	1.5%
Subtotal	**101,317**	**28.6%**	**127,466**	**32.9%**	**117,839**	**31.2%**	**49,704**	**33.1%**	**44,623**	**29.4%**
Total	**354,343**	**100.0%**	**386,889**	**100.0%**	**376,904**	**100.0%**	**150,158**	**100.0%**	**151,831**	**100.0%**

Notes:

(1) Includes revenue from railway transportation, taking trains out of and into stations, railway connection utilization charges and occupancy charges.

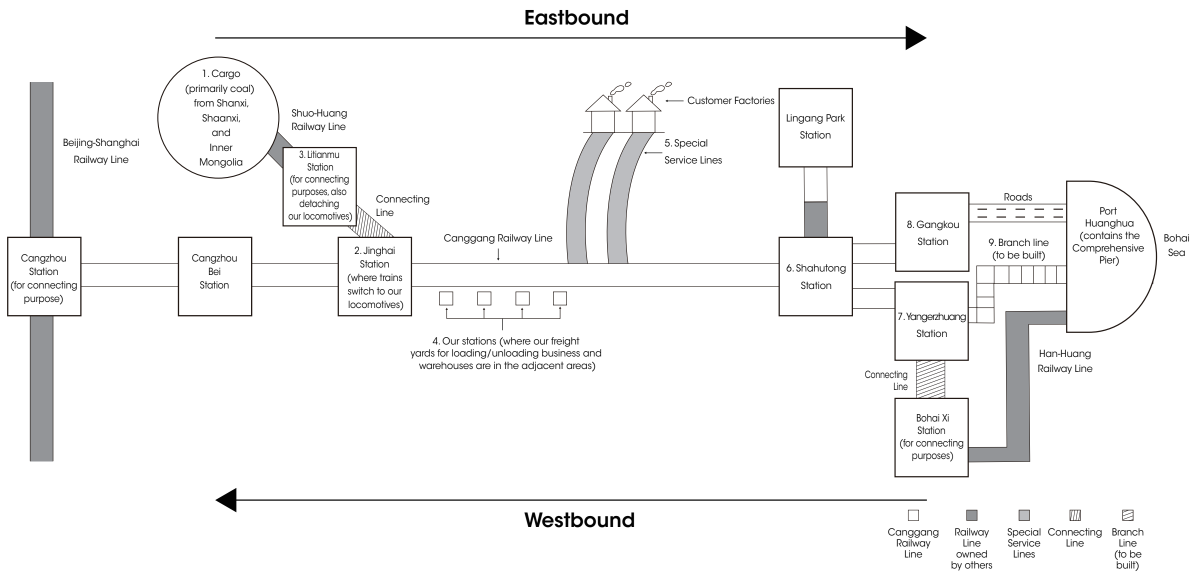
(2) Primarily includes revenue from operation, repair and maintenance of Special Service Lines and railway roadbed and other railway facility construction.

(3) Primarily includes revenue from car arrival service, freight agency, car antifreeze treatment, scattering prevention of coal services and coal filtering, among others.

Rail Freight Transportation

Rail freight transportation has been our core business since we began operating the Canggang Railway Line in December 2014. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, revenue generated from rail freight transportation accounted for 71.4%, 67.1%, 68.8%, 66.9% and 70.6%, respectively, of our total revenue.

We operate our rail freight transportation business mainly through the Canggang Railway Line, transporting cargo between Cangzhou Station (connecting our railway line to the Beijing-Shanghai Railway Line, owned and operated by the Beijing Railway Bureau (北京鐵路局)) or Litianmu Station (connecting our railway line to the Shuo-Huang Railway Line, owned and operated by the Shuo-Huang Railway Line) and our Gangkou Station near Port Huanghua. Our operations primarily consist of transporting cargo (primarily coal) brought from coal rich regions in the western part of China, particularly Shaanxi Province, Shanxi Province and Inner Mongolia, where a large number of coal mines are located, to customers in Hebei Province and to Port Huanghua for further transportation to heavy coal consumption areas in south and east China by sea. The following diagram illustrates the typical steps involved in our rail freight transportation operations for transporting coal:



1. Cargo (primarily coal) from Shanxi, Shaanxi and the Inner Mongolia Autonomous Region arrives through the Shuo-Huang Railway Line, stopping at Litianmu Station.

2. For eastbound transportation, at Jinghai Station the locomotive belonging to the Shuo-Huang Railway Line is detached from the rest of the cargo-bearing carriage cars and returned to Litianmu Station through a connecting line of approximately 7.1 km. We attach our locomotive to the carriage cars.

3. For westbound transportation, at Litianmu Station our locomotive is detached from the rest of the cargo-bearing carriage cars and returned to Jinghai Station through a connecting line of approximately 7.1 km.

4. There are 13 stations in total on Canggang Railway lines, comprising 10 stations on the main track, and three stations on the branch lines. Trains stop at our stations to load or unload cargo. Unloaded cargo can be transferred by trucks to ours or our customers' freight yards or warehouses nearby for storage and/or directly loaded onto trucks for transportation to our customers.

5. As of May 31, 2020, we had a total of 15 Special Service Lines transporting cargo directly to and from the premises of certain of our major customers and freight yards for transit of our customers' cargo. Such Special Service Lines are operated and maintained by us.

6. Shahutong Station is the intersection station at which the Canggang Railway Line diverges and heads towards three different stations: Yangerzhuang Station, Gangkou Station, and Lingang Park Station. Yangerzhuang Station connects the Canggang Railway Line to Port Huanghua through the Han-Huang Railway Line. Gangkou Station is the last station prior to Port Huanghua. Lingang Park Station connects to Lingang Park in the Lingang Economy and Technology Development Area (臨港經濟技術開發區), a national industrialization model base and also a petrochemistry industrial transfer demonstration base in the Jing-Jin-Ji area to the north, where a number of chemical manufacturers and petrochemistry companies are located.

7. We connect to the Han-Huang Railway Line from our Yangerzhuang Station. At Bohaixi Station (of the Han-Huang Railway Line) the locomotive belonging to us is detached from the rest of the cargo bearing carriage cars and returned to Yangerzhuang Station. Han-Huang Railway Line is then able to attach their locomotives to the carriage cars and bring the cargo to the Comprehensive Pier of Port Huanghua. We received the necessary permits to connect our line to Han-Huang Railway on August 15, 2019, following the Action Plan coming into effect which effectively prohibited road freight transportation to Port Huanghua.

8. Gangkou Station is our furthest station east. It is approximately 6.0 km from Port Huanghua. As of the Latest Practicable Date, we expected to build a connecting line from Gangkou Station to the Hekou area of Port Huanghua commencing in December 2020 and completing by the end of 2021. See "– Our Strengths – A high degree of exclusivity and insulation from competition" for details of this connecting line.

9. We are currently planning to construct two branch lines, one (not showing in the diagram) connecting our railway line to the Northern Shandong Industrial Park in Binzhou, Shandong Province, and another connecting our railway line to the Comprehensive Industrial Park at the Bohai New Area. See "– Our Strategies – Construct additional branch lines to expand our business scale" and "Future Plans and Use of Proceeds – Use of Proceeds" for details of these branch lines.

During the Track Record Period, the majority of the cargo we transported was transported eastbound from Cangzhou to Port Huanghua, with a much smaller amount being transported in the opposite direction. However the difference between our eastbound and westbound transportation has been decreasing in recent year as we have diversified our rail freight transportation business. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, revenue generated from eastbound rail freight transportation business accounted for approximately 89.3%, 88.5%, 82.5% and 82.2%, respectively, of total revenue generated from our rail freight transportation business (both westbound and eastbound) for the same periods respectively.

The cargo we transport mainly consists of coal, ore, petroleum and others. The table below sets forth the volume of cargo by category and as percentages of all cargo we transported during the Track Record Period:

	For the year ended December 31,						For the five months ended May 31,			
	2017		2018		2019		2019		2020	
	in thousand tonnes, except percentages									
Coal	11,641	79.6%	11,674	74.4%	9,728	60.4%	4,986	67.3%	4,120	60.3%
Petroleum	823	5.6%	1,142	7.3%	1,057	6.6%	359	4.8%	322	4.7%
Ore	1,561	10.7%	2,160	13.7%	2,369	14.7%	1,342	18.1%	1,286	18.8%
Others(1)	593	4.1%	722	4.6%	2,956	18.3%	725	9.8%	1,109	16.2%
Total	14,618	100.0%	15,698	100.0%	16,110	100.0%	7,412	100.0%	6,837	100.0%

Note:

(1) Primarily includes PVC, asphalt, gravel and others.

Capacity and utilization of the Canggang Railway Line

The Canggang Railway Line is a single-line railway. Calculation of capacity and utilization of single-line railways is complicated and relies on the application of industry-specific methodology and assumptions.

Trains on the Canggang Railway Line travel eastbound and westbound on the same track. Within a section of the Canggang Railway Line (between two stations) there can only be one train travelling in a single direction at any given point in time. Typically, a train which has reached its destination eastbound on the Canggang Railway Line will, after unloading its cargo, travel westbound to the relevant station for the loading of another cargo. Though we have the ability to and do transport freight both eastbound and westbound, the vast majority of the freight transported through the Canggang Railway Line during the Track Record Period was eastbound.

We assess the capacity of the Canggang Railway Line based on the number of pairs of eastbound and westbound trips that can be made through the longest section of the Canggang Railway Line within a day, taking into account, among other things, the time needed for a train to travel from the originating station to the destination station of the relevant section and vice versa, the time available for train operation in a day, the use of way freight trains (which stop at each way station) and the additional time associated with such use and capacity buffer needed to accommodate fluctuation in demand. To help us calculate demand for and maximum capacity and utilization rate of the Canggang Railway Line, we commissioned a report from China Railway Engineering Design Consulting Group Co., Ltd., Jinan Design Institution*(中鐵工程設計咨詢集團有限公司濟南設計院)(the ''Design Institution''), a professional railway design institution. According to the report they prepared, the capacity of the Canggang Railway Line for the years ended December 31, 2017, 2018 and 2019 was estimated to be 18.0, 18.0 and 18.0 pairs of eastbound and westbound trips per day, respectively. Based on the estimated daily number of pairs of eastbound and westbound trips actually traveled during the relevant years, the utilization rate of the Canggang Railway Line was approximately 58%, 63% and 63% for the years ended December 31, 2017, 2018 and 2019, respectively. As advised by the Design Institution, it is an industry norm to calculate the utilization rate of a single line railway based on an estimation of daily number of pairs of trips. According to the Design Institution, a railway line is recommended to undergo upgrade and expansion when its utilization rate reaches 65%.

In order to assess our transportation capacity in terms of tonnes transported, which is a unit commonly used in the PRC railway freight transportation industry, the capacity of the Canggang Railway Line (eastbound transportation only) was estimated to be 16.16 million tonnes per year for each of the years ended December 31, 2017, 2018 and 2019. In making such estimates, we have assumed that there had been no change of basic infrastructure and the equipment of the Canggang Railway Line.

Contracts with other railways

The coal we transport originates in west China, in areas such as Shanxi, Shaanxi and the Inner Mongolia Autonomous region. We receive such coal primarily from the Shuo-Huang Railway Line and cooperate with the Han-Huang Railway Line for delivery of such coal. We also cooperate with these railways for the transportation of other cargo, particularly for westbound rail freight transportation. We have entered into transportation contracts with each of the companies which operate these railways, which set out terms for the delivery of such cargo, switching locomotives on trains arriving at different railway stations and other handover procedures. The following table sets forth the key terms of such transportation contracts:

Key Terms	Shuo-Huang Railway Line	Han-Huang Railway Line
Primary Obligations	*Shuo-Huang Railway Line's primary obligations:* • Taking trains out of and into stations (empty or with cargo) between Jinghai Station and Litianmu Station; • Conducting handover formalities with us at Jinghai Station; and • Formulating and providing us daily operation plans for coal and non-coal trains.	*Han-Huang Railway Line's primary obligations:* • Undertaking related dispatch and command activities at Bohaixi Station; • Notifying us its operation plan in advance; • Ensuring transportation safety on the Han-Huang Railway Line; and • Conducting related safety and inspection cleaning.
	Our primary obligations: • Organizing loading and unloading work in accordance with the plan provided by Shuo-Huang Railway Line; • Regularly notifying Shuo-Huang Railway Line of our loading plan for the next month; • Conducting inspection, cleaning, repair and other actions to ensure the safety of trains loaded with non-coal cargo; • Ensuring operational safety from the loading station to the destination station; • Conducting safety inspection on tracks covered by the agreement under severe weather conditions, informing Shuo-Huang Railway Line of the relevant inspection results and avoiding operation under uncertain circumstances; and • Paying service fees (cargo logistics fees in relation to switching locomotives) and carriage car occupancy charges as per a fixed rate mutually agreed in the relevant contract.	*Our primary obligations:* • Taking trains out of and into stations (empty or with cargo) between Bohaixi Station (belongs to Han-Huang Railway Line) and Yangerzhuang Station (belongs to us) and undertaking related dispatch and command activities at Bohaixi Station and between Bohaixi Station (exclusive) and Yangerzhuang Station (inclusive); • Notifying Han-Huang Railway Line our operation plan in advance; • Conducting safety inspection of the trains between the two stations; • Regularly notifying Han-Huang Railway Line of our transportation plan for the next month which shall be reviewed and approved by them; and • Paying service fees (cargo logistics fees in relation to switching locomotives) as per a fixed rate mutually agreed in the relevant contract.

Key Terms	Shuo-Huang Railway Line	Han-Huang Railway Line
Risk Allocation	• We are responsible for ensuring operational safety from the loading station to the destination station and liable for all damages resulting from unbalanced loading or overloading; and • Each party is responsible for accidents and damages occurred within its own territory.	• While we are responsible for safety inspection of the trains between the two stations, damages are to be allocated between the parties through mutual agreement.
Duration	Renegotiate and renew annually.	From November 15, 2018 onwards without a fixed term.
Termination	Not Specified.	Not Specified.

In addition, on August 20, 2019, we commenced the operations of the Han-Huang connecting line, which connects the Canggang Railway Line (at Yangerzhuang Station) to Han-Huang Railway Line (at Bohaixi Station). Using such connecting line, we are able to transit cargo from our railway to Han-Huang Railway Line and to further transport such cargo to Port Huanghua. As the Han-Huang connecting line is owned by us, Han Huang Railway Co., Ltd. will not charge us for the use of this connecting line. Nevertheless, they will charge us for the use of their Han-Huang Railway line at a rate of RMB6.0 per tonne (in the case of using our own locomotive) or at a progressive rate as follows (in the case of using Han-Huang Railway's locomotive):

Transportation Volume (tonnes)	Progressive fee rate (RMB per tonne)
Not more than 500,000	10.0
Over 500,000 but not more than one million	9.5
Over one million	9.0

Han Huang Railway Co., Ltd. is also able to transit their cargo to our railway or stations via this connecting line. We charge them RMB5.0 per tonne (in the case of using our own locomotive) or RMB3.0 per tonne (in the case of using Han-Huang Railway's locomotive) for the use of our connecting line.

Rail freight transportation contracts with customers

The following table sets forth typical key terms in the transportation contracts we enter into with our customers:

Key Terms	Content
Obligations	*Our primary obligations:* • Transporting cargo, including, where relevant, loading and unloading such cargo; • taking measures to ensure transportation safety; and • complying with transportation conditions agreed with customers, such as ensuring cargo is transported to destinations on time, compliance with relevant safety-related laws and regulations and conducting regular checks on cargo being transported. *Our customers' primary obligations:* • Settling transportation fees in accordance with the agreed terms; and • coordinating among various parties engaged in the transportation process (including notifying the relevant parties of their respective responsibilities in advance to ensure smooth transportation) and cooperating with us to deal with issues that arise during transportation.
Risk Allocation	We are responsible for loss, damage and additional expenses solely resulting from our fault or negligence during the transportation process (excluding fair wear and tear during transportation and force majeure events).
Duration	Usually one year, renewable by mutual agreement.
Termination	Not Specified.
Pricing	See "– Pricing" below in this section for details of pricing terms for our rail freight transportation.

Ancillary Businesses

Loading and Unloading

As an ancillary service to our core rail freight transportation business, we also provide loading and unloading services for cargo transported by us primarily from railway carriage cars to our freight yards or onto trucks for further transportation to our customers or, historically, Port Huanghua. We believe loading and unloading services are an important value-added service we provide that make us more competitive in the market. As of the Latest Practicable Date, we operated two freight yards. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, revenue generated from our loading and unloading business accounted for approximately 20.7%, 21.9%, 17.4% and 16.2%, respectively, of our total revenue.

We are typically responsible for unloading cargo transported to the relevant stations or freight yards, cleaning up and sorting out carriage cars, assisting the other parties in various handover formalities required by railway authorities, arranging for transfer of unloaded cargo as required from time to time, temporary storage (with separate consideration to be paid by the other parties for such storage), maintaining and regularly examining weighing equipment and monitoring the weighing process with cooperation from other parties. Customers typically send employees to our relevant premises to monitor and coordinate the loading and unloading process and communicate with us in respect of any spotted issues. As of May 31, 2020, we outsourced most of our loading and unloading business to third party contractors.

The following table sets forth typical key terms of our loading and unloading service contracts with our customers:

Key Terms	Content
	Our primary obligations We are responsible for: • unloading cargo transported to the relevant stations or freight yards, cleaning up and sorting out carriage cars, assisting the other parties in handover formalities as required; • providing temporary storage of the cargo unloaded (additional consideration to be paid by the other parties for such storage); and • maintaining and regularly examining weighing equipment and monitoring the weighing process with cooperation from other parties. *Our customers' primary obligations* Our customers are required to: • settle payment for loading and unloading, temporary storage and related fees with us generally within 30 days; and • assign employees to our relevant premises to monitor and coordinate the loading and unloading process and communicate with us in respect of any issues discovered.
Risk Allocation	• We are responsible the safety of the premises and relevant personnel. • Our customers are responsible for the safety of their cargo.
Duration	Usually a fixed term of two to twelve months, depending on the business needs of the specific customers.
Termination	We may terminate the contract if force majeure events prevent us from performing the contract.
Pricing	See "– Pricing" below in this section for details for pricing terms for our loading and unloading business.

Road Freight Transportation

We provide road freight transportation services as an ancillary service to our core rail freight transportation services. We purchased our first 20 trucks and began offering such services in June 2016. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, revenue generated from our road freight transportation services accounted for approximately 5.1% 8.7%, 8.6% and 10.3%, respectively, of our total revenue for the same periods. We provide road freight transportation services to transport cargo (i) between stations on the Canggang Railway Line and our customers' premises; (ii) to/from the various piers of Port Huanghua both before and after transportation by railway/by sea; and (iii) from our customers' premises located at Port Huanghua to the Comprehensive Pier.

Before the Han-Huang connecting line commenced operations in August 2019, the coal transported to Port Huanghua during the Track Record Period was first transported to Yangzhuang Station through our Canggang Railway Line and then to Port Huanghua by trucks. As such, all of our coal transportation to Port Huanghua during the Track Record Period prior to August 2019 was by road freight transportation. Since the Han-Huang connecting line commenced operations in August 2019, all of our coal transportation to Port Huanghua has been carried out by rail freight transportation.

During the period of time after the Action Plan took effect but before the operations of the Han-Huang connecting line commenced, we were unable to transport coal into Port Huanghua at all. As such, not only was our road freight transportation business and related loading and unloading business affected, we believe customers who would ordinarily use our rail freight transportation service to transport coal to Yangzhuang Station for subsequent road freight transportation into Port Huanghua also began using different options for coal ultimately bound for Port Huanghua.

We greatly expanded our road freight transportation capacity during the Track Record Period. As of December 31, 2017, we had a total of 40 trucks. In 2018, we purchased an additional 40 trucks. As of May 31, 2020, we had a fleet of 80 trucks for our road freight transportation business.

Over the Track Record Period, we outsourced a portion of our road freight transportation services to three third party subcontractors when the demand for such services was beyond our capacity. See "– Subcontractors" for details. Following our purchase of an additional 40 trucks in 2018, the need for and amount of such outsourcing decreased.

The following table sets forth key terms of our road freight transportation service contracts with our customers:

Key Terms	Content
	Our primary obligations: • Transporting relevant cargo by truck to the various destinations and ensuring the safety of such cargo; and • Complying with applicable laws and regulations. *Our customers' primary obligations:* • Giving us proper instructions at various stages and settling transportation fees generally within 30 days.
Risk Allocation	• We are responsible for any expenses and damages resulting from our fault in carrying out our customers' order. • Our customers are responsible for settling payment within an agreed time.
Duration	Usually a fixed term of two to twelve months, depending on the business needs of the specific customers.
Termination	Our customers may terminate the contract if we can no longer perform the contract or defaulting events arise in which we have breached the contract.
Pricing	See "– Pricing" below in this section for details of pricing terms of our road freight transportation.

Construction, Maintenance and Repair

We provide construction, maintenance and repair services, primarily including operation, repair and maintenance of Special Service Lines, and railway roadbed and other railway facility construction.

Operation, repair and maintenance of Special Service Lines

We provide operation, repair and maintenance services to customers who use Special Service Lines which stretch directly to their factories or premises from the Canggang Railway Line and charge a lump sum service fee on an annual basis. Such railway lines are constructed so that cargo, primarily including coal, ore and petroleum, can be transported directly to our customers without the need to use other means of short-range transportation, so as to reduce costs and improve efficiency. Our railway operation, repair and maintenance services primarily include daily railway inspection and testing to ensure safety, signal and communication system operation, train dispatch services, periodical railway maintenance and railway repair as needed.

Customers using our operation, repair and maintenance of Special Service Lines over the Track Record Period primarily included power plants, paper manufacturers, chemical companies, and transportation and logistic companies. We enter into operation and management agreements with such customers on an annual basis.

For the three years ended December 31, 2019 and the five months ended May 31, 2020, revenue generated from our railway operation, repair and maintenance services amounted to approximately RMB4.4 million, RMB6.4 million, RMB8.8 million and RMB1.7 million, respectively, accounting for approximately 1.2%, 1.6%, 2.3% and 1.1% respectively, of our total revenue.

The following table sets forth key terms of our service contract for railway operation, maintenance and repair services with our customers:

Key Terms	**Content**
Obligations	*Our primary obligations:* • daily operation, repair, maintenance and management of the Special Service Lines stretching to customers' factories or premises in accordance with rules and regulations published by the NRA and various local authorities; • conducting handover procedures for incoming trains and cargo on the Special Service Lines; • loading and unloading trains; and • managing safety. *Our customers' primary obligations:* • Providing necessary assistance such as issuing access cards to our employees, assisting our employees in examining the conditions of the railway, providing accommodation and facilities for our employees and providing related utilities; and • Settle the full contract price within one month after execution, subject, on a case-by-case basis, to interest of 0.0005% of the full contract price per day for every day of outstanding payment.
Risk Allocation	• We are required to comply with the internal regulations of our customers and are subject to deduction of service fees in cases of any violation of the same. We are also liable for damages resulting from our activities carried out on the Special Service Lines; and • Our customers are responsible for reimbursing us for additional work to remedy damages resulted from natural causes.
Duration	Usually a fixed term of one year, renegotiated each year.
Termination	Any party may terminate or modify the agreement by giving three-month's written notice to the other.

Railway Roadbed and Other Railway Facility Construction

We provide railway roadbed construction services to help build Special Service Lines for customers looking to connect the Canggang Railway Line directly to their factories or warehouses. During the Track Record Period, we participated in the construction of railway roadbeds for three Special Service Lines. We believe our ability to provide such railway roadbed construction services helps us strengthen our relationship with existing major customers and increase our revenue.

In addition, in 2019 we began to provide construction services for other railway facilities including two railway level crossings.

For the three years ended December 31, 2019 and the five months ended May 31, 2020, revenue generated from our railway roadbed and other railway facility construction amounted to approximately RMB3.1 million, RMB0.2 million, RMB6.7 million and RMB0.3 million, respectively, accounting for approximately 0.9%, less than 0.1%, 1.8% and 0.2%, respectively, of our total revenue.

We use additional contract workers supplied by third parties to help provide the labor needed to carry out roadbed construction for Special Service Lines and construction of other railway facilities. Such contract workers are overseen by our own engineers and managers.

Contracts with our customers for railway roadbed construction services typically contain the following key terms:

Key Terms	**Content**
Obligations	*Our primary obligations:* • We are responsible for performing the construction work and ensuring the quality of construction is up to the national construction specification standards; and • We are responsible for work safety and other compliance issue. *Our customers' primary obligations:* • Our customer is required to settle payment of service fees with us within a mutually agreed period; and • Our customer is responsible for coordinating with local authority and other parties involved.
Risk Allocation	We are responsible for any damages and costs incurred resulting from our fault or delay in performing the contract.
Duration	Usually a fixed term of two to twelve months, depending on the business needs of the specific customer.
Termination	Our customer may terminate the contract if we fail to fulfill the contract or the construction period extends past a stipulated time.

Other Businesses

We also operate certain additional ancillary businesses, primarily including car arrival service, freight agency, antifreeze treatment and scattering prevention of coal services. During the Track Record Period, we also provided coal filtering services to some of our customers.

Coal Filtering

As a supplement to our core business, over the Track Record Period we also provided coal filtering services to some of our customers, primarily coal producers. Coal filtering is a process where coal is filtered through filtering equipment and sorted into different categories in terms of granularity. Customers need coal filtering services as coal of different granularity can be used for different purposes. We provided such services primarily in our freight yards. We stopped offering coal filtering services in November 2017 due to decreasing demand from our customers.

The following table sets forth key terms generally found in our service contracts for coal filtering services with our customers:

Key Terms	Content
Obligations	*Our primary obligations:* • filter coal for our customers in accordance with the specifications and requirements stipulated by such customers. *Our customers' primary obligations:* • settle payment with us within five business days after receipt of the invoice for value added tax issued by us.
Risk Allocation	We are responsible for any accidents and risks associated with the filtering process and shall bear energy charges occurred therein.
Duration	Usually a fixed term of two to twelve months, depending on the business needs of the specific customers.
Termination	Not Specified.

PRICING

We price our services in accordance with the guidelines issued by pricing authorities, where applicable, and taking into consideration market conditions and trends, including pricing trends of other industry players and our costs and profitability. Based on the aforementioned, we review our service price annually and adjust accordingly if needed. As a local railway operator, our rail freight transportation pricing policy is closely modeled on industry norms and we have limited discretion in setting different charges subject to maximum price caps set by the relevant pricing authority. Such rates are typically set and adjusted by such authority depending on various factors, including market condition, inflation, relevant labor costs and railway length. For our ancillary services, we have wider discretion in pricing and we usually negotiate terms with our customers with reference to market conditions and competitors' prices.

Rail Freight Transportation

The pricing for our rail freight transportation services is guided by the Huanghua Administration for Market Regulations (黃驊市市場監督管理局) and the Development and Reform Bureau of Huanghua (黃驊市發展改革局). Pursuant to the guideline issued on April 25, 2017, the maximum price we can charge is RMB0.25/tonne/km for coal and other cargo deemed regular cargo and RMB0.3/tonne/km for hazardous cargo, such as petroleum and gasoline. The following table sets forth the relevant pricing standards issued by the pricing authorities for different categories of cargo currently in effect:

Cargo	**Maximum Price**
Regular cargo (including coal, ore, salt and other bulk cargo)	RMB0.25/tonne/km
Hazardous cargo (including petroleum and gasoline)	RMB0.3/tonne/km

During the Track Record Period, we typically charged RMB0.25/tonne/km for coal transportation after taking into consideration the guidelines as well as other railway operators' price. For certain of our largest customers, we charged lower prices for orders in large volumes to attract their business. We believe such price was competitive with the market. We also offer discounts for higher volume to encourage our customers to engage us to transport more of their cargo.

We offer a relatively lower price for transportation of ore from Port Huanghua to Jinghai Station in order to incentivize westbound ore transportation. For instance, we only charge RMB0.136/tonne/km for westbound transportation of ore (but not other cargo) for customers also using such services.

We also generally pass cargo logistics expenses and certain other expenses such as cleaning and storage fees on to our customers, (though in some cases we may waive such charges to attract their business). Cargo logistics expenses we incur primarily include (i) transportation costs associated with switching lines from Shuo-Huang Railway and Beijing-Shanghai Railway to the Canggang Railway Line, which accounted for a significant portion of our cargo logistics costs; (ii) carriage car occupancy fees for using other railway operator's carriage cars; and (iii) freight yard service fees. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, our cargo logistics expenses were approximately RMB32.8 million, RMB41.4 million, RMB39.1 million, RMB16.3 million and RMB13.0 million, respectively.

Ancillary Businesses

We typically price our ancillary businesses in accordance with market conditions and competitors' prices, and negotiate with our customers on a case-by-case basis.

CUSTOMERS

Our Customers

Our customers mainly consist of power generation companies, especially fossil-fuel power generation companies that require substantial amounts of coal for their business. During the Track Record Period, we did not experience any major dispute with our customers.

For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, revenue generated from our five largest customers amounted to approximately RMB231.8 million, RMB254.0 million, RMB202.7 million and RMB94.2 million, respectively, accounting for approximately 65.4%, 65.6%, 53.8% and 62.0%, respectively, of our total revenue for the relevant years. For the same periods, revenue generated from our largest customer amounted to approximately RMB75.2 million, RMB87.6 million, RMB58.5 million and RMB31.6 million, respectively, accounting for approximately 21.2%, 22.6%, 15.5% and 20.8%, respectively, of our total revenue for the relevant periods.

The tables below set forth the details relating to our top five customers during the Track Record Period.

Top Five Customers for the Year Ended December 31, 2017

Customer	Business nature	Business relationship since year[1]	Primary services provided by our Group	Payment term and payment method	Revenue *(RMB in thousands)*	Percentage of total revenue for the year
Bohui Group[2]	Power generation, paper manufacturing and chemical engineering	2015	Rail freight transportation, loading and unloading	Bank transfer, with payment in advance	75,186	21.2%
Customer B[3]	Coal mining, rail freight transportation services, road freight transportation services, and power generation	2015	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	49,497	14.0%
Customer F[4]	Power generation	2015	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	45,128	12.7%
China Resources Power Holdings Limited (Bohai New Area)* (華潤電力(渤海新區)有限公司)[5]	Power generation	2015	Rail freight transportation	Bank transfer, with 30-day credit term	32,965	9.3%
Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd.[6]	Fertilizer production	2015	Rail freight transportation	Bank transfer, with 30-day credit term	28,980	8.2%
					231,756	65.4%

Notes:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these customers commenced in or after 2015. Unless otherwise stated in the notes below, the year in which our business relationship with these customers commenced was the same year in which the respective customers started to use the Canggang Railway Line.

(2) Bohui Group comprises Shandong Bohui Group Co., Limited* (山東博滙集團有限公司) and its subsidiary, Shandong Tianyuan Thermal Power Co., Ltd.* (山東天源熱電有限公司). Shandong Bohui Group Co., Limited has a subsidiary, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600966). Bohui Group started to use the Canggang Railway Line in 2010.

(3) Customer B, a state-owned enterprise in the PRC, comprises affiliates of a listed company, the shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Customer B started to use the Canggang Railway Line in 2012.

(4) Customer F comprises affiliates of a company, the shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Customer F started to use the Canggang Railway Line in 2010.

(5) China Resources Power (Bohai New Area) Co., Ltd. is an indirect subsidiary of China Resources Power Holdings Co., Ltd., the shares of which are listed on the Hong Kong Stock Exchange (stock code: 836).

(6) Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd. is an indirect subsidiary of Yangmei Chemical Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600691).

Top Five Customers for the Year Ended December 31, 2018

Customer	Business nature	Business relationship since year[1]	Primary services provided by our Group	Payment term and payment method	Revenue *(RMB in thousands)*	Percentage of total revenue for the year
Customer B[2]	Coal mining, rail freight transportation services, road freight transportation services, and power generation	2015	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	87,583	22.6%
Bohui Group[3]	Power generation, Paper manufacturing and chemical engineering	2015	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	69,751	18.0%
China Resources Power Holdings Limited (Bohai New Area)* (華潤電力(渤海新區)有限公司)[4]	Power generation	2015	Rail freight transportation	Bank transfer, with 30-day credit term	40,212	10.4%
Customer G[5]	Logistics	2017	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	30,335	7.8%
Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd.[6]	Fertilizer production	2015	Rail freight transportation	Bank transfer, with 30-day credit term	26,130	6.8%
					254,011	65.6%

Notes:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these customers commenced in or after 2015. Unless otherwise stated in the notes below, the year in which our business relationship with these customers commenced was the same year in which the respective customers started to use the Canggang Railway Line.

(2) Customer B, a state-owned enterprise in the PRC, comprises affiliates of a listed company, the shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Customer B started to use Canggang Railway Line in 2012.

(3) Bohui Group comprises Shandong Bohui Group Co., Limited* (山東博滙集團有限公司) and its subsidiary, Shandong Tianyuan Thermal Power Co., Ltd.* (山東天源熱電有限公司). Shandong Bohui Group Co., Limited has a subsidiary, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600966). Bohui Group started to use the Canggang Railway Line in 2010.

(4) China Resources Power (Bohai New Area) Co., Ltd. is an indirect subsidiary of China Resources Power Holdings Co., Ltd., the shares of which are listed on the Hong Kong Stock Exchange (stock code: 836).

(5) Customer G comprises three companies which were held by a common controlling shareholder.

(6) Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd. is an indirect subsidiary of Yangmei Chemical Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600691).

Top Five Customers for the Year ended December 31, 2019

Customer	Business nature	Business relationship since year[1]	Primary services provided by our Group	Payment term and payment method	Revenue	Percentage of total revenue for the period
					(RMB in thousands)	
Customer B[2]	Coal mining, rail freight transportation services, road freight transportation services, and power generation	2015	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	58,479	15.5%
Bohui Group[3]	Power generation, Paper manufacturing and chemical engineering	2015	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	57,290	15.2%
China Resources Power Holdings Limited (Bohai New Area)* (華潤電力(渤海新區)有限公司)[4]	Power generation	2015	Rail freight transportation	Bank transfer, with 30-day credit term	39,059	10.4%
Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd.[5]	Fertilizer production	2015	Rail freight transportation	Bank transfer, with 30-day credit term	29,900	7.9%
Customer H[6]	Sales of coal and petroleum coke	2015	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	18,016	4.8%
					202,744	53.8%

Notes:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these customers commenced in or after 2015. Unless otherwise stated in the notes below, the year in which our business relationship with these customers commenced was the same year in which the respective customers started to use the Canggang Railway Line.

(2) Customer B, a state-owned enterprise in the PRC, comprises affiliates of a listed company, the shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Customer B started to use Canggang Railway Line in 2012.

(3) Bohui Group comprises Shandong Bohui Group Co., Limited* (山東博滙集團有限公司) and its subsidiary, Shandong Tianyuan Thermal Power Co., Ltd.* (山東天源熱電有限公司). Shandong Bohui Group Co., Limited has a subsidiary, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600966). Bohui Group started to use the Canggang Railway Line in 2010.

(4) China Resources Power (Bohai New Area) Co., Ltd. is an indirect subsidiary of China Resources Power Holdings Co., Ltd., the shares of which are listed on the Hong Kong Stock Exchange (stock code:836).

(5) Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd. is an indirect subsidiary of Yangmei Chemical Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code:600691).

(6) Customer H is a subsidiary of a listed company, the shares of which are listed on the Shanghai Stock Exchange.

Top Five Customers for the Five Months Ended May 31, 2020

Customer	Business nature	Business relationship since year[1]	Primary services provided by our Group	Payment term and payment method	Revenue	Percentage of total revenue for the period
					(RMB in thousands)	
Customer I[2]	Steel manufacturing	2015	Rail freight transportation, loading and unloading, road transportation	Bank transfer, with 30-day credit term	31,627	20.8%
Bohui Group[3]	Power generation, paper manufacturing and chemical engineering	2015	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	20,718	13.6%
Customer B[4]	Coal mining, rail freight transportation services, road freight transportation services, and power generation	2015	Rail freight transportation, loading and unloading	Bank transfer, with 30-day credit term	15,855	10.4%

Customer	Business nature	Business relationship since year[(1)]	Primary services provided by our Group	Payment term and payment method	Revenue	Percentage of total revenue for the period
					(RMB in thousands)	
Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd.[(5)]	Fertilizer production	2015	Rail freight transportation	Bank transfer, with 30-day credit term	13,184	8.7%
China Resources Power Holdings Limited (Bohai New Area)* (華潤電力(渤海新區)有限公司)[(6)]	Power generation	2015	Rail freight transportation	Bank transfer, with 30-day credit term	12,846	8.5%
					94,230	**62.0%**

Notes:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these customers commenced in or after 2015. Unless otherwise stated in the notes below, the year in which our business relationship with these customers commenced was the same year in which the respective customers started to use the Canggang Railway Line.

(2) Customer I comprises a steel manufacturing company in Hebei Province, and its wholly-owned subsidiary.

(3) Bohui Group comprises Shandong Bohui Group Co., Limited* (山東博滙集團有限公司) and its subsidiary, Shandong Tianyuan Thermal Power Co., Ltd.* (山東天源熱電有限公司). Shandong Bohui Group Co., Limited has a subsidiary, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600966). Bohui Group started to use the Canggang Railway Line in 2010.

(4) Customer B, a state-owned enterprise in the PRC, comprises affiliates of a listed company, the shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Customer B started to use Canggang Railway Line in 2012.

(5) Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd. is an indirect subsidiary of Yangmei Chemical Co., Ltd, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600691).

(6) China Resources Power (Bohai New Area) Co., Ltd. is an indirect subsidiary of China Resources Power Holdings Co., Ltd., the shares of which are listed on the Hong Kong Stock Exchange (stock code: 836).

To the knowledge of our Directors, none of our Directors, their respective close associates, or any Shareholder who owns more than 5% of our issued capital, had any interest in any of our five largest customers and all of our five largest customers were Independent Third Parties during the Track Record Period.

SUPPLIERS

Our Suppliers

Our suppliers primarily include cargo logistics service providers, diesel and natural gas suppliers, and repair and maintenance service providers. During the Track Record Period, all of our procurement was made in China. Procurement from our suppliers primarily includes: (i) fuel such as diesel for our locomotives and trucks; (ii) equipment and raw materials for railway operation, maintenance, repair and upgrade and railway roadbed and other railway facility construction; (iii) railway transportation-related repair and maintenance services for our facilities such as freight yards and warehouses. During the Track Record Period, we did not experience any material difficulty in procurement or experience any major delay of supply from our suppliers.

We select suppliers based on a number of factors, including, among others, history of our relationship with them, product quality, supply capacity, price and delivery time. To avoid reliance on any single supplier, we conduct thorough market research and interview numerous market participants before actually making any procurement. In addition, we generally maintain at least three suppliers for each key product/service supplied.

Transactions with our five largest suppliers for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020 accounted for approximately 67.4%, 72.9%, 68.5% and 74.1%, respectively, of our total purchases (including purchase of cargo logistics services, fuel, materials, consumables and repair and maintenance services).

The following tables set forth our top five suppliers, transaction amount with these suppliers and the other relevant information for the periods indicated:

Top Five Suppliers for the Year Ended December 31, 2017

Supplier	Business nature	Business relationship since year[(1)]	Primary products/ services supplied to our Group	Credit term and payment method	Transaction amount *RMB in thousands*	Percentage of total purchases for the year
Supplier A[(2)]	Coal and petroleum trading, railway operation and transportation	2015	Cargo logistics	Bank transfer with 30-day credit term	26,290	34.8%
Supplier B	Petroleum product supply and trading	2015	Diesel	Bank transfer with 30-day credit term	12,882	17.0%
Supplier C	Railway operations and cargo logistics	2016	Cargo logistics	By Cheque with 30-day credit term	5,783	7.6%
Supplier D	Petroleum product supply	2015	Diesel	Bank transfer with 30-day credit term	4,130	5.5%
Supplier F	Freight yard services, electricity supply	2015	Freight yard services, electricity supply	Bank transfer with 30-day credit term	1,906	2.5%
					50,991	67.4%

Notes:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these suppliers commenced in or after 2015.

(2) Supplier A, a state-owned enterprise in the PRC, is a direct subsidiary of a listed company of which the shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Top Five Suppliers for the Year Ended December 31, 2018

Supplier	Business nature	Business relationship since year[1]	Primary products/ services supplied to our Group	Credit term and payment method	Transaction amount	Percentage of total purchases for the year
					RMB in thousands	
Supplier A[2]	Coal and petroleum trading, railway operation and transportation	2015	Cargo logistics	Bank transfer with 30-day credit term	32,550	36.9%
Supplier B	Petroleum product supply and trading	2015	Diesel	Bank transfer with 30-day credit term	14,311	16.2%
Supplier D	Petroleum product supply	2015	Diesel	Bank transfer with 30-day credit term	7,561	8.5%
Supplier C	Railway operations and cargo logistics	2016	Cargo logistics	By Cheque with 30-day credit term	5,355	6.1%
Supplier G[3]	Natural gas supply	2017	Nature gas	Bank transfer with 30-day credit term	4,605	5.2%
					64,382	72.9%

Notes:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these suppliers commenced in or after 2015.

(2) Supplier A, a state-owned enterprise in the PRC, is a direct subsidiary of a listed company of which the shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

(3) Supplier G is an indirect subsidiary of a listed company of which the shares are listed on the Hong Kong Stock Exchange.

Top Five Suppliers for the Year Ended December 31, 2019

Supplier	Business nature	Business relationship since year[1]	Primary products/ services supplied to our Group	Credit term and payment method	Transaction amount *RMB in thousands*	Percentage of total purchases for the year
Supplier A[2]	Coal and petroleum trading, railway operation and transportation	2015	Cargo logistics	Bank transfer with 30-day credit term	27,436	32.4%
Supplier B	Petroleum product supply and trading	2015	Diesel	Bank transfer with 30-day credit term	13,739	16.2%
Supplier C	Railway operations and cargo logistics	2016	Cargo logistics	By Cheque, with 30-day credit term	8,496	10.0%
Supplier D	Petroleum product supply	2015	Diesel	Bank transfer with 30-day credit term	4,876	5.8%
Supplier G[3]	Natural gas supply	2017	Natural gas	Bank transfer with 30-day credit term	3,504	4.1%
					58,051	68.5%

Notes:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these suppliers commenced in or after 2015.

(2) Supplier A, a state-owned enterprise in the PRC, is a direct subsidiary of a listed company of which the shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

(3) Supplier G is an indirect subsidiary of a listed company of which the shares are listed on the Hong Kong Stock Exchange.

Top Five Suppliers for the Five Months Ended May 31, 2020

Supplier	Business nature	Business relationship since year[1]	Primary products/ services supplied to our Group	Credit term and payment method	Transaction amount	Percentage of total purchases for the period
					RMB in thousands	
Supplier A[2]	Coal and petroleum trading, railway operation and transportation	2015	Cargo logistics	Bank transfer with 30-day credit term	10,019	34.2%
Supplier B	Petroleum product supply and trading	2015	Diesel	Bank transfer with 30-day credit term	4,326	14.8%
Supplier H	Railway operations and cargo logistics	2019	Diesel, liquefied natural gas	Bank transfer with 30-day credit term	3,476	11.9%
Supplier C	Railway operations and cargo logistics	2016	Cargo logistics	Bank transfer with 30-day credit term	2,746	9.4%
Supplier D	Petroleum product supply	2015	Diesel	Bank transfer with 30-day credit term	1,112	3.8%
					21,679	**74.1%**

Notes:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these suppliers commenced in or after 2015.

(2) Supplier A, a state-owned enterprise in the PRC, is a direct subsidiary of a listed company of which the shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

To the knowledge of our Directors, none of the Directors, their associates or any Shareholders (who to the knowledge of our Directors owned more than 5% of our Company's issued share capital) had any interest in any of our five largest suppliers and all of our five largest suppliers were Independent Third Parties during the Track Record Period.

One Major Supplier and Major Customer Share the Same Ultimate Shareholder

During the Track Record Period, to the best knowledge of our Directors, one of our top five suppliers, Supplier A, and one of our top five customers, Customer B (a group of companies under the common control of one company, see "- Customers" for details of this customer) are state-owned enterprises in the PRC in one group and are under the common control by the same ultimate shareholder. To the best knowledge of our Directors, the business operations of Supplier A and Customer B are independent of each other. Supplier A is the sole operator of the Shuo-Huang Railway Line and provides cargo logistics services to us in relation to switching lines from Canggang Railway Line to Shuo-Huang Railway Line. We provided rail freight transportation services in relation to coal to Customer B on the Canggang Railway Line.

Even though Customer B and Supplier A are under the common control of the same ultimate shareholder, our sales to Customer B and purchases from Supplier A were conducted separately and were neither inter-connected nor inter-conditional with each other. The terms of transactions with this customer and supplier are in line with the market and similar to the terms of our transactions with other customers and suppliers.

We set forth below details of purchase amount paid to Supplier A, and total revenue and gross profit from Customer B during the Track Record Period:

	For the years ended December 31,			For the five months ended May 31,
	2017	**2018**	**2019**	**2020**
Supplier A				
Total purchase amount (***RMB in thousands***)	26,290	32,550	27,436	10,019
As a percentage of total purchases (%)	34.8	36.9	32.4	34.2
Customer B				
Total revenue from this customer (***RMB in thousands***)	49,497	87,583	58,479	15,855
As a percentage of our total revenue (%)	14.0	22.6	15.5	10.4

SUBCONTRACTORS

Our Subcontractors

To satisfy our needs for additional workers, we source labor by using the following arrangements: (i) hiring temporary workers directly (see "– Legal Compliance and Proceedings – Non-compliance Incidents" for a detailed discussion of our historical non-compliance with regards to using temporary workers); (ii) engaging labor dispatching agents who send workers to our sites but under our training and supervision; and (iii) outsourcing certain tasks for some of our ancillary businesses. Our subcontractors represent third party service providers that we outsource certain tasks to, for our businesses, including loading and unloading and road freight transportation. These ancillary businesses are labor intensive, and require a sufficient amount of skilled labor. To optimize our labor costs while maintaining sufficient supply of manpower for our rail freight transportation services, we outsource aspects of these ancillary businesses to specialized subcontractors. Such work is undertaken under the oversight and control of our own qualified managers. We believe that engaging such specialized subcontractors helps us to effectively control production costs. We will consider additional workforce hires to take over some or all of such ancillary businesses internally in the future depending on a number of factors, including market conditions, the cost and availability of labor and work efficiency.

Outsourcing arrangements with subcontractors

For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, our total subcontracting expenses was approximately RMB33.4 million, RMB29.9 million, RMB39.5 million and RMB18.7 million, respectively. Our subcontracting arrangements generally include the following key terms:

Key Terms	Content
Obligations	*Our primary obligations:* • We pay service fees upon the completion of the engagement, and coordinate with local authorities and other parties to facilitate the project execution. *Subcontractors' primary obligations:* • The subcontractor is responsible for ensuring the quality of work performed based on our quality control standards; • the subcontractor is responsible for providing on-site guidance and conduct work safety inspection; • the subcontractor is responsible for paying the salaries to its workers and the expenses in relation to the construction work.
Risk Allocation	• The subcontractor is responsible for any damage caused by their fault.
Duration	Same as the project period.
Termination	N/A

The following tables set forth our top five subcontractors and other relevant information for the periods indicated:

Top Five Subcontractors for the Year Ended December 31, 2017

Subcontractor	Business nature of the subcontractor	Business relationship since year[(1)]	Service acquired	Payment method and credit term	Total subcontracting fees *(RMB in thousands)*	Percentage of total subcontracting amount for the year
Subcontractor A	Loading and unloading cargo, and transportation	2015	Loading and unloading	Bank transfer with 30-day credit term	18,853	56.4%
Subcontractor D	Freight transportation, warehousing, and loading and unloading	2016	Road freight transportation	Bank transfer with 30-day credit term	3,046	9.1%
Subcontractor F	Freight transportation, and repair of vehicles	2017	Road freight transportation	Bank transfer with 30-day credit term	2,384	7.1%
Subcontractor C	Freight transportation, loading and unloading, and sales of construction materials	2015	Loading and unloading	Bank transfer with 30-day credit term	2,347	7.0%
Subcontractor G	Building construction and demolishment, freight transportation, and loading and unloading	2017	Loading and unloading	Bank transfer with 30-day credit term	1,468	4.4%
					28,098	84.0%

Note:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these subcontractors commenced in or after 2015.

Top Five Subcontractors for the Year Ended December 31, 2018

Subcontractor	Business nature of the subcontractor	Business relationship since year[1]	Service acquired	Payment method and credit term	Total subcontracting fees *(RMB in thousands)*	Percentage of total subcontracting amount for the year
Subcontractor A	Loading and unloading cargo, and transportation	2015	Loading and unloading	Bank transfer with 30-day credit term	13,891	46.5%
Subcontractor H	Freight transportation, warehousing, sales of construction materials and retail of equipments	2018	Road freight transportation	Bank transfer with 30-day credit term	3,481	11.7%
Subcontractor I	Freight transportation, warehousing, sales of construction materials and equipment rental	2018	Loading and unloading	Bank transfer with 30-day credit term	2,469	8.3%
Subcontractor C	Freight transportation, loading and unloading, and sales of construction materials	2015	Loading and unloading	Bank transfer with 30-day credit term	2,356	7.9%
Subcontractor G	Building construction and demolishment, freight transportation, and loading and unloading	2017	Loading and unloading	Bank transfer with 30-day credit term	1,745	5.8%
					23,942	80.2%

Note:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these subcontractors commenced in or after 2015.

Top Five Subcontractors for the Year Ended December 31, 2019

Subcontractor	Business nature of the subcontractor	Business relationship since year(1)	Service acquired	Payment method and credit term	Total subcontracting fees *(RMB in thousands)*	Percentage of total subcontracting amount for the year
Subcontractor L	Labor agency, and loading and unloading	2016	Labor outsourcing	Bank transfer with 30-day credit term	14,664	37.1%
Subcontractor C	Freight transportation, loading and unloading, and sales of construction materials	2015	Loading and unloading	Bank transfer with 30-day credit term	7,139	18.1%
Subcontractor A	Loading and unloading cargo, and transportation	2015	Loading and unloading	Bank transfer with 30-day credit term	6,265	15.9%
Subcontractor K	Labor agency	2018	Labor outsourcing	Bank transfer with 30-day credit term	3,084	7.8%
Subcontractor M	Freight transportation and warehousing	2018	Road freight transportation	Bank transfer with 30-day credit term	2,058	5.2%
					33,210	84.1%

Note:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these subcontractors commenced in or after 2015.

Top Five Subcontractors for the Five Months Ended May 31, 2020

Subcontractor	Business nature of the subcontractor	Business relationship since year(1)	Service acquired	Payment method and credit term	Total subcontracting fees *(RMB in thousands)*	Percentage of total subcontracting amount for the period
Subcontractor L	Labor agency, and loading and unloading	2016	Labor outsourcing	Bank transfer with 30-day credit term	5,956	31.9%
Subcontractor N	Road freight transportation, and loading and unloading	2020	Road freight transportation	Bank transfer with 30-day credit term	3,471	18.6%

Subcontractor	Business nature of the subcontractor	Business relationship since year[(1)]	Service acquired	Payment method and credit term	Total subcontracting fees *(RMB in thousands)*	Percentage of total subcontracting amount for the period
Subcontractor O	Loading and unloading	2019	Loading and unloading	Bank transfer with 30-day credit term	3,032	16.2%
Subcontractor C	Freight transportation, loading and unloading, and sales of construction materials	2015	Loading and unloading	Bank transfer with 30-day credit term	2,425	13.0%
Subcontractor K	Labor agency	2018	Labor outsourcing	Bank transfer with 30-day credit term	1,653	8.8%
					16,537	**88.5%**

Note:

(1) Canggang Company commenced railway operation in December 2014. Therefore, our business relationships with these suppliers commenced in or after 2015.

During the Track Record Period, Subcontractor A was owned by certain relatives of Mr. Liu, our Controlling Shareholder. Assuming that the shareholding structure of Subcontractor A will remain unchanged, Subcontractor A will become a connected person of our Company upon the Listing. We terminated our business relationship with Subcontractor A in September 2019 which was two months earlier than the expiration date of our relevant subcontracting agreement, because we had a sufficient number of other subcontractors providing similar services with comparable fee rates and transaction terms, and to avoid additional outsourcing and other administrative costs associated with continuing connected transactions. As the fee rates stipulated in our subcontracting agreement with Subcontractor A, ranging from RMB2.0 per tonne to RMB4.8 per tonne, were comparable to the fee rates we sought from other independent subcontractors, including certain of our top five subcontractors, providing similar type of services during the Track Record Period, our Directors are of the view, with which the Sole Sponsor concurs, that the terms of the transactions with Subcontractor A were on normal commercial terms and comparable to other independent transactions during the Track Record Period. Since we have a ‘‘subcontracting’’ relationship with other independent subcontractors who provide the same service as Subcontractor A, terminating our subcontracting relationship with Subcontractor A did not have any material impact on our financial performance and is not expected to have any impact on our financial performance in the future. Other than Subcontractor A, all of our top five subcontractors were Independent Third Parties during the Track Record Period.

One Major Subcontractor was also our Major Customer during the Track Record Period

One of our subcontractors, Subcontractor E, was also one of our top five customers (Customer G, see "Customers" in this section for details of this customer) for the year ended December 31, 2018. Subcontractor E is a logistic company that provides freight transportation, warehousing and loading and unloading services with which we have had a business relationship since 2015. Historically, we sourced additional labor from subcontractors to meet the needs of our customers. Subcontractor E is one of the largest logistics companies in the Cangzhou area and has a good reputation locally. Terms of our arrangement with Subcontractor E were competitive with market rates and similar to those we had with other providers of loading and unloading services. All of the projects undertaken by Subcontractor E had been completed as of the Latest Practicable Date and Subcontractor E was no longer one of our major subcontractors. During the Track Record Period, we also acted as a subcontractor for Subcontractor E providing rail freight transportation for cargo of one of their customers.

We set forth below details of subcontracting amount paid to Subcontractor E in its capacity as subcontractor and total revenue from Subcontractor E in their capacity as a customer (Customer G) during the Track Record Period:

	For the years ended December 31,			For the five months ended May 31,
	2017	**2018**	**2019**	**2020**
As Subcontractor E				
Total subcontracting expenses (*RMB in thousands*)	467	116	–	–
As a percentage of our total subcontracting expenses (%)	1.4	0.4	–	–
As Customer G				
Revenue (*RMB in thousands*)	14,779	30,335	15,581	2,968
As a percentage of our total revenue (%)	4.2	7.8	4.1	2.0

TECHNOLOGY

We have implemented a number of technology systems into our daily operation, which help us to maintain our operational efficiency. As of the Latest Practicable Date, our core technology infrastructure included:

Train Dispatch and Command System ("TDCS") (行車調度指揮系統)

We have established a TDCS with optical communication cables connecting our internal monitoring system, monitoring systems at each of our stations and our dispatch and command servers. Such TDCS manages safety aspects across the whole rail transportation process through, for example, (i) real-time monitoring of the location of trains through GPS, security cameras and radios, and (ii) centralized dispatch and loading and unloading of trains. This enables coordinated operation across our central control system and various stations and trains, enhancing transportation efficiency and our utilization rate and improving operation safety.

GPS Platform for Vehicles (車輛GPS平台)

We have installed GPS and communication systems on all of our trains, trucks and other vehicles through which we are able to give instructions, track vehicle movement and conditions and trigger alarm systems under emergencies. Such system helps us to (i) monitor and control costs by collecting and analyzing various data including distance travelled, diesel consumption rate, travel routes, and various related expenses and optimize our budget for future expenditures and (ii) enhance efficiency by better organizing and formulating transportation schedules.

INVENTORY MANAGEMENT

Our inventory primarily includes fuel, materials and consumables used in our operation. We generally keep inventory at levels that we believe are sufficient for approximately three months of operation.

We have a dedicated team that regularly monitors our inventory levels. This team also conducts physical stocktaking on a quarterly basis to ensure the accuracy of our inventory records. This information is reviewed by our management annually to ensure that we are adequately funded and appropriately stocked with inventory.

As of December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, our inventory amounted to approximately RMB4.4 million, RMB4.4 million, RMB5.0 million and RMB3.7 million, respectively. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, our inventory turnover days were 33.1 days, 34.4 days, 39.0 days and 37.1 days, respectively.

SALES AND MARKETING

Due to the high degree of regional exclusivity of rail freight transportation in China, businesses with rail freight transportation needs, including those in Hebei Province and surrounding regions, have limited options, and often reach out to us in the first instance to initiate business. We also employ sales and marketing personnel responsible for identifying and establishing contact with regional and nationwide companies with potential demand for our services. Our transportation department and marketing department are responsible for business development, contract negotiation and execution and customer service. As of May 31, 2020, we had two employees on our sales and marketing team dedicated to marketing activities in relation to our Company and our services. In addition, members of our senior management attend industry conferences regularly to obtain information on potential customers.

COMPETITION

The market for local rail freight transportation is relatively concentrated in China due to the high entry barriers. The construction, upgrading and maintenance of railways require massive capital investment with a relatively long payback period. To enter into the rail freight transportation market, new players need to invest a substantial amount of capital for initial investment. Given high entry barriers to the rail freight transportation market, we rarely face competition from new players. We compete primarily with companies offering alternative means of freight transportation such as road freight transportation and other transportation businesses.

We compete primarily on the basis of geographic location, customer relationship, operations and efficiency. See ‘‘Industry Overview’’ for further details about the industry landscape.

While there are currently three railways within the Cangzhou-Port Huanghua area, namely, the Canggang Railway Line, the Shuo-Huang Railway Line, and the Han-Huang Railway Line, our Directors understand that direct competition from these railways is limited as these three existing railways target different customers and regions, providing us a significant degree of exclusivity in terms of rail freight transportation business within the greater Cangzhou-Port Huanghua area.

Shuo-Huang Railway

Shuo-Huang Railway starts from Xinzhou in Shanxi and ends in Port Huanghua, part of which, the section stretching from Cangzhou to Port Huanghua (the ‘‘Designated Section’’), is generally parallel to the main track of Canggang Railway Line. It has a total length of 598 km with an annual transportation capacity of approximately 350 million tonnes, with coal being the primarily transported cargo. The train speed on Shuo-Huang Railway is required to be no faster than 120 km/h. In comparison, the train speed on our railway is required to be no faster than 50 km/h, since we have more stations along our railway and the distance to accelerate between the neighboring stations is relatively shorter as compared to Shuo-Huang Railway. Our transportation business differs from that of Shuo-Huang Railway in the following aspects.

(i) Shuo-Huang Railway is ultimately owned by China Shenhua Energy Co., Ltd.* (中國神華能源股份有限公司) (the ‘‘Shenhua Group’’). Shenhua Group is primarily engaged in the mining, transportation and sale of coal in the PRC. Shuo-Huang Railway serves as part of Shenhua Group’s transportation channel which carries coal mined by them from west China to east China and for further transportation, via sea through Port Huanghua, to south China. According to the Frost & Sullivan Report, the coal transported via the Designated Section is mainly destined to Port Huanghua and is not unloaded along the way to serve local customers. There are only three local stations along the Designated Section, while in contrast, there are 13 local stations along the Canggang Railway Line to facilitate the demand of local customers. Further, due to the presence of Canggang Railway which was constructed before the Shuo-Huang Railway, the Designated Section of the Shuo-Huang Railway is not specified to satisfy local demand for coal within the greater Cangzhou-Port Huanghua area. In practice, the Canggang Railway Line and local logistic service providers with alternative means of freight transportation, such as road freight transportation, are in the area for the purpose of satisfying logistic demand from local enterprises and also for enterprises in Shandong Province with respect to their purchase of coal from Shenhua Group. In addition, while most of the cargo transported via the Designated Section will not be unloaded halfway, we are able to load and unload the cargo in the freight yards located along the Canggang Railway Line and in the port area. In particular, we load and unload cargo in Yangzhuang station, which is in close proximity to northern Shandong area where several of our major customers are located. During the Track Record Period, two of our major customers were located in northern Shandong area, namely Bohui Group and Customer H, together contributing revenue of RMB82.0 million, RMB80.9 million, RMB75.3 million and RMB24.3 million in the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, respectively.

(ii) To further facilitate the transportation arrangement for local customers, we further operate Special Service Lines, which connect our main track to certain of our major customers' premises or freight yards for transportation of our customers' cargo. As of May 31, 2020, we operated 15 Special Service Lines. Such Special Service Lines strengthen our relationship with major customers and make it more difficult for potential competitors, such as Shuo-Huang Railway, to compete with us, as once such Special Service Lines are constructed, the cost for other services providers (such as road freight transportation service providers) to transport cargo to such customers is significantly higher while transportation efficiency is lower.

(iii) According to the Frost & Sullivan Report, Shenhua Group established a freight yard in Port Huanghua for loading and unloading cargo for its trains. Such freight yard is designated only for the loading and unload of coal cargo, increasing its operational efficiency but making it not suitable for the logistics of non-coal cargo. The designated use of such freight yard has provided an opportunity for the development of our transportation business of non-coal cargo. Despite the fact that Shenhua Group also established a freight yard near to the station located the middle of Litianmu Station and Port Huanghua, such freight yard is only to facilitate the logistics of non-coal cargo. The transportation volume of such non-coal cargo is minimal to Shuo-Huang Railway and it is not transported to Port Huanghua as limited by the function of Shenhua Group's freight yard in Port Huanghua which is designated for loading and unloading of coal. In contrast to the Shuo-Huang Railway, our Canggang Railway Line reaches multiple freight yards in the port area which are respectively designated for the loading and unloading of coal cargo and non-coal cargo. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, non-coal cargo accounted for approximately 20.4%, 25.6%, 39.6% and 39.7% of our total rail freight transportation in terms of volume and 15.5%, 21.5%, 26.0% and 26.0% in terms of revenue, respectively, constituting an important part of our rail freight transportation business.

Han-Huang Railway

Han-Huang Railway connects Port Huanghua with Xintai, which is located in the southwest of Hebei Province, with a northeast-southwest alignment. It has a total length of 468 km with an annual transportation capacity of approximately 50 million tonnes. The train speed on Han-Huang Railway is required to be no faster than 160 km/h. In comparison, the train speed on our railway is required to be no faster than 50 km/h since we have a relative shorter distance between neighboring stations. Han-Huang Railway mainly transports coal originating in southern Shanxi from southwest Hebei to Port Huanghua and transports ore in the opposite direction. While Canggang Railway Line is aligned east-west, the coal transported to Port Huanghua via our railway originates from mines which are primarily located in Inner Mongolia and Shaanxi Province and the ore transported westbound via our railway is mainly designated to Shanxi, Shaanxi and Inner Mongolia. As such, direct competition from Han-Huang Railway is considered to be minimal.

Further, the Development and Reform Commission of Cangzhou (滄州市發展和改革委員會) issued the Cangzhou Special Service Railway Plan (滄州市鐵路專用線規劃) in May 2019, which is in line with our Directors' understanding above. As set out in that plan:

(i) the Shuo-Huang Railway Line is responsible for transportation of coal from Shanxi Province, Shaanxi Province, the Inner Mongolia Autonomous Region and the Ningxia Hui Autonomous Region to its own freight yard in Port Huanghua to be further transported by sea to southern and eastern provinces in China;

(ii) the Han-Huang Railway Line primarily undertakes westbound transportation of iron ore from Port Huanghua to steel producers in southeast Hebei, and eastbound transportation of coal from southern Shanxi to the Comprehensive Pier (綜合港碼頭) of Port Huanghua to be further transported by sea to southern and eastern provinces in China; and

(iii) the Canggang Railway Line undertakes the transportation of coal mined from Shanxi, Shaanxi and Inner Mongolia through the Shuo-Huang Railway Line to:

  (a) Gangkou Station, our terminus, then to be further transported to the Comprehensive Pier of Port Huanghua, and to be further transported to southern and eastern provinces in China by sea;

  (b) large local Special Service Line customers, such as power plants and chemical plants in Cangzhou, along the Canggang Railway Line; and

  (c) customers in the northern Shandong area.

In addition, based on the Conference Minutes (會談紀要) signed by the People's Government of Hebei Province and the predecessor of the owner and operator of the Shuo-Huang Railway Line in 2000, the Shuo-Huang Railway Line and the coal pier in Port Huanghua shall not compete for transportation business already undertaken by local railways (like ourselves) and ports in Hebei Province. Nevertheless, the Conference Minutes are not legally binding and in the event that the owner and operator of the Shuo-Huang Railway does not act in accordance with the arrangements set out in the minutes, there will be no legal consequence to such party. Despite the fact that the Conference Minutes are not legally binding, our Directors are of the view the chance that the Canggang Railway Line encounters significant competition from Shuo-Huang Railway and Han-Huang Railway is remote, based on the above understanding from our Directors with respect of the differentiation among these railways.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had registered five trademarks in China.

We take various measures to protect our intellectual properties. For example, we maintain an intangible asset management system in which we have different departments in charge of management of our intellectual properties and legal compliance. Furthermore, only authorized personnel can handle our intellectual properties. Despite these measures, we cannot guarantee that our intellectual properties are fully protected from potential threats and risks, such as misappropriation by third parties or our competitors. In addition, while we cannot ensure that our services do not or will not infringe third party proprietary rights. We may be subject to legal proceedings and claims from time to time relating to the intellectual properties of others. See "Risk Factors – Risks Relating to Our Business and Industry – If we fail to protect our intellectual property rights or prevent loss on misappropriation of our intellectual property rights, we may lose our competitive position and our brand, reputation and operation may be materially and adversely affected" and "Risk Factors – Risks Relating to Our Business and Industry – We may face disputes from time to time relating to the intellectual property rights of third parties" for further details.

As of the Latest Practicable Date, we had not received any claims against our Group for infringement of any intellectual property rights nor was our Group aware of any pending or threatened claims in relation to any actual or potential infringement.

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we owned/occupied 36 parcels of land in the PRC with an aggregate gross site area of approximately 2,839,519.68 sq.m., and owned one building with a total gross floor area of approximately 4,330.78 sq.m. in China. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The total market value of our property interests as of August 31, 2020 was RMB1,043.8 million, according to the property valuation report prepared by Avista Valuation Advisory Limited as set out in Appendix III to this prospectus.

Land

As of the Latest Practicable Date, we owned/occupied 36 parcels of land with an aggregate gross site area of approximately 2,839,519.68 sq.m., including:

No.	Land owned/occupied by	Location	Gross site area	Nature of land use right	Existing use	Expiry date
			(sq.m.)			
Owned land						
1.	Canggang Company(3)	Huanghua, Hebei Province	78,485.07	Transferred	Railway	March 20, 2066
2.	Canggang Company(3)	Huanghua, Hebei Province	31,538.59	Transferred	Railway	March 20, 2066
3.	Canggang Company(3)	Huanghua, Hebei Province	4,289.46	Transferred	Railway	March 20, 2066
4.	Canggang Company(3)	Huanghua, Hebei Province	39,858.55	Transferred	Railway	March 20, 2066
5.	Canggang Company(3)	Huanghua, Hebei Province	56,886.13	Transferred	Railway	March 20, 2066
6.	Canggang Company(3)	Huanghua, Hebei Province	18,356.5	Transferred	Railway	March 20, 2066
7.	Canggang Company(3)	Huanghua, Hebei Province	3,460.8	Transferred	Railway	March 20, 2066
8.	Canggang Company(3)	Huanghua, Hebei Province	3,347.5	Transferred	Railway	March 20, 2066
9.	Canggang Company(3)	Huanghua, Hebei Province	51,336.9	Transferred	Railway	March 20, 2066
10.	Canggang Company(3)	Huanghua, Hebei Province	4,908.1	Transferred	Railway	March 20, 2066
11.	Canggang Company(3)	Huanghua, Hebei Province	36,062.6	Transferred	Railway	March 20, 2066
12.	Canggang Company(3)	Huanghua, Hebei Province	12,509	Transferred	Railway	March 20, 2066
13.	Canggang Company(3)	Huanghua, Hebei Province	81,079.9	Transferred	Railway	March 20, 2066
14.	Canggang Company(3)	Huanghua, Hebei Province	45,723.6	Transferred	Railway	March 20, 2066
15.	Canggang Company(3)	Huanghua, Hebei Province	105,531.8	Transferred	Railway	March 20, 2066
16.	Canggang Company(3)	Huanghua, Hebei Province	34,258	Transferred	Railway	March 20, 2066
17.	Canggang Company(3)	Huanghua, Hebei Province	156,434.17	Transferred	Railway	March 20, 2066
18.	Canggang Company(3)	Huanghua, Hebei Province	91,526.11	Transferred	Railway	March 20, 2066
19.	Canggang Company(3)	Huanghua, Hebei Province	43,507.83	Transferred	Railway	March 20, 2066

No.	Land owned/occupied by	Location	Gross site area	Nature of land use right	Existing use	Expiry date
			(sq.m.)			
20.	Canggang Company[3]	Bohai New Area, Cangzhou, Hebei Province	69,978.3	Transferred	Railway	October 16, 2067
21.	Canggang Company[3]	Bohai New Area, Cangzhou, Hebei Province	18,124.41	Transferred	Railway	February 22, 2068
22.	Canggang Company[3]	Bohai New Area, Cangzhou, Hebei Province	2,639.79	Transferred	Railway	February 22, 2068
23.	Canggang Company[3]	Bohai New Area, Cangzhou, Hebei Province	24,460.65	Transferred	Railway	February 22, 2068
24.	Canggang Company[3]	Bohai New Area, Cangzhou, Hebei Province	16,287.48	Transferred	Railway	February 22, 2068
25.	Canggang Company[3]	Bohai New Area, Cangzhou, Hebei Province	21,407.05	Transferred	Railway	February 22, 2068
26.	Canggang Company[4]	Huanghua, Hebei Province	389,929.6	Transferred	Warehousing	January 26, 2060
27.	Canggang Company[4]	Huanghua, Hebei Province	125,341.8	Transferred	Warehousing	January 26, 2060
28.	Canggang Company[3]	Cangzhou, Hebei Province	28,718.3	Transferred	Railway	June 25, 2068
29.	Jinghai International[5]	Huanghua, Hebei Province	151,145.1	Transferred	Warehousing	April 27, 2068
30.	Canggang Company[3]	Cangzhou, Hebei Province	66,410.04	Transferred	Railway	April 11, 2069
31.	Canggang Company[3]	Cangzhou, Hebei Province	9,801.59	Transferred	Railway	May 31, 2068
32.	Canggang Company[3]	Cangzhou, Hebei Province	5,190	Transferred	Railway	May 31, 2068
33.	Canggang Company[3]	Cangzhou, Hebei Province	4,488.67	Transferred	Railway	May 31, 2068
Occupied land[1]						
34.	Canggang Company[2] [3]	Cangzhou, Hebei Province	410,875.39	Allocated	Railway	N/A
35.	Canggang Company[2] [3]	Cangzhou, Hebei Province	548,626.9	Allocated	Railway	N/A
36.	Canggang Company[2] [3]	Cangzhou, Hebei Province	46,994	Allocated	Railway	N/A

Notes:

(1) In addition to the occupied land listed in items. 34 to 36 above, certain land was also occupied by the connecting line to the Bohaixi Station of the Han-Huang Railway Line without obtaining the relevant land use right. For details of non-compliance of use of such land, see "- Legal Compliance and Proceedings – Non-compliance Incidents" and "Appendix III Property Valuation Report – Valuation Certificate – No. 3".

(2) For details of such allocated land, see "Leased Properties – Land" under this section.

(3) For details of items 1-25, 28 and 30-36 above, see "Appendix III Property Valuation Report – Valuation Certificate – No. 1".

(4) For details of items 26-27 above, see "Appendix III Property Valuation Report – Valuation Certificate – No. 2".

(5) For details of item 29 above, see "Appendix III Property Valuation Report – Valuation Certificate – No. 4".

Buildings

As of the Latest Practicable Date, we owned one building with an aggregate gross floor area of approximately 4,330.78 sq.m.:

No.	Land owned/occupied by	Location	Gross floor area	Nature of land use right	Existing use	Expiry date
			(sq.m.)			
1.	Canggang Company	Huanghua, Hebei Province	4,330.78	Transferred	Industrial	January 26, 2060

Leased Properties

As of the Latest Practicable Date, we leased/occupied three parcels of land in the PRC and two properties for our office use respectively in the PRC and Hong Kong.

Land

Our Canggang Railway Line occupies three parcels of allocated land (劃撥土地) (the "Allocated Land") with a gross site area of approximately 1,006,496.29 sq.m. owned by Chengyu Company and Cangzhou Local Railway Bureau (滄州地方鐵路局) which Chengyu Company is entitled to use as allocated land. Prior to August 12, 2019, Chengyu Company had been letting Canggang Company use the Allocated Land for the operation of Canggang Railway Line without charging any fee and without a written agreement. Such arrangement was considered to be the lease of Allocated Land from Chengyu Company to Canggang Company. The section of our railway stretching from Jinghai Station (inclusive) to the Port Huanghua area is not expected to be affected by the Allocated Land. According to our estimation, approximately 25.9 km or 12.0% (in terms of length) of the entire Canggang Railway Line was built on the Allocated Land. In aggregation with the connecting line built on the land for which we have not obtained the land use right, the total length of such railway is approximately 33.0 km or 15.2% of the entire Canggang Railway Line. Please refer to "Non-compliance incident No. 1" under this section for details of the land occupied by the connecting line.

As advised by our PRC Legal Advisers, under the applicable PRC laws and regulations, for the owner of allocated land to lease such parcels of land, it must be approved by the relevant land authorities. In respect of the lease of the Allocated Land, Chengyu Company had not obtained the required approvals from the relevant land authorities which was an instance of non-compliance of Chengyu Company under applicable PRC laws and regulations. According to the Interim Regulations of China Concerning the Assignment and Transfer of the Land Use Right of the State-owned Land in the Urban Areas* (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), if any allocated land is transferred, leased or pledged without the approval from the relevant land authorities, proceeds from the relevant non-compliance could be forfeited and fines may be imposed on the owner (i.e. Chengyu Company) depending on the seriousness of the incident. If the owners of such land use right are penalized, the lessee of the allocated land may no longer be able to continue to use such allocated lands during the investigation period conducted by the relevant land authorities and as a result, in the case of the lease of the Allocated Land, our railway operation may be disrupted until such investigation is completed and/or such non-compliance is rectified by Chengyu Company. As of the Latest Practicable Date, no claims or penalty had been imposed and no investigations had been conducted against Chengyu Company or Canggang Company because of the Allocated Land. We conducted interviews with officers from Cangzhou Municipal Natural Resource and Planning Bureau (滄州市自然資源和規劃局) and Cangxian County Natural Resource and Planning Bureau (滄縣自然資源和規劃局) (collectively referred to as "Land Authorities") on June 19, 2019 and July 2, 2019, which our PRC Legal Advisers have advised are competent authorities that oversee the Allocated Land, and received confirmation from such authorities on the same dates that Canggang Railway Line is using the Allocated Land for railway operation purpose, which conforms with the original purpose when the three parcels of land were initially allocated to the land owners. As a result, these authorities confirmed they would not take any enforcement action to interfere with our operations, including but not limited to demolishment of the railway line, suspension of our business, or investigation or punishment on any of our Directors, members of our Management team or members of our Group. Nonetheless, we have adopted written guidance to ensure our future compliance with relevant laws and regulations with regard to land usage, and have designated the head of our general office department to be directly responsible for overseeing the implementation of the rectification measures and on-going compliance with respect to this matter.

We have obtained approval for the lease of the Allocated Land from the Land Authorities. Furthermore, in order to formalize the legal relationship between Chengyu Company and our Group in respect of the Allocated Land and to maintain continuity of service of the Canggang Railway Line, Canggang Company and Chengyu Company entered into land lease agreements for the lease of the Allocated Land to our Group for a lease period of 20 years, at nil consideration and with perpetual right of renewal for nil consideration. Based on the fact that the lease of the Allocated Land has been approved by the Land Authorities and we have entered into a long-term lease with Chengyu Company with perpetual right of renewal, our Directors are of the view that the operation of our Canggang Railway Line would not be affected by the lease of the Allocated Land.

In addition, our Directors confirm that all the transferred land owned by our Group on which the main track of our railway line was built as at the Latest Practicable Date was previously allocated land owned by Chengyu Company and subsequently became transferred land and was transferred to our Group. Based on our previous experience, the average time for converting allocated land to transferred land, including the transfer of the land from Chengyu Company to our Group, is approximately 21 months after the submission of the relevant application for conversion from allocated land to transferred land.

As confirmed by the Land Authorities, being the competent government authorities supervising the land related matters in respect of the Allocated Land:

(1) the conversion of allocated land of Chengyu Company to transferred land would typically go through the following procedures: (i) Chengyu Company initiates communication with the relevant authorities for evaluating the feasibility and timetable of the conversion; (ii) Chengyu Company submits the application documents to the relevant government authorities; (iii) the relevant government authorities proceed with land survey, evaluation of the proposed transfer price and the evaluation of the planned use of the land and also the administrative procedures in relation to the transfer of land; (iv) the relevant government authorities enter into a land transfer agreement with Chengyu Company; and (v) Chengyu Company settles the consideration and other payables in relation to the transfer of land which is then subsequently transferred to our Group;

(2) in respect of the Allocated Land, Chengyu Company and Canggang Company have currently completed most of the communication with the relevant government authorities regarding the detailed arrangement of the conversion of the Allocated Land to transferred land (the "Conversion"). Pursuant to the timetable as advised by the Land Authorities, taking into account the internal processing time of the Land Authorities, it is expected that Chengyu Company could proceed with submitting the application for the Conversion by the end of 2020. The Land Authorities expected that the Conversion would take approximately 12 to 18 months after the submission of the application;

(3) on the basis that the Conversion does not alter the planned use of the land, being railway-use, the Land Authorities would support and actively cooperate with the Conversion. The Land Authorities further confirmed that it is very unlikely for them to reject or not approve the Conversion. They are of the view that there should not be any obstacles to completing the outstanding procedures for the Conversion and that the completion of such procedures is solely a matter of time;

(4) based on the expected gross site area of the Allocated Land to be transferred, the market price of the Allocated Land estimated based on market approach and the expected discount applicable to the Conversion, the estimated consideration for transferring the Allocated Land is approximately RMB60.0 million, which represents the amount that Chengyu Company is going to pay for the conversion of such land from "allocated" to "transferred" as discussed in further detail in the sub-section headed "Connected Transactions – Fully Exempt Continuing Connected Transactions – Lease of allocated land – (a) Background"; and

(5) they are aware of our Listing and that our Group would acquire the Allocated Land from Chengyu Company after completing the Conversion.

Our PRC Legal Advisers have advised, as confirmed by the Land Authorities, that (1) the Land Authorities are competent government authorities supervising the land related matters in respect of the Allocated Land; (2) our Group can continue to use the Allocated Land for the operation of the Canggang Railway Line; (3) there is no substantive obstacle to complete the abovementioned outstanding procedures, which is expected to be solely a matter of time; and (4) the possibility that the Conversion of Allocated Land will be rejected by the authorities is very low.

Following the completion of the Conversion, the Allocated Land will be transferred by Chengyu Company to us at a consideration of approximately RMB60.0 million, being the cost of reimbursement for the expected amount of expenditure to be incurred by Chengyu Company so that the Allocated Land could be transferred to our Group subsequent to the Conversion. Based on (1) the net cash generated from operating activities of approximately RMB110.3 million and RMB47.3 million for the year ended December 31, 2019 and the five months ended May 31, 2020, respectively; and (2) the unutilized banking facilities of RMB23.0 million as at August 31, 2020, our Directors expect that the consideration regarding the transfer of Allocated Land will be settled by internally generated cash and/or loans from banks.

When we enter into an agreement to acquire the Allocated Land, our Company will comply with the applicable requirements under the Listing Rules, including but not limited to Chapter 14 and Chapter 14A of the Listing Rules, in relation to such transaction with Chengyu Company.

See ‘‘Connected Transactions – Fully Exempt Continuing Connected Transactions’’ for details of the Land Lease Agreement.

Buildings

As of the Latest Practicable Date, we leased an office in Hong Kong, China under one lease agreement. The lease agreement has a term of one year, from August 15, 2019 to August 14, 2020. Pursuant to a new lease agreement with the landlord, the office will be leased for another term of one year, from August 15, 2020 to August 14, 2021. We also leased one property with an aggregate gross floor area of 1,000 square meters in Hebei Province, China under one lease agreement. The lessor has obtained the building ownership certificates for the relevant property. The lease agreement has a term of one year, from April 1, 2020 to March 31, 2021. The record-filing procedure for this lease agreement has been completed.

INSURANCE

We maintain insurance policies covering risks including loss and theft of and damages to our properties and equipment and accidents and critical illness to our employees. We also maintain social insurance for our employees in China. We do not maintain business liability or interruption insurance, which we believe is consistent with customary industry practice in China. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damage to our uninsured equipment or facilities could have a material adverse effect on our results of operations. See ‘‘Risk Factors – Risks Relating to our Business and Industry – We may not have sufficient insurance coverage.’’

EMPLOYEES

As of May 31, 2020, we had 774 full time employees. A majority of our employees were based in Cangzhou, Hebei Province, China. The table below sets forth the number of employees in each department as of May 31, 2020.

Department	Number of Employees	% of Total
General Office	45	5.8
Finance	15	1.9
Securities Investment	2	0.3
Human Resources	7	0.9
Internal Auditing	2	0.3
Internal Control	2	0.3
Marketing	2	0.3
Coordination	9	1.2
Dispatch and Command Center	16	2.1
Safety and Inspection	9	1.2
Railway Maintenance	106	13.6
Transportation	262	33.8
Construction	12	1.6
Railway Mechanical Engineering	78	10.1
Electric Information	49	6.3
Railway Crossing	113	14.6
Logistics	45	5.8
Total	774	100.0%

To satisfy our needs for additional workers, we source labor by using the following arrangements: (i) hiring temporary workers directly (see "– Legal Compliance and Proceedings – Non-compliance Incidents" for a detailed discussion of our historical non-compliance with regards to using temporary workers); (ii) engaging labor dispatching agents; and (iii) outsourcing certain tasks for some of our ancillary businesses. See "– Subcontractors" for details.

We primarily find employee candidates to recruit from internal and external recommendations, online recruitment advertisements and campus job fairs. We provide internal and external training programs to our employees to continuously improve their skills and knowledge and enhance their understanding of production safety.

None of our employees are currently represented by labor unions. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

We enter into standard employment contracts with all of our employees.

ENVIRONMENTAL PROTECTION

We are subject to PRC national and local laws and regulations relating to environmental protection, prevention and control of pollution, and incident reporting. For details, see "Regulatory Overview – Regulations on Environmental Protection and Fire Control" in this prospectus. We have obtained all pollutant discharge permits necessary from the relevant local environmental protection authority. During the Track Record Period and as of the Latest Practicable Date, except as disclosed in "– Legal Compliance and Proceedings", we complied with the applicable PRC environmental laws and regulations in all material aspects, and we were not subject to any material penalties associated with the material violation of any environmental laws or regulations.

We regard environmental protection as an important corporate responsibility and are dedicated to implementing a comprehensive environmental protection management system in our daily operations. Our safety supervision office is responsible for developing and implementing internal rules and regulations on environmental protection. We have adopted regulations in respect of working procedure at various locations including railways and freight yards to ensure compliance with environmental protection laws and regulations.

For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, our environmental protection tax charged by the relevant authority amounted to approximately nil, RMB4.6 million, RMB2.9 million and RMB1.0 million, respectively. The increase in environmental protection tax in 2018 arose from coal dust emission from our loading and unloading business, which became subject to such tax in 2018 pursuant to the new environmental protection regulation that took effect on January 1, 2018.

HEALTH AND WORKPLACE SAFETY COMPLIANCE

We highly value occupational health and safety of our employees in all aspects of our operations and are committed to providing a safe and healthy work environment for our employees.

In order to minimize risks of injuries and work-related injuries, we provide safety trainings to our employees on a regular basis. These trainings explain our safety management policy, on-site safety measures and emergency arrangement relating to execution of our projects. In addition, our security department has established project safety measures before actual project execution begins.

The rail freight and road freight transportation businesses are subject to accidents. We have experienced accidents, including accidents which resulted in injuries and fatalities to our employees and others. During the Track Record Period and up to the Latest Practicable Date, a number of incidents in relation to fatalities, personal injury or property damage, including five train accidents and 16 truck accidents, were reported to us by our safety department. We have not been held liable for any of the five train accidents, as the accidents were found to have been primarily caused by the failure to observe traffic rules and regulations or negligence in work by other parties involved, and there were no actual or, to the best knowledge of our Directors, potential claims against us as a result of these accidents. Our truck drivers have been held fully or partially liable for 12 of the 16 truck accidents. Nevertheless, all the actual claims in connection with the liability of our truck drivers in these accidents were fully paid by our insurance companies pursuant to the relevant insurance policies. As of the Latest Practicable Date, all such claims had been fully settled and, to the best knowledge of our Directors, there were no potential claims against us arising from these accidents as of the Latest Practicable Date. We have adopted the following measures to further enhance safety:

(i) set up a safety production committee to take overall responsibility for safety production management;

(ii) organize various safety activities and regular training sessions to enhance safety awareness and relevant work skills of our staff;

(iii) strictly forbid staff who have not passed safety training and assessment to work on our freight transportation;

(iv) arrange inspection of our freight transportation monthly to allow each department to report any potential/existing deficiencies during the operation of our business;

(v) perform inspection of freight vehicles and facilities monthly to identify and eliminate any defects which may result in safety issues;

(vi) arrange the freight transportation of flammable, explosive or otherwise hazardous materials according to specified policies;

(vii) perform key inspection of dangerous goods and properly document all such inspections; and

(viii) closely monitor flammable goods.

For the details of how we monitor our on-going compliance, see paragraphs under "Internal Control" in this section.

Despite safety measures referenced above addressing such risks, additional accidents might occur in the future. See "Risk Factors – Risks Relating to our Business and Industry – Freight transportation is dangerous and we have experienced accidents and may continue to do so in the future. Occurrence of any accidents could adversely impact our financial performance, interrupt our business operations and damage our reputation" for discussions. Our Directors have confirmed that, other than as disclosed above during the Track Record Period, our Group did not experience any material safety problems and no material safety accidents occurred.

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisors have advised and our Directors have confirmed that, throughout the Track Record Period and up to the Latest Practicable Date, we had all necessary licenses and permits and owned most of the land use rights (i.e. for 33 out of 36 parcels of land in total as of the Latest Practicable Date) needed for operation of our business in China except for those licenses, permits or land use rights set out in the sub-section headed "– Legal Compliance and Proceedings – Non-compliance Incidents" below. The table below sets forth the relevant details of the major licenses required for our operations in China:

License/Permit	Holder	Granting authority	Grant date of current license/ permit	Expiry date
Railway Transportation Permit (鐵路運輸許可證)	Canggang Company	State Railway Bureau (國家鐵路局)	August 21, 2017	August 20, 2037
Local Railway Operation[1] Permit (地方鐵路運營許可證)	Canggang Company	Department of Transportation of Hebei Province (河北省交通運輸廳)	December 27, 2019	December 7, 2020
Road Freight Transportation Operation Permit (道路運輸經營許可證)	Canggang Company	Huanghua Administrative Examination and Approval Bureau (黃驊市行政審批局)	February 19, 2020	February 18, 2024
Operation and Service Charging Report (經營服務收費報告表)	Canggang Company	Development and Reform Bureau of Huanghua (黃驊市發展改革局)	April 25, 2017	N/A[2]
Custom Declaration Entity Registration License (報關單位註冊登記證書)	Jinghai International	Hebei Port Huanghua Customs (黃驊港海關)	July 8, 2020	N/A[3]

Notes:

(1) According to the relevant regulations and as advised by our PRC Legal Advisors, an application for the renewal of the Local Railway Operation Permit shall be made at least 30 days before its expiry date. As confirmed by the Railway Administration Bureau of Hebei Province* (河北省鐵路管理局) under the Department of Transportation of Hebei Province, being the competent authority overseeing this matter, and as advised by our PRC Legal Advisors, there is no substantial legal impediment in respect of the renewal of the said permit upon its expiry. Our Directors expect to submit the renewal application in November 2020.

(2) This license/permit is filing in nature. Therefore it does not expire except where there is a change of business by the applicant or as requested by the relevant authorities.

(3) According to the Announcement on Cancelling the Validity Period of Registration of Customs Declaration Entities and Branches of Customs Declaration Entities (《關於取消報關企業和報關企業分支機構註冊登記有效期的公告》) issued by the General Administration of Customs of the PRC (中華人民共和國海關總署) on December 24, 2019 and as registered on such Custom Declaration Entity Registration License, the Custom Declaration Entity Registration License shall be valid without expiry date.

See "Regulatory Overview" for further details of licenses, permits and approvals we need for our business operations in China.

AWARDS AND RECOGNITION

We have won various awards in recognition of our success in the industry. The table below sets forth some of our significant awards and recognitions as of the Latest Practicable Date:

Award/Recognition	Year	Awarding Institution/ Authority	Entity
Advanced Enterprise of Cangzhou Bohai New Area (滄州市渤海新區先進集體)	2016	Working Committee of Bohai New Area, CCP Committee of Cangzhou (中共滄州市委渤海新區工作委員會)	Canggang Company
Prominent Enterprise for Production Safety Management (Hebei Railway Transportation System) (河北省鐵路運輸系統安全生產目標管理優秀單位)	2017	Hebei Railway Management Bureau (河北省鐵路管理局)	Canggang Company
Top 100 Private Enterprises of Cangzhou (滄州市百强民營企業)	2018	Cangzhou Private Economy Leadership Group (滄州市民營經濟領導小組)	Canggang Company
Top 100 Private Service Enterprises in Hebei (河北省民營企業服務業一百強)	2019	Hebei Federation of Industry and Commerce (河北省工商聯)	Canggang Company

LEGAL COMPLIANCE AND PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us which could have a material adverse effect on our operations or financial condition.

Our PRC Legal Advisors are of the opinion that except as disclosed in this prospectus, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period.

Non-compliance Incidents

The following table sets forth the details of our non-compliance incidents as of the Latest Practicable Date:

No.	Particulars of non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance
1.	We have not obtained the land use right permit for the lands occupied by the connecting line to Bohaixi Station of the Han-Huang Railway Line prior to the commencement of construction. As confirmed by Huanghua Municipal Natural Resource and Planning Bureau, the land survey and ownership verification of the land have been completed and such lands are currently state-owned land.	For the connecting line to Bohaixi Station, the People's Government of Huanghua Municipality* (黃驊市人民政府) issued a written approval in relation to the overall project of the connecting line prior to the commencement of the construction. With the said approval, we were under a wrong impression that we already possessed the necessary approval to commence construction. Hence the non-compliance was due to administrative oversight by the handling personnel being unfamiliar with the regulatory requirements and lacked relevant training and experience.	According to Land Administration Law of the PRC* (土地管理法), where a construction project uses State-owned Land for construction purposes, the constructing party should file an application with the relevant land administrative authority. The relevant land administrative authority shall examine the application and submit it to the people's government at the same level for approval. If we cannot obtain the land use right, the relevant land administrative authority can order us to return the land we occupy, and the construction and operation of the connecting line to Bohaixi Station of the Han-Huang Railway Line could be materially and adversely affected. The connecting line connecting Canggang Railway Line to Han-Huang Railway Line is the only path through which trains on Canggang Railway Line can reach Port Huanghua. In the event that we are unable to use this connecting line, we will not be able to provide transport cargos to Port Huanghua by railway, while transportation of coal and bulk cargos by road to Port Huanghua is prohibited by the Action Plan. Based on the remedies and rectification measures taken and the reason for this non-compliance, our Directors are of the view that such non-compliance had no material impact on our Group and does not reflect negatively on any Director's satisfaction of the standards regarding a director under Rules 3.08 and 3.09 of the Listing Rules and hence, the suitability of the Listing and the Sole Sponsor concurs with our Directors' view.	We conducted interviews with officials from Huanghua Municipal Natural Resource and Planning Bureau on July 2, 2019 and May 29, 2020, which our PRC Legal Advisers have advised is the competent authority that oversees the land occupied by the connecting line to Bohaixi Station of the Han-Huang Railway Line. Such authority confirmed that there should not be any substantive obstacle for us to obtain the land use right permit and the authority will not demolish such connecting line. The authority also confirmed that the risk of us being punished by the authority is relatively low. As advised by our PRC Legal Advisers, no material legal obstacles in obtaining the land use right permit was expected as of the Latest Practicable Date. Our PRC Legal Advisers have advised that, as confirmed by the Huanghua Municipal Natural Resource and Planning Bureau: (1) currently we can occupy the land to operate the connecting line; (2) the above authority has completed the land survey and ownership verification of the land and currently this is state-owned land; (3) the outstanding matters to be completed for the grant of the land use right permit include: (i) the authority proposes a land supply plan and the consideration for the transfer of land; (ii) the Land Asset Management Committee of Huanghua* (黃驊市土地資產管理委員會) reviews such consideration; (iii) the People's Government of Huanghua* (黃驊市人民政府) approves the proposed land supply plan and the approved land supply plan is subsequently announced to the public; (iv) the relevant authority enters into a land transfer agreement with our Group upon completion of the public announcement; (v) the Company settles the consideration and tax payable; and (vi) the land use right certificate is granted once the details of land, including location, boundary and land use, are confirmed by the relevant authority; (4) currently the land survey has been completed, and the authority is preparing the land supply plan for the Land Assets Committee of the People's Government of Huanghua to review. Based on the current status, the authority expects to enter into a land transfer agreement with our Group by the end of 2020 and the land use right certificate will be granted within 15 business days of full settlement of the consideration and tax payables;

No.	Particulars of non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance
				(5) as confirmed by the authority, the consideration for the transfer of land will be determined by reference to approximately RMB180.0 to RMB210.0 per sq.m. and the total consideration will be approximately RMB31.1 million to RMB36.3 million based on the Directors' estimation of the land area; and (6) other than settling the consideration and tax payable, the aforesaid outstanding procedures are standard administrative procedures and there is no substantive obstacle to completing these outstanding procedures. If the Company settles the consideration and tax payable in accordance with the land transfer agreement and applicable laws and regulations, it will be very unlikely for our Company to fail to obtain the land use right permit. Based on the abovementioned timeline of settlement of consideration, our Directors intend to finance the consideration partly through the net proceeds from the Global Offering. Since our Han-Huang connecting line is constructed on this land, if we fail to obtain the land use permit for such land, we may be prohibited from operating the Han-Huang connecting line and our Directors expect that our Group may be exposed to revenue loss of RMB1.8 million per month, estimated based on the monthly revenue from road transportation to/from Port Huanghua in 2018, during the period before the implementation of the Action Plan. The entire connecting line with a length of 7.1 km, representing 3.3% (in terms of length) of the entire Canggang Railway Line, was built on the land for which we have not obtained the land use right. In aggregation with the railway built on the allocated land owned by Chengyu Company, the total length of such railway is approximately 33.0 km or 15.2% of the entire Canggang Railway Line. Please refer to "Leased Properties" under this section and "Connected Transaction – Fully Exempt Continuing Connected Transactions" for details of the allocated land. Out of the total consideration for the transfer of the land of approximately RMB31.1 million to RMB36.3 million, approximately RMB21.4 million will be funded by the net proceeds from the Global Offering and the remaining amount will be funded by our internal resources. We are proactively communicating with the relevant authority to obtain the land use right permit. In addition, we adopted New Construction Project Procedures * (新建建築項目建設程序) and New Railway Construction Project Procedures* (新建鐵路項目建設程序) on August 27, 2019, providing guidance to our employees on the procedural requirements of the relevant laws and regulations. Furthermore, we designated the head of our general office department to be directly responsible for overseeing the implementation of the rectification measures and on-going compliance with respect to this matter. We have hired staff who are experienced in handling land use right permits and we have also provided enhanced training to staff at our Group with respect to the requirements under PRC laws.

No.	Particulars of non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance
2.	We did not obtain the relevant Construction Land Planning Permits (建設用地規劃許可證) and Construction Project Planning Permits (建設工程規劃許可證) for the main track of Canggang Railway Line and structures along this line at the time of its construction. We have not obtained the relevant Construction Land Planning Permits (建設用地規劃許可證) and Construction Project Planning Permits (建設工程規劃許可證) for the connecting line to Bohaixi Station of the Han-Huang Railway Line, structures along this line. We did not obtain the relevant Construction Land Planning Permits (建設用地規劃許可證) and Construction Project Planning Permits (建設工程規劃許可證) at the time of the construction for the coal and ore logistics construction projects of Jinghai International.	For the main track of Canggang Railway Line, its construction began in 1979. As advised by our PRC Legal Advisors, no clear legal requirements in respect of the Construction Land Planning Permits and Construction Project Planning Permits were found when the main track of Canggang Railway Line commenced its construction. For the connecting line to Bohaixi Station, the People's Government of Huanghua Municipality issued a written approval in relation to the overall project of the connecting line prior to the commencement of the construction. With the said approval, we were under a wrong impression that we already possessed the necessary approval to commence construction. Hence the non-compliance was due to administrative oversight by the handling personnel being unfamiliar with the regulatory requirements and lacked relevant training and experience.	According to Urban and Rural Planning Law of PRC* (城鄉規劃法), the following potential penalties can be imposed by the relevant planning authorities: (i) suspension of construction; or (ii) necessary corrections to eliminate adverse impact within certain deadline and a fine between 5% and 10% of the value of the relevant projects. We estimate that the maximum amount of the fine will be approximately RMB15.9 million, if imposed; or (iii) removal within a prescribed deadline or, if impracticable, forfeiture of the relevant object or unlawful earnings and a fine not exceeding 10% of the total value of the relevant projects. Based on the remedies and rectification measures taken and the reason for this non-compliance, our Directors are of the view that such non-compliance had no material impact on our Group and does not reflect negatively on any Director's satisfaction of the standards regarding a director under Rules 3.08 and 3.09 of the Listing Rules and hence, the suitability of the Listing and the Sole Sponsor concurs with our Directors' view.	**For the main track of Canggang Railway Line** We conducted an interview with Cangzhou Municipal Natural Resource and Planning Bureau and Huanghua Municipal Natural Resource and Planning Bureau (collectively "the Construction Authorities"), which our PRC Legal Advisers have advised are the competent authorities that oversee such railway lines and construction project. The Construction Authorities have confirmed that and as advised by our PRC Legal Advisors, there is no need for the Company to re-apply for such construction permits since (i) we had already obtained approvals from Hebei Revolutionary Basic Construction Committee* (河北省革委基本建設委員會), Hebei Basic Construction Committee* (河北省基本建設委員會) and Department of Transportation of Hebei Province* (河北省交通廳) prior to the construction of the main track of the Canggang Railway Line, pursuant to which the Company was legally allowed to construct the railway; (ii) no clear requirements in respect of the Construction permits were found when it commenced its construction; (iii) the Urban and Rural Planning Law of the PRC currently in effect does not stipulate any specific requirement for constructions completed prior to the implementation of this law (i.e. January 1, 2008) to re-apply (補辦) for such construction permits; and (iv) Canggang Company is allowed to operate Canggang Railway Line and the Construction Authorities will not demolish such railway line, prohibit the Company from operating such railway line or punish the Company for its operation of such railway line. As confirmed by our Directors, the Company had never been requested to re-apply for such construction permits. **For constructions along the connecting line** As the connecting line is located within Huanghua City, we conducted interviews with Huanghua Municipal Natural Resource and Planning Bureau on June 19, 2019 and May 29, 2020, which our PRC Legal Advisers have advised is the competent authority that oversees such railway lines and construction project. Such authority has confirmed that (i) we have been proactively communicating with the authority on this matter, however, the construction permits can only be granted after we enter into the relevant land transfer agreement, which is expected to be done by the end of 2020; (ii) there is no substantive obstacle to obtaining such construction permits with respect to this connecting line; and (iii) the authority will not demolish the connecting line. Our PRC Legal Advisers have also advised that, as confirmed by the authority, such construction permits are expected to be granted in early 2021 given the expected time for entering into the land transfer agreement.

No.	Particulars of non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance
		For the coal and ore logistics construction projects of Jinghai International, as part of the construction of Yangerzhuang Coal Logistics Park, the relevant construction permits can only be granted after the completion of the whole logistics park construction planning. However, we were under a wrong impression that such construction permits are to be granted to the logistics park project as a whole, instead of to each single construction, and that we could commence the construction on the said project before the permits are granted. Hence such non-compliance was due to administrative oversight by the handling personnel being unfamiliar with the regulatory requirements and lacked relevant training and experience.		**For the coal and ore logistics construction projects of Jinghai International** We have submitted all relevant documents. As of the Latest Practicable Date, we have obtained the Construction Land Planning Permits and the Construction Project Planning Permits. The authority also confirmed that the above non-compliance incidents in relation to construction permits are not material and the risk of us being punished is relatively low. As advised by our PRC Legal Advisers, no material legal obstacles in obtaining such construction permits with respect to this connecting line and construction projects were expected as of the Latest Practicable Date. We are proactively communicating with the relevant authority to obtain the required permits. In addition, we adopted New Construction Project Procedures and New Railway Construction Project Procedures on August 27, 2019, and Fixed Assets Management Policy* (固定資產管理制度) on September 2, 2019, providing guidance to our employees on procedural requirements of the relevant laws and regulations. Furthermore, we designated the head of our construction department and the manager of Jinghai Ore Freight Yard in charge of the logistics department to be directly responsible for overseeing the implementation of the rectification measures and on-going compliance with regard to this matter. We have hired staff who are experienced in handling the applications and procedures in respect of construction and we have also provided enhanced training to the staff of our Group with respect to the requirements under the PRC laws.

No.	Particulars of non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance
3.	We had not registered with relevant housing provident fund authorities or adequately paid housing provident fund contributions for our employees until September 2019.	Most of our employees are from Cangzhou area and own properties in the same area and did not want to participate in the housing provident fund scheme and due to administrative oversight by the handling personnel being unfamiliar with the regulatory requirements.	According to the Regulation on the Administration of Housing Accumulation Funds* (住房公積金管理條例), if the employer fails to register and establish an account for housing provident fund, the authority shall order the employer to correct it within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement. We may be ordered by the relevant authorities to pay the outstanding amount in the sum of RMB5.4 million (for all of which we have made provision in our accounts as of December 31, 2019) within a prescribed period, failing which may be subject to specific enforcement by the people's court. Based on the remedies and rectification measures taken and the reason for this non-compliance, our Directors are of the view that such non-compliance had no material impact on our Group and does not reflect negatively on any Director's satisfaction of the standards regarding a director under Rules 3.08 and 3.09 of the Listing Rules and hence, the suitability of the Listing and the Sole Sponsor concurs with our Directors' view.	On September 12, 2019, we received a written confirmation from Cangzhou Housing Provident Fund Administration, Huanghua branch, which our PRC Legal Advisers have advised is the competent authority, confirming that on May 17 and May 15 2019, Canggang Company and Jinghai International opened the housing provident fund accounts with such authority, respectively, and began to make full statutory contribution in September 2019. Because of our timely rectification, such authority will not fine us or order us to make up for the contribution that we did not make in the past. We adopted Employee Salary and Benefits Policy* (員工薪酬與福利制度) and Human Resource Management Policy* (人力資源管理制度) on August 16, 2019 and August 19, 2019, respectively. In addition, our human resource department and internal audit department responsible for on-going compliance with regard to this matter, overseen on the implementation of the rectification measures by the deputy general head of our human resource department.

No.	Particulars of non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance
4.	We had not adequately paid social insurance for all our employees until September 2019.	Due to administrative oversight by the handling personnel being unfamiliar with the regulatory requirements.	According to the Social Insurance Law of the People's Republic of China* (中華人民共和國社會保險法), we may be ordered to pay the outstanding social insurance funds (which we estimate to be approximately RMB6.1 million, for all of which we had made provision in our accounts as of December 31, 2019) within a prescribed deadline and liable for a late payment fees equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payment, we may be liable for a fine of one to three times the amount of the outstanding contributions. Based on the remedies and rectification measures taken and the reason for this non-compliance, our Directors are of the view that such non-compliance had no material impact on our Group and does not reflect negatively on any Director's satisfaction of the standards regarding a director under Rules 3.08 and 3.09 of the Listing Rules and hence, the suitability of the Listing and the Sole Sponsor concurs with our Directors' view.	We conducted an interview with Cangzhou Municipal Human Resource and Social Security Bureau on July 11, 2019, which our PRC Legal Advisers have advised is the competent authority that oversees this matter for Canggang Company. Such authority confirmed that it will not punish us for the past non-compliance and will not order us to make up for the outstanding amount. We have obtained a written confirmation dated July 15, 2019, being the competent authority that oversees this matter for Jinghai International, which stipulated that such authority will not impose any penalty or order us to pay the shortfall amount for such non-compliance. Beginning in September 2019, we have paid social insurance for our employees based on the full amount compensation they received. We adopted Employee Salary and Benefits Policy* (員工薪酬與福利制度) and Human Resource Management Policy* (人力資源管理制度) on August 16, 2019 and August 19, 2019, respectively. In addition, our human resource department and internal audit department responsible for on-going compliance with regard to this matter, overseen on the implementation of the rectification measures by the deputy general head of our human resource department.

No.	Particulars of non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance
5.	We have not obtained approval of our Report Form on Environmental Impact of Construction Project (建設項目環境影響報告表) or completed environmental protection inspection and acceptance procedures (環保驗收) for the construction of the connecting line to Bohaixi Station of the Han-Huang Railway Line.	Due to administrative oversight by the handling personnel being unfamiliar with the regulatory requirements.	According to the Regulations on the Administration of Construction Project Environment Protection* (建設項目環境保護管理條例) and the Law of the People's Republic of China on Environment Impact Assessment* (中華人民共和國環境影響評價法), as we have started construction without submitting the Report Form on Environmental Impact of Construction Project, we may be ordered by the relevant environmental authorities to cease construction and take restoration measures and subject to a fine between 1% and 5% of the total investment amount of the project. We estimate that the maximum amount of the fine will be approximately RMB6.4 million, if ordered. Our responsible persons are subject to administrative penalties. As we did not complete the environmental protection inspection, we may be ordered to make rectification within a prescribed deadline and a fine between RMB200,000 and RMB1,000,000. If we fail to make rectification within the said deadline, we may be ordered to pay a fine between RMB1,000,000 and RMB2,000,000. Our responsible persons may be ordered to pay a fine between RMB50,000 and RMB200,000. If such non-compliance causes material environment pollution or ecological damage, the construction may be suspended, if approved by the competent people's governments, the construction project may be terminated. Based on the remedies and rectification measures taken and the reason for this non-compliance, our Directors are of the view that such non-compliance had no material impact on our Group and does not reflect negatively on any Director's satisfaction of the standards regarding a director under Rules 3.08 and 3.09 of the Listing Rules and hence, the suitability of the Listing and the Sole Sponsor concurs with our Directors' view.	We conducted interviews with Cangzhou Bureau of Ecology and Environment Huanghua Branch on August 13, 2019, February 13, 2020 and May 29, 2020 which our PRC Legal Advisers have advised is the competent authority that oversees this matter. Such authority confirmed that because we are in the process of completing the environmental protection inspection and acceptance procedures, it will not punish us and as advised by our PRC Legal Advisers, no material legal obstacles in completing such procedures were expected as of the Latest Practicable Date. As confirmed by Cangzhou Bureau of Ecology and Environment Huanghua Branch, our Company has been proactively communicating with them to complete the required procedures, but as a result of the COVID-19 outbreak, they have only been able to process a limited number of reports and they will notify enterprises to submit reports based on chronological order. Therefore, our PRC Legal Advisers have advised that, as confirmed by such authority, the whole environmental protection inspection and acceptance procedures are expected to be completed by mid-January 2021. Apart from our communication with the relevant authority in relation to the completion of the required inspection and procedures, we also adopted New Construction Project Procedures and New Railway Construction Project Procedures on August 27, 2019 providing guidance to our employees on the relevant procedural requirements. Furthermore, we designated the head of our construction department to be directly responsible for overseeing the implementation of the rectification measures and on-going compliance of this matter.

No.	Particulars of non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance
6.	From May 2018 to February 2019, the ratio between the number of dispatched workers and the total number of our employees was higher than 10%.	Due to administrative oversight by the handling personnel being unfamiliar with the regulatory requirements.	Pursuant to the Interim Provisions on Labor Dispatch* (《勞務派遣暫行規定》), effective from March 1, 2014, and the Labor Contract Law* (中華人民共和國勞動合同法), an employer shall strictly control the number of dispatched staff employed which shall not exceed 10% of the total number of its workers. In the case of violation, the relevant employment authority can order us to rectify the non-compliance incident within a prescribed period; if the rectification is not completed within such period, we could be subject to a fine of no less than RMB5,000 but no more than RMB10,000 for each dispatched worker we used. We estimate that the maximum amount of the fine will be approximately RMB1.91 million, if imposed. We are jointly and severally liable with the agency providing dispatched workers for any damages caused by our fault to those dispatched workers. Based on the remedies and rectification measures taken and the reason for this non-compliance, our Directors are of the view that such non-compliance had no material impact on our Group and does not reflect negatively on any Director's satisfaction of the standards regarding a director under Rules 3.08 and 3.09 of the Listing Rules and hence, the suitability of the Listing and the Sole Sponsor concurs with our Directors' view.	We conducted an interview with Cangzhou Municipal Human Resource and Social Security Bureau on June 19, 2019, which our PRC Legal Advisers have advised is the competent authority that oversees this matter. Such authority confirmed that it did not receive any complaint about us and will not punish us due to the fact that we had completed rectification measures. Beginning in March 2019, we outsourced all the businesses historically done by dispatched workers to third party contractors. In addition, the deputy general head of our human resource department is responsible for executing the rectification measures and overseeing the on-going compliance with regard to human resources-related issues.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, risks related to procurement and sales, inventory management risks, technology upgrade risks, human resources risks and outsourcing risks, among others. See "Risk Factors" for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, please see the section headed "Financial Information – Qualitative and Quantitative Disclosures about Market Risks" in this prospectus.

To properly manage these risks, we have established the following risk management structures and measures:

- our Board of Directors is responsible and has the general power to manage the operations of, and is in charge of managing the overall risks of our Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposure, include decision to expand our railway, purchase significant additional equipment, enter into significant contracts with material customers or other third-party transportation companies, adjust our pricing or enter into cooperative business relationships with third parties; and

- we maintain insurance coverage, which we believe is in line with customary practice in the PRC transportation industry.

Internal Control

We have engaged an independent internal control adviser (the "Internal Control Consultant") to perform a detailed review of our Group's procedures, system and internal control procedures (including accounting and management systems). The Internal Control Consultant conducted its work in January 2019 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up review on our Company's system of internal control with regard to those actions taken by our Company and reported the follow-up review findings in September 2019. Based on the results of the follow-up review, our Directors confirmed that our Group had adopted all the applicable internal control measures and policies suggested by the Internal Control Consultant and did not have any significant deficiencies in its internal control system as of the Latest Practicable Date.

We have appointed Mr. Kwok Che Chung and Mr. Li Juncheng as our joint company secretaries who will be responsible for monitoring our on-going compliance with the relevant laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and key employees with continuing training programs and/or updates regarding the relevant laws and regulations and public company governance on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance. Our audit committee will review and approve our annual risk assessment results and policies.

In addition, we have appointed Innovax Capital Limited as our compliance adviser to enhance our compliance measures as a public company and provide on-going monitoring and advices. See "Directors and Senior Management – Compliance Adviser" for details.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, Jinghai BVI will control the exercise of voting rights of approximately 65.80% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme). Jinghai BVI is wholly-owned by Mr. Liu. Accordingly, Jinghai BVI and Mr. Liu are the Controlling Shareholders of our Company and will remain as the Controlling Shareholders of our Company up to and immediately after the Listing.

Information on Other Companies Owned by Our Controlling Shareholders

We currently primarily engage in rail freight transportation and loading and unloading businesses. As of the Latest Practicable Date, Mr. Liu, a Controlling Shareholder, held interests in certain companies outside of our Group, which engage in investment, business consulting, real estate and coal trading which are in different industries and sectors from our Group. Given the different nature of these businesses and our business, our Directors do not expect there to be any overlap or competition of these business and our business after the Listing.

Chengyu Company is one of the companies ultimately owned by Mr. Liu outside of our Group. During the Track Record Period and up to the Latest Practicable Date, the majority of Chengyu Company's assets are properties including six parcels of land and disused warehouses pending divestment and/or lease after refurbishment, and Chengyu Company did not actively engage in any business. Accordingly, there had been no competition between Chengyu Company and our Group during the Track Record Period and up to the Latest Practicable Date. Other than land occupied by Canggang Railway Line and certain office buildings leased to Canggang Company, which in aggregation represented less than 10.0% of the book value of the total land use rights of lands and buildings of Chengyu Company as of December 31, 2019 according to the unaudited consolidated accounts of Chengyu Company, the other assets of Chengyu Company are unrelated to our Group's business. For details, see "Connected Transactions – Fully Exempt Continuing Connected Transactions". Among the six parcels of land owned by Chengyu Company, three of them with a gross site area of approximately 120,575 sq.m. located in Cangzhou, Hebei Province (the "Chengyu Land") and with planned land use of commercial-use and/or industrial-use, are distant from the railway lines of Canggang Railway Line and unrelated to our Group's railway operation business. Such land was originally transferred from the local government to Chengyu Company in connection with the restructuring of Canggang Railway in 2004. As advised by the Cangzhou Municipal People's Government State-owned Assets Supervision and Administration Commission (滄州市人民政府國有資產監督管理委員會) (the "Cangzhou SASAC"), the Chengyu Land was transferred to Chengyu Company on the condition that Chengyu Company itself or in cooperation with other business partners would utilize the Chengyu Land for the social and economic development of the area, and is not allowed to sell or transfer the Chengyu Land. As advised by the PRC Legal Advisers, the Cangzhou SASAC is primarily responsible for overseeing the utilization of state-owned assets and the restructuring of state-owned enterprises. Accordingly, Chengyu Company is not allowed to transfer the Chengyu Land to other parties pursuant to conditions of the transfer of such land to Chengyu Company. As confirmed by Mr. Liu and the Cangzhou SASAC, Chengyu Company is currently in discussion with certain state-owned enterprises under the Cangzhou SASAC to co-develop the Chengyu Land and is intended to develop the Chengyu Land into a commercial and business area and the initial investment of the development is expected to be approximately RMB300 million. Further, as advised by the Cangzhou

SASAC, they are also concerned about the impact of including Chengyu Company as part of our Group in terms of the implementation of the development plan or seeking other business partners for the development of the relevant properties, and therefore they considered that it was not appropriate to inject Chengyu Company into our Group. Based on the above, despite the aforementioned lease of land and buildings from Chengyu Company by us, our Directors are of the view that, the inclusion of Chengyu Company as part of our Group would give rise to monetary obligations and undue commitment to the Cangzhou SASAC towards our Group in respect of the development of the Chengyu Land. Such development requires a significant amount of capital investment with a very different risk profile as compared to our principal business, being the operation of the Canggang Railway Line for freight transportation and there is no guaranteed return on this significant investment. As such, our Directors are of the view, and the Sole Sponsor concurs, that it is in the best interests of the Company and the Shareholders not to include Chengyu Company in our Group. To the best of the knowledge of our Directors after all reasonable enquiry and as confirmed by Mr. Liu and our PRC Legal Advisors, Chengyu Company did not commit any material non-compliance in its main business operation during the Track Record Period, other than the incident in relation to the Allocated Land. For details, see "Business – Legal Compliance and Proceedings – Non-compliance Incidents".

During the Track Record Period, other than that Chengyu Company had allowed Canggang Railway Line to occupy certain allocated land without charging any fee (the details of which are set out in the section headed "Connected Transactions" in this prospectus), none of the Group's related parties as set out in note 28 to the Accountants' Report in Appendix I to this prospectus had provided any services to, or shared resources with, our Group without consideration. Save for the transactions as set out in the said note 28 to the Accountants' Report, there were no other transactions between our Group and such companies.

NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders confirms that, as of the Latest Practicable Date, it/he did not have any interest in any other companies that compete directly or indirectly with our Group.

Our Controlling Shareholders have entered into the Deed of Non-competition on June 16, 2020 in favor of our Company, pursuant to which our Controlling Shareholders have jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "Restricted Business").

The non-competition undertaking above does not apply to:

(a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business which has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third party, or (ii) terms for our Company to engage in the Restricted Business with them and/or their associates, and our Company, after review and approval by our independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with them and/or their associates, provided that the principal terms by which our Controlling Shareholder(s) (or his/its relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favorable than those disclosed to our Company; or

(b) any interests in the shares of any member of our Group; or

(c) interests in the shares of a company other than our Group whose shares are listed on a recognized stock exchange provided that:

(i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited financial statements; or

(ii) the total number of the shares held by our Controlling Shareholders and/or its/his respective associates in aggregate does not exceed 5% of the issued shares of that class of that company and such Controlling Shareholders and/or its/his respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and its/his respective associates in aggregate; and

(iii) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) in relation to each Controlling Shareholder, the relevant Controlling Shareholder or any of its/his associates still holds directly or indirectly an equity interest in our Company; and (iii) our Controlling Shareholders and/or its/his respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective associates after completion of the Global Offering:

Management Independence

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Liu, one of the Controlling Shareholders, is the chairman and an executive Director of our Company; Mr. Yi, is the chief executive officer and an executive Director of our Company; Mr. Xu Zhihua and Mr. Qin Shaobo are non-executive Directors of our Company.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

Operational Independence

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates upon Listing for the following reasons:

(i) we hold or enjoy the benefit of all relevant licenses necessary to operate our business;

(ii) we have independent customer bases and an independent management team to engage in our business;

(iii) we can make decisions and conduct our own business operations independently;

(iv) we have our own organizational structure and departments independent from our Controlling Shareholders;

(v) we have established a set of internal control procedures to facilitate the effective operation of our business;

(vi) we own or have the right to use all the operational facilities relating to our business; and

(vii) we have sufficient capital, facilities and employees to operate our business independently.

Our Directors confirmed that our Group will be able to operate independently from our Controlling Shareholders and their associates upon the Listing.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

During the Track Record Period, our Group obtained certain banking facilities where Mr. Liu, one of our Controlling Shareholders, and his associates provided personal guarantees which are expected to be released before the Listing. Our Group also had certain amounts due to/payables from Mr. Liu or his associate which have been fully settled as of the Latest Practicable Date. See note 28 to the Accountants' Report in Appendix I to this prospectus for more information.

Other than the above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates, financed our operations during the Track Record Period. Our Group's accounting and finance functions are independent of our Controlling Shareholders. In view of our internal resources and the estimated net proceeds from the Global Offering, our Directors believe that we will have sufficient capital for our financial needs without dependence on our Controlling Shareholders. Our Directors also believe that, upon completion of the Global Offering, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders, if necessary. Our Directors confirm that our Group does not intend to obtain any borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders. Therefore, we have no financial dependence on our Controlling Shareholders.

Confirmation Given by Directors

Each Director confirms that he or she, does not have any competing business with our Group.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the undertaking under the Deed of Non-competition;

(c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company; and

(d) our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of agreements with a party that will be our connected person (as defined under Chapter 14A of the Listing Rules). Upon the Listing, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

CONNECTED PERSON

The table below sets forth the connected person of our Company which conducts or will continue to conduct connected transactions with our Group after the Listing and its relationship with our Company:

Name	Connected relationship
Chengyu Company	As of the Latest Practicable Date, Mr. Liu, being our Controlling Shareholder and an executive Director of our Company, directly and indirectly, held 97.5% equity interest in Chengyu Company. Accordingly, Chengyu Company is an associate of Mr. Liu pursuant to Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of our Company pursuant to Rule 14A.07(4) of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are fully exempt from compliance with reporting, annual review, announcement and independent shareholders' approval requirements stipulated under Chapter 14A of the Listing Rules.

Lease of allocated land

(a) Background

Canggang Railway Line, the main track of which has a total length of approximately 87.4 km, spans across a large area of land. Historically, three parcels of land on which Canggang Railway Line was built located in Cangzhou, Hebei Province with a gross site area of approximately 1,006,496.29 sq.m. were allocated to Chengyu Company by relevant authorities for the construction and operation of Canggang Railway Line. The part from Jinghai Station (inclusive) to Port Huanghua area of our railway is not expected to be affected by the Allocated Land. According to our estimation, approximately 25.9 km or 12.0% (in terms of length) of the entire Canggang Railway Line was built on the Allocated Land. In aggregation with the connecting line built on the land for which we have not obtained the land use right, the total length of such railway is approximately 33.0 km or 15.2% of the entire Canggang Railway Line. Please refer to "Business – Legal Compliance and Proceedings – Non-compliance Incidents – 1." for details. Chengyu Company and our Company intend to have the land use right of the Allocated Land transferred to our Group. However, as advised by our PRC Legal Advisors, under PRC laws, without approval from relevant government authorities and satisfactory of specific requirements, the land use right of the Allocated Land cannot be legally transferred to any other parties due to the nature of such land use right being "allocated (劃撥)". The land use right of the Allocated Land must be converted from "allocated (劃撥)" into "transferred (出讓)" before Chengyu Company can legally transfer the land use right of the Allocated Land to us at a consideration equal to the amount that Chengyu Company is going to pay for the aforementioned conversion, which is estimated to be approximately RMB60.0 million. As of the Latest Practicable Date, Chengyu Company was in the process of converting the nature of the land use right in accordance with applicable laws and regulations in the PRC, which is expected to be completed by the end of 2022. See "Business – Leased Properties" for details of the conversion.

Prior to the date of the Land Lease Agreement, Chengyu Company had been letting Canggang Company use the Allocated Land for the operation of the Canggang Railway Line without charging any fee and without a written agreement. In order to formalize the legal relationship between Chengyu Company and our Group in respect of the Allocated Land and to maintain the continuity of service of the Canggang Railway Line, Canggang Company and Chengyu Company entered into the Land Lease Agreement (as defined below) for the lease of the Allocated Land to our Group at nil consideration. On June 19, 2019 and July 2, 2019, our PRC Legal Advisors and the Sole Sponsor's PRC legal advisors conducted interviews with Cangxian County Natural Resource and Planning Bureau (滄縣自然資源和規劃局) and Cangzhou Municipal Natural Resource and Planning Bureau (滄州市自然資源和規劃局), being the competent government authorities supervising the land related matters in respect of the Allocated Land, which confirmed that (i) there is no substantial impediment in respect of the said transfer of the land use right; (ii) the Allocated Land could be leased by Chengyu Company to Canggang Company at nil consideration so long as the Allocated Land was used for construction and operation of railway; and (iii) the Allocated Land could be used by Canggang Company for its construction and operation of railway.

(b) Principal terms

On August 12, 2019 and May 29, 2020, Canggang Company, an indirect wholly-owned subsidiary of our Company, entered into a lease agreement and a supplemental agreement, respectively (the "Land Lease Agreement") with Chengyu Company for the lease of the land use right of the Allocated Land for a term commencing from August 12, 2019 until August 11, 2039 or the date on which the said transfer of the land use right was completed, whichever is earlier, at nil consideration. Upon the expiration of term under the aforesaid scenario (i), Canggang Company will be entitled to a perpetual right of renewal for nil consideration at its sole discretion as permitted by PRC laws and regulations and the right of priority of use in respect of the Allocated Land owned by Chengyu Company. Under the Land Lease Agreement, Canggang Company agreed to lease the Allocated Land from Chengyu Company for its operation of Canggang Railway Line. The nil consideration under the Land Lease Agreement was determined in accordance with the terms of the Land Lease Agreement as approved by the relevant government authorities, which approval was required for lease of land use right of allocated land.

Pursuant to the Land Lease Agreement, and an undertaking dated May 29, 2020 from Mr. Liu, each of Chengyu Company and Mr. Liu undertakes that:

i. there is no dispute, claim of ownership, mortgage or other third parties' rights over the land use right of the Allocated Land;

ii. it shall not transfer, lease or pledge the land use right of the Allocated Land to any third parties other than Canggang Company or set up any third parties' rights to the land use right of the Allocated Land within the term of the Land Lease Agreement;

iii. unless otherwise stipulated in the Land Lease Agreement or required by applicable PRC laws and regulations, it should not impose any restriction or condition on Canggang Company for its lease of the land use right of the Allocated Land; and

iv. it will comply with all requirements and procedures in relation to the said conversion as soon as practicable and legally permissible, and provide necessary assistance to Canggang Company to complete the said transfer of the land use right to Canggang Company whenever appropriate.

(c) Reasons for the transaction

After taking into account that certain parts of the Canggang Railway Line are constructed and located on the Allocated Land, our Directors, including the independent non-executive Directors, are of the view that (i) the Allocated Land are part of the existing operation of the Canggang Railway Line; (ii) it will be costly and time consuming to relocate the relevant parts of Canggang Railway Line; (iii) and the Land Lease Agreement was entered into in the ordinary and usual course of our business, on normal commercial terms or better, and its terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The maximum term of the Land Lease Agreement exceeds three years. Pursuant to Rule 14A.52 of the Listing Rules, a continuing connected transaction should be for a duration of no longer than three years except in special circumstances. Our Directors are of the view that it is appropriate for the Land Lease Agreement to be for a term of more than three years because a longer contract period (i) provides certainty, stability and continuity to the Group that it can continue its operation of Canggang Railway Line, part of which are located on the Allocated Land; and (ii) reflects the nature and features of the long-term operation of a railway such as Canggang Railway Line operated by our Group. Based on the above, our Directors are of the view that it is normal business practice for agreements of this type to be of a term of more than three years.

(d) Historical transaction amounts

There was no historical transaction amounts for this transaction.

(e) Annual caps on future transaction amounts

The aggregate annual amount of rent to be paid by us to Chengyu Company during the term of the Land Lease Agreement is nil.

(f) Listing Rules Requirements

As all of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Land Lease Agreement on an annual basis will not exceed 0.1% and the Land Lease Agreement is on normal commercial terms or better for our Company, it will constitute a *de minimis* continuing connected transaction which is fully exempt from compliance with reporting, annual review, announcement and independent shareholders' approval requirements stipulated under Rule 14A.76(1)(a) of the Listing Rules.

Lease of office

(a) Background

During the Track Record Period, our Group had been using certain premises owned by Chengyu Company for use as our offices. We intend to continue to use such premises as our offices after the Listing in order to avoid any relocation.

(b) Principal terms

On April 1, 2020, Canggang Company, an indirect wholly-owned subsidiary of our Company, entered into a lease agreement (the "Office Lease Agreement") with Chengyu Company for a term commencing from April 1, 2020 and ending on March 31, 2021. Under the Office Lease Agreement, Canggang Company agreed to lease the first to second floors of a building located at No. 27, Qiantong North Avenue, Xinhua District, Cangzhou, Hebei Province, the PRC, with a total floor area of approximately 1,000 sq.m., from Chengyu Company for office use at an annual rental of RMB10,000. The consideration is determined with reference to the current market rents for similar premises in similar location.

(c) Reasons for the transaction

By entering into the Office Lease Agreement, our Group is able to continue to lease the said premises from Chengyu Company at a fair market value for office use without the need to relocate. Our Directors, including the independent non-executive Directors, are of the view that the Office Lease Agreement was entered into in the ordinary and usual course of our business and is on normal commercial terms or better for our Company.

(d) Historical transaction amounts

There was no historical transaction amounts for this transaction.

(e) Annual caps on future transaction amounts

Our Directors anticipated that the annual caps for the Office Lease Agreement for each of the years ending December 31, 2020, 2021 and 2022 are RMB10,000, RMB10,000 and RMB10,000, respectively.

(f) Listing Rules Requirements

As all of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Office Lease Agreement on an annual basis will not exceed 0.1% and the Office Lease Agreement is on normal commercial terms or better for our Company, it will constitute a *de minimis* continuing connected transaction which is fully exempt from compliance with reporting, annual review, announcement and independent shareholders' approval requirements stipulated under Rule 14A.76(1)(a) of the Listing Rules.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general power over the management and conduct of our business. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposal for profit distributions as well as exercising other powers, functions and duties as conferred by our Articles of Association. As of the Latest Practicable Date, our Board consists of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The table below sets forth certain information with respect to our Directors and senior management:

Name	Age	Date of joining our Group	Date of appointment as Director/senior management	Position	Roles and responsibilities	Relationship with other Director(s) and/or the senior management
Directors						
Mr. Liu Yongliang (劉永亮)	54	October 22, 2009	October 19, 2018	Chairman and executive Director	Overall management and strategic development of our Group	None
Mr. Yi Weiming (衣維明)	55	October 22, 2009	September 20, 2019	Executive Director and chief executive officer	Overall operation and management of our Group	None
Mr. Xu Zhihua (徐志華) (with former name as Xu Zhihua (徐智華))	68	September 20, 2019	September 20, 2019	Non-executive Director	Providing opinion and judgment to our Board	None
Mr. Qin Shaobo (秦少博)	38	May 20, 2016	September 20, 2019	Non-executive Director	Providing opinion and judgment to our Board	None
Mr. Liu Changchun (劉長春)	62	September 20, 2019	September 20, 2019	Independent non-executive Director	Overseeing management independently and providing independent advice to our Board	None
Mr. Zhao Changsong (趙長松)	55	September 20, 2019	September 20, 2019	Independent non-executive Director	Overseeing management independently and providing independent advice to our Board	None
Ms. Lyu Qinghua (呂清華)	46	September 20, 2019	September 20, 2019	Independent non-executive Director	Overseeing management independently and providing independent advice to our Board	None
Senior management						
Mr. Kwok Che Chung (郭芝聰)	35	August 7, 2019	September 25, 2019	Chief financial officer and joint company secretary	Overseeing the financial operations and corporate secretarial matters of the Group	None

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Yongliang (劉永亮), aged 54, the founder of our Group, was appointed as a Director on October 19, 2018 and designated as an executive Director on September 20, 2019. He was appointed as the chairman on September 25, 2019. Mr. Liu is currently the director of each of our Company's subsidiaries (except Jinghai International), namely, Canggang BVI, Puji Global, Canggang HK, Puji HK, Canggang Company and WFOE. He has been the chairman of the board of directors of Canggang Company since October 2009 and he is responsible for overall management and strategic development of our Group. Mr. Liu has more than 13 years of experience in transportation services. Prior to founding our Group in 2009, Mr. Liu also invested in various industries including coal trading, industrial property investment and storage and transportation.

Mr. Liu graduated from Naval Engineering University, Tianjin Campus* (海軍工程大學天津校區) (formerly known as People's Liberation Army Navy, Logistics College* (中國人民解放軍海軍後勤學院)) in Tianjin, the PRC in July 1991 where he completed his tertiary education in financial management. He obtained his bachelor's degree in economic management from the Open College of Central Communist Party School* (中共中央黨校函授學院) in Beijing, the PRC in December 1995. He graduated from Chinese Academy of Social Sciences* (中國社會科學院) in Beijing, the PRC in October 1999 where he completed his postgraduate education in finance. Mr. Liu attended the Post Executive Master of Business Administration courses at Peking University in Beijing, the PRC from April 2012 to January 2014.

The following table shows the relevant work experience of Mr. Liu:

Period	Company	Last Position	Roles and responsibilities
March 2005 to October 2007	Huanghua Port Xinghua Company, a PRC company principally engaged in coal trading. Mr. Liu is one of the shareholders of this company	General manager	In charge of overall management
November 2007 to November 2015	Chengyu Company, a PRC company principally engaged in the road transportation of coal and railway transportation services. Mr. Liu is one of the shareholders of this company	General manager	In charge of strategic planning, overall management and operation

The following table shows the major offices of Mr. Liu:

Period	Organization	Position
2005 to present	Audiology Development Foundation of China (中國聽力醫學發展基金會)	Vice chairman of executive committee for Chinese Poor Deaf Children Rescue Movement ("中國貧困聾兒救助行動") organized by the Audiology Development Foundation of China
2014 to present	The Centre for Private Economics Studies of Chinese Academy of Social Sciences (中國社會科學院民營經濟研究中心)	Executive vice chairman
2016 to present	Beijing AiEr Foundation (北京愛爾公益基金)	Vice chairman of the council

Mr. Liu was a director, supervisor or legal representative of the following PRC companies ("Relevant Revoked Companies of Mr. Liu"), the business licenses of which have been revoked by local SAIC authorities:

Relevant companies	Date of establishment	Date of revocation	Mr. Liu's position(s)
Cangzhou Huiyuan Materials Co., Ltd.* (滄州市匯源物資有限公司)	April 16, 2004	December 20, 2008	Supervisor and legal representative
Tianjin European Industrial Park Co., Ltd.* (天津歐洲工業園有限公司)	May 9, 2005	November 19, 2012	Director
Tianjin Meidan Xinghua International Trading Co., Ltd.* (天津梅丹興華國際貿易有限公司)	June 8, 2005	November 22, 2011	Director

The business licenses of the Relevant Revoked Companies of Mr. Liu were revoked due to the fact that these companies were not engaging in any business activities for more than six months prior to the date of the revocation. As of the time of the revocation, none of the Relevant Revoked Companies of Mr. Liu was insolvent, had any outstanding liabilities or was involved in any pending claims. As of the Latest Practicable Date, the Relevant Revoked Companies of Mr. Liu have not been dissolved. Mr. Liu confirmed that since the revocation and as of the Latest Practicable Date, the Relevant Revoked Companies of Mr. Liu have not carried out any business activities and, so far as he was aware, the revocation of the business licenses of the Relevant Revoked Companies of Mr. Liu has not resulted in any punishment or fines imposed by any competent authorities, nor has it resulted in any outstanding or potential claims or liabilities against the Relevant Revoked Companies of Mr. Liu.

Mr. Liu did not hold any directorship in any listed companies during the last three years preceding the Latest Practicable Date.

Mr. Yi Weiming (衣維明), aged 55, was appointed as an executive Director and chief executive officer of our Company on September 20, 2019 and September 25, 2019, respectively. Mr. Yi has more than 11 years of experience in transportation services and nine years of experience in investment management. He has been a director and a general manager of Canggang Company since October 2009 and he is responsible for the overall operation and management of our Group.

Mr. Yi obtained his bachelor degree in science and economics from Nankai University (南開大學) in Tianjin, the PRC in July 1987. Mr. Yi also obtained his master's degree and doctoral degree in economics from Nankai University (南開大學) in Tianjin, the PRC in June 1990 and June 1995, respectively.

Mr. Yi served at Department of International Economics at Nankai University (南開大學) from September 1990 to June 1998 and was appointed as the deputy professor in 1996, primarily teaching courses such as international economics and responsible for relevant academic research. He was then engaged in the financial industry between June 1998 and November 2007 where he was primarily engaged in business of investment management in the PRC.

The following table shows the relevant work experience of Mr. Yi:

Period	**Company**	**Last Position**	**Roles and responsibilities**
November 2007 to December 2014	Chengyu Company, a PRC company principally engaged in the road transportation of coal and railway transportation services. Mr. Yi is one of the shareholders of this company	Assistant to the chairman of the board of directors and chief financial officer	Assisting chairman in strategic planning, overall management and operation

Mr. Yi was a director, legal representative or general manager of the following PRC companies ("Relevant Revoked Companies of Mr. Yi"), the business licenses of which have been revoked by local SAIC authorities:

Relevant companies	Date of establishment	Date of revocation	Mr. Yi's position(s)
Tianjin Development Area Tongchuang Technology Investment Co., Ltd.* (天津開發區同創科技投資有限公司)	March 6, 2000	December 26, 2007	General manager
Beijing Gaohui Investment Management Co., Ltd.* (北京高匯投資管理有限公司)	December 5, 2000	December 14, 2006	Executive director and legal representative
Tianjin Technology Home Investment Co., Ltd.* (天津科技之家投資有限公司)	April 8, 2004	December 26, 2007	Chairman of the board of directors and legal representative
Tianjin Gaohui Investment Management Consulting Co., Ltd.* (天津高匯投資管理諮詢有限公司)	July 13, 2004	December 26, 2007	Executive director and legal representative
Beijing Haidaxing Computer System Integration Technology Co.,Ltd.* (北京海達星計算機系統集成技術有限公司)	July 4, 2000	October 20, 2003	Executive director and legal representative

The business licenses of the Relevant Revoked Companies of Mr. Yi were revoked due to the fact that these companies were not engaging in any business activities for more than six months prior to the date of the revocation. As of the time of the revocation, none of the Relevant Revoked Companies of Mr. Yi was insolvent, had any outstanding liabilities or was involved in any pending claims. As of the Latest Practicable Date, the Relevant Revoked Companies of Mr. Yi have not been dissolved. Mr. Yi confirmed that since the revocation and as of the Latest Practicable Date, the Relevant Revoked Companies of Mr. Yi have not carried out any business activities and, so far as he was aware, the revocation of the business licenses' of the Relevant Revoked Companies of Mr. Yi has not resulted in any punishment or fines imposed by any competent authorities, nor has it resulted in any outstanding or potential claims or liabilities against the Relevant Revoked Companies of Mr. Yi.

Mr. Yi did not hold any directorship in any listed companies during the last three years preceding the Latest Practicable Date.

Non-executive Directors

Mr. Xu Zhihua (徐志華) (with former name as Xu Zhihua (徐智華)), aged 68, was appointed as a non-executive Director of our Company on September 20, 2019. Mr. Xu has more than 12 years of experience in railway transportation and logistics services. Mr. Xu has been an executive director of Chengyu Company since November 2007. He is responsible for providing opinion and judgment to our Board.

Mr. Xu graduated from Jilin University (吉林大學) in Jilin Province, the PRC with a junior college degree in political science in October 1988. Mr. Xu was awarded as the "Labor Model of the Logistics Industry in China (全國物流行業勞動模範)" by Human Resources and Social Security Department (人力資源和社會保障部) and China Federation of Logistics & Purchasing (中國物流與採購聯合會) in December 2011.

The following table shows the relevant work experience of Mr. Xu:

Period	Company	Last Position	Roles and responsibilities
March 1992 to December 1998	China Jilin International Economic and Technical Cooperation Co., Ltd., Tianjin Branch * (中國吉林國際經濟技術合作公司天津分公司), a PRC company principally engaged in the trading of machinery, electric equipments, engineering and construction materials and consultancy, among others	General manager	In charge of overall operation and management
December 1998 to November 2004	Tianjin Bonded Area Jinbichang Industrial Development Co., Ltd.* (天津保稅區金碧昌實業發展有限公司), a PRC company principally engaged in the international trading	Chairman of the board of directors	In charge of overall management and strategic planning
November 2004 to November 2007	Tianjin Dongfang Xinghua Property Investment Co., Ltd.* (天津東方興華置業投資有限公司), a PRC company principally engaged in property investment business	Manager	In charge of overall operation and management

Mr. Xu was a director, supervisor, legal representative or supervisor of the following PRC companies (''Relevant Revoked Companies of Mr. Xu''), the business licenses of which have been revoked by local SAIC authorities:

Relevant companies	Date of establishment	Date of revocation	Mr. Xu's position(s)
Tianjin Port Baoshui Area Jinbichang Industrial Development Co., Ltd.* (天津港保稅區金碧昌事業發展有限公司)	August 18, 1997	October 19, 2006	Chairman of the board of directors and legal representative
Tianjin European Industrial Park Property Co., Ltd.* (天津歐洲工業園置業有限公司)	June 23, 2000	November 22, 2011	Director
Tianjin Development Area New Ideas Network Co., Ltd.* (天津開發區新思路網絡有限公司)	April 12, 2001	December 8, 2004	Supervisor
Tianjin European Industrial Park Co., Ltd.* (天津歐洲工業園有限公司)	May 9, 2005	November 19, 2012	Director
Tianjin Meidan Xinghua International Trading Co., Ltd.* (天津梅丹興華國際貿易有限公司)	June 8, 2005	November 22, 2011	Director

The business licenses of the Relevant Revoked Companies of Mr. Xu were revoked due to the fact that these companies were not engaging in any business activities for more than six months prior to the date of the revocation. As of the time of the revocation, none of the Relevant Revoked Companies of Mr. Xu was insolvent, had any outstanding liabilities or was involved in any pending claims. As of the Latest Practicable Date, the Relevant Revoked Companies of Mr. Xu have not been dissolved. Mr. Xu confirmed that since the revocation and as of the Latest Practicable Date, the Relevant Revoked Companies of Mr. Xu have not carried out any business activities and, so far as he was aware, the revocation of the business licenses' of the Relevant Revoked Companies of Mr. Xu has not resulted in any punishment or fines imposed by any competent authorities, nor has it resulted in any outstanding or potential claims or liabilities against the Relevant Revoked Companies of Mr. Xu.

Mr. Xu did not hold any directorship in any listed companies during the last three years preceding the Latest Practicable Date.

Mr. Qin Shaobo (秦少博), aged 38, was appointed as a non-executive Director of our Company on September 20, 2019. Mr. Qin has more than seven years of experience in investment management. Mr. Qin has been a director of Canggang Company since May 2016. He is responsible for providing opinion and judgment to our Board.

Mr. Qin graduated from China University of Political Science and Law* (中國政法大學) in Beijing, the PRC with a master's degree in law in June 2007. Mr. Qin obtained his legal professional qualification certificate* (法律職業資格證書) issued by China Ministry of Justice of the PRC in February 2009.

The following table shows the relevant work experience of Mr. Qin:

Period	**Company**	**Last Position**	**Roles and responsibilities**
September 2012 to October 2014	Beijing Infrastructure Investment Co., Ltd.*（北京市基礎設施投資有限公司）, a PRC company principally engaged in investment business	Assistant expert	Providing opinion to the board of directors and the senior management
November 2014 to present	Beijing Cornerstone Venture Capital Investment Management Center (Limited Partnership)*（北京基石創業投資管理中心（有限合夥））, a limited liability partnership established in the PRC principally engaged in investment business	Managing partner	In charge of overall management and operation
March 2019 to present	Zhejiang Damon Technology Co., Ltd.* (浙江德馬科技股份有限公司), a PRC company whose shares are listed on the Shanghai Stock Exchange (stock code: 688360) and principally engaged in research and development, design, manufacturing and sales of intelligent logistics transportation sorting system and its key equipment and core components	Director	Providing advice to the board of directors

Mr. Qin was a director of the following PRC company ("Relevant Revoked Company of Mr. Qin"), the business license of which has been revoked by local SAIC authorities:

Relevant company	Date of establishment	Date of revocation	Mr. Qin's position
Beijing Fabangbang Network Technology Co., Ltd.* (北京法幫幫網絡科技有限公司)	September 2, 2015	October 16, 2018	Director

The business license of the Relevant Revoked Company of Mr. Qin was revoked due to the fact that the company was not engaging in any business activities for more than six months prior to the date of the revocation. As of the time of the revocation, the Relevant Revoked Company of Mr. Qin was not insolvent, had any outstanding liabilities or was involved in any pending claims. As of the Latest Practicable Date, the Relevant Revoked Company of Mr. Qin has not been dissolved. Mr. Qin confirmed that since the revocation and as of the Latest Practicable Date, the Relevant Revoked Company of Mr. Qin has not carried out any business activities and, so far as he was aware, the revocation of the business license of the Relevant Revoked Company of Mr. Qin has not resulted in any punishment or fines imposed by any competent authorities, nor has it resulted in any outstanding or potential claims or liabilities against the Relevant Revoked Company of Mr. Qin.

Save as disclosed above, Mr. Qin did not hold any directorship in any listed companies during the last three years preceding the Latest Practicable Date.

Independent non-executive Directors

Mr. Liu Changchun (劉長春) ("Mr. CC Liu"), aged 62, was appointed as an independent non-executive Director of our Company on September 20, 2019. Mr. CC Liu has more than 21 years experiences in energy industry. He is responsible for overseeing management independently and providing independent advice to our Board.

Mr. CC Liu graduated from the Harbin Normal University*（哈爾濱師範大學）in Heilongjiang Province, the PRC with a bachelor's degree in Chinese language and literature education in December 1999 (through long distance learning). Mr. CC Liu completed a postgraduate course in corporate management from Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the PRC in November 2002. Mr. CC Liu received the certificate of senior economist in February 2004 from the General Equipment Department of the People's Liberation Army (中國人民解放軍人民總裝備部).

The following table shows the relevant work experience of Mr. CC Liu:

Period	Company	Last Position	Roles and responsibilities
October 1998 to November 2004	Shenhua Coal Transportation and Selling Co., Ltd.* (神華煤炭運銷有限公司), a PRC company principally engaged in coal business	Officer of the dispatching department	In charge of overall operation of the dispatching department
November 2004 to October 2009	China Shenhua Energy Co., Ltd* (中國神華能源股份有限公司), a PRC company principally engaged in the production and sale of coal, ore, electricity and the operation of railway, ports and shipping business, among others	Deputy officer of the general dispatching department	In charge of daily operation of the dispatching department
October 2009 to November 2017	Shenhua Group Co., Ltd* (神華集團有限責任公司), a PRC company principally engaged in production, and sales of coal, thermal power, hydropower, and other energy and the operation of railway, ports and shipping	Deputy manager of production commanding center	In charge of daily operation of the dispatching department
November 2017 to October 2018	China Energy Investment Group Co., Ltd.* (國家能源投資集團有限責任公司), a PRC company principally engaged in production, and sales of coal, thermal power, hydropower, and other energy and the operation of railway, ports and shipping	Deputy inspector of industry coordination department	Responsible for research of business production

Mr. CC Liu did not hold any directorship in any listed companies during the last three years preceding the Latest Practicable Date.

Mr. Zhao Changsong (趙長松), aged 55, was appointed as an independent non-executive Director of our Company on September 20, 2019. Mr. Zhao has more than 29 years experiences in legal services and he is responsible for overseeing management independently and providing independent advice to our Board.

Mr. Zhao graduated from Hebei University* (河北大學) in Hebei Province, the PRC with a bachelor's degree in law in July 1986. Mr. Zhao completed his master's course in economic management from Hebei Party School of China Communist Party* (中共河北省委黨校) in Hebei Province, the PRC in December 2001. Mr. Zhao obtained his lawyer qualification certificate (律師資格證書) from Hebei Provincial Department of Justice (河北省司法廳) in April 1989.

The following table shows the relevant work experience of Mr. Zhao:

Period	Company	Last Position	Roles and responsibilities
May 1990 to October 2001	Cangshi Law Firm* (滄獅律師事務所)	Deputy officer	In charge of overall operation and management
October 2001 to February 2003	Cangzhou Legal Aid Center* (滄州市法律援助中心)	Officer	In charge of overall operation and management
February 2003 to present	Hebei Hengtai Law Firm * (河北衡泰律師事務所)	Officer	In charge of overall operation and management

Mr. Zhao was accredited as the "Excellent Lawyer in Hebei Province (河北省優秀律師)" by Hebei Provincial Department of Justice (河北省司法廳) and Hebei Lawyers Association (河北省律師協會) in July 2006, the "Top Ten Lawyer in Hebei Province (全省法律服務工作十佳律師)" by Hebei Provincial Department of Justice (河北省司法廳) in November 2008, the "National Outstanding Lawyer (全國優秀律師)" by All China Lawyers Association* (中華全國律師協會) in December 2011 and the "National Legal Aid Work Advanced Individuals (全國法律援助工作先進個人)" by Ministry of Justice in September 2016. Mr. Zhao is currently a director of All China Lawyers Association* (中華全國律師協會) and a deputy chairman of the board of supervisors of Hebei Lawyers Association* (河北省律師協會).

Mr. Zhao did not hold any directorship in any listed companies during the last three years preceding the Latest Practicable Date.

Ms. Lyu Qinghua (呂清華), aged 46, was appointed as an independent non-executive Director of our Company on September 20, 2019. Ms. Lyu has more than 25 years experiences in accounting and auditing. She is responsible for overseeing management independently and providing independent advice to our Board.

Ms. Lyu graduated from the Hebei Economic and Trade College*（河北經貿學院）in Hebei Province, the PRC where she completed a tertiary course in finance and accounting in July 1994. Ms. Lyu obtained the accounting qualification (intermediate level) (中級會計) from the Ministry of Finance of the PRC in May 2002 and the certificate of Certified Public Accountant from Hebei Institute of Certified Public Accountants in June 2009.

The following table shows the relevant work experience of Ms. Lyu:

Period	Company	Last Position	Roles and responsibilities
October 1994 to December 2004	Cangzhou Condiment Co., Ltd.* (滄州市調味品有限責任公司), a PRC company principally engaged in condiment business	Accounting staff	Responsible for accounting related matters
June 2006 to July 2017	Cangzhou Lion Certified Public Accountants LLP * (滄州市獅城會計師事務所)	Auditor	Principally responsible for audit related matters
August 2017 to present	Hebei Dexin Accounting Firm Co., Ltd.* (河北德信會計師事務所有限公司), Ms. Lyu is one of the shareholders of this company	Auditor	Principally responsible for audit related matters

Ms. Lyu did not hold any directorship in any listed companies during the last three years preceding the Latest Practicable Date.

Disclosure required under Rule 13.51(2) of the Listing Rules

Each of our Directors confirms that save as disclosed above: (i) he/she has not held directorships in the last three years preceding the Latest Practicable Date in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in our Company or any of its subsidiaries; (iii) there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

Save as disclosed in "Disclosure of Interests" in Appendix V to this prospectus, each of our Directors certifies that he/she does not have any interests in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Kwok Che Chung (郭芝聰), aged 35, joined the Group in August 2019 as chief financial officer of our Company and was appointed as the joint company secretary of our Company on September 25, 2019. Mr. Kwok has more than ten years of experience in accounting and financial management. He is responsible for financial operations and corporate secretarial matters of the Group.

Mr. Kwok graduated from the Hong Kong Shue Yan University (香港樹仁大學) in Hong Kong with a bachelor's degree in accounting in July 2009. Mr. Kwok was admitted as a member of the Hong Kong Institute of Certified Public Accountants in March 2017.

The following table shows the relevant work experience of Mr. Kwok:

Period	Company	Last Position	Roles and responsibilities
July 2009 – January 2013	Chan Man Sun & Co.	Senior auditor	Principally responsible for audit related matters
January 2013 – July 2014	Baker Tilly Hong Kong Limited	Senior associate	Principally responsible for audit related matters
July 2014 – June 2019	KPMG	Manager	Principally responsible for audit related matters

Mr. Kwok did not hold any directorship in any listed companies during the last three years preceding the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Kwok Che Chung (郭芝聰), was appointed as our joint company secretary on September 25, 2019. Details of his qualifications and experience are set out in the paragraph headed "Senior Management" above in this section.

Mr. Li Juncheng (李俊呈) (with former name as Li Shuhai (李樹海)), aged 39, was appointed as our joint company secretary on September 25, 2019.

Mr. Li joined the Group in December 2014 as the deputy director of the finance department of Canggang Company. He was then promoted as the director of equity investment department in July 2019. Prior to joining our Group, Mr. Li was employed by Chengyu Company from February 2008 to December 2014, and last occupied the position of deputy head of the finance department. Mr. Li graduated from Hebei University (河北大學) in Hebei Province, the PRC with a bachelor's degree in law in June 2007.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the qualification of joint company secretaries. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules – Joint Company Secretaries" in this prospectus.

BOARD COMMITTEES

Audit Committee

We established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of the Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Ms. Lyu Qinghua, Mr. Xu Zhihua and Mr. CC Liu. The chairman of the audit committee is Ms. Lyu Qinghua.

Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management and to ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Ms. Lyu Qinghua, Mr. CC Liu and Mr. Xu Zhihua. The chairman of the remuneration committee is Mr. CC Liu.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review our board diversity policy (the "Board Diversity Policy") and make recommendations to our Board on the appointment of members of the Board. The nomination committee consists of three members, namely, Mr. Liu, Mr. Xu Zhihua and Mr. CC Liu. The chairman of the nomination committee is Mr. Liu.

CORPORATE GOVERNANCE

The Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the associated Listing Rules.

Board Diversity

We have adopted the "Board Diversity Policy" which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward.

Our Board comprises seven members, including two executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, finance and investment and risk control experiences in addition to railway business. Furthermore, our Board has a wide range of age, ranging from 38 to 68 years old. We also have a good mix of new and experienced Directors that our executive Directors joined our Group since its establishment in 2009, who have valuable knowledge and insights of our Group's business over the years, while the other non-executive Director, Mr. Qin Shaobo, joined us in 2016, has experience in finance and investment and risk control. In addition, the other four newly joined Directors are expected to bring in fresh ideas and new perspectives to our Group. Currently, one of our independent non-executive Directors is female. We believe the composition of our Board is currently in line with our Board Diversity Policy. We have also taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. While we recognize that the gender diversity at our Board level can be improved given the majority of our Directors are male, we will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole. Our Board would also ensure that appropriate balance of gender diversity is achieved with reference to investors' expectation, and international and local recommended best practices.

Our nomination committee will: (1) report annually, in the corporate governance report contained in our annual report, on the Board's composition under diversified perspectives, and monitor the implementation of our Board Diversity Policy; and (2) review our Board Diversity Policy, as appropriate, to ensure effectiveness of the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

REMUNERATION POLICY

Our executive Directors and senior management, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary.

For the three years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB125,000, RMB131,000, RMB149,000 and RMB85,000, respectively.

For the three years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals (excluding one individual who is a Director) are neither a director nor chief executive of our Group was RMB540,000, RMB566,000, RMB885,000 and RMB496,000, respectively.

During the Track Record Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2020 will be approximately RMB266,500.

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to retain suitable personnel in our Group, we adopted the Share Option Scheme on June 16, 2020. For further details, see "Appendix V – Statutory and General Information – F. Share Option Scheme" to this prospectus.

Save as disclosed above, no other payments had been made, or are payable, by any member of the Group to the Directors during the Track Record Period.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules – Management Presence" in this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Innovax Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to share issues and share repurchases;

(iii) where we propose to use the proceeds of Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance adviser will commence from (and including) the Listing Date and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

To the best knowledge of our Directors, as of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		As of the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue[1]	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Jinghai BVI	Beneficial owner [2]	8,773	87.73%	657,975,000	65.80%
Mr. Liu	Interest in a controlled corporation[2]	8,773	87.73%	657,975,000	65.80%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

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

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalization Issue and the Global Offering, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized Share Capital:

		(HK$)
10,000,000,000	Shares of par value of HK$0.01 each	100,000,000

Assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:

		HK$	**Approximate percentage of issued share capital** *(%)*
10,000	Shares in issue as of the date of this prospectus	100	0.001
749,990,000	Shares to be issued under the Capitalization Issue	7,499,900	74.999
250,000,000	Shares to be issued under the Global Offering	2,500,000	25.000
1,000,000,000	Shares in total	10,000,000	100.000

Assuming the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:

			Approximate percentage of issued share capital
		HK$	*(%)*
10,000	Shares in issue as of the date of this prospectus	100	0.001
749,990,000	Shares to be issued under the Capitalization Issue	7,499,900	72.288
287,500,000	Shares to be issued under the Global Offering	2,875,000	27.711
1,037,500,000	Shares in total	10,375,000	100.000

Notes:

(1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

(2) Assuming a total of 37,500,000 Shares will be issued upon exercise of the Over-allotment Option in full.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Article of Association regarding alterations of share capital, see paragraph "Appendix IV – Summary of the Constitution of the Company and Cayman Islands Companies Law – 2. Articles of Association – (a) Shares – (iii) Alteration of Capital" in this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on June 16, 2020. The principal terms of the Share Option Scheme are summarized in the section headed "Appendix V – Statutory and General Information – F. Share Option Scheme" in this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate total number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and

(ii) the aggregate total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

Further details of this general mandate are set out in the paragraph headed "Appendix V – Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the then Shareholders of our Company passed on June 16, 2020" in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate total number of Shares in issue or to be issued immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix V – Statutory and General Information – A. Further information about our Company – 5. Repurchase of our Shares" in this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this share repurchase mandate, see the paragraph headed "Appendix V – Statutory and General Information – A. Further Information about Our Company – 4. Written resolutions of the then Shareholders of our Company passed on June 16, 2020" in this prospectus.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with historical financial information, including the notes thereto, included in the Accountants' Report and other financial information appearing elsewhere in this document. The historical financial information included in the Accountants' Report has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual future results could differ significantly from those anticipated in these forward-looking statements due to various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this document.

For the purpose of this section, unless the context otherwise requires, references to 2017, 2018 and 2019 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are an established and expanding local railway operator based in Hebei Province providing eastbound and westbound rail freight transportation services and other ancillary services, including loading and unloading, road freight transportation, operation, repair and maintenance of Special Service Lines, railway roadbed and other railway facility construction and certain other businesses. According to the Frost & Sullivan Report, we ranked first among all local freight railway operators in Hebei Province in terms of revenue in 2019. According to that report, we ranked fourth among all local freight railway operators in China in terms of revenue in 2019. We operate one railway, the Canggang Railway Line, which is strategically located, effectively connecting the Shuo-Huang Railway Line and the Han-Huang Railway Line with the Bohai New Area in Cangzhou, a national economic and technological development area encompassing Port Huanghua, an important and busy port on the east coast of Hebei Province/Bohai Bay. Our railway line also connects the Beijing-Shanghai Railway Line to this area. Therefore, our railway line constitutes a key part of a comprehensive railway-port transportation network that effectively links coal rich regions in west China, particularly Shaanxi Province, Shanxi Province and Inner Mongolia, where a large number of coal mines are located, to the Bohai New Area and Port Huanghua. This positioning provides us with significant strategic advantages and opportunities to grow. As of the Latest Practicable Date, the total length of the main track of our railway line was approximately 87.4 km. As of the same date, there were a total of 13 stations on the Canggang Railway Line, 10 stations on the main track and three stations on branch lines.

In addition to our core rail freight transportation business, we have developed comprehensive operating capabilities covering the various transportation and logistics needs of our customers, particularly those in coal and ore-related industries. We are thus able to provide comprehensive services to our customers, which has allowed us to leverage existing relationships to grow and further diversify our revenue and deepen and strengthen our relationship with our customers. Our ability to provide such ancillary services also helps drive growth of our core rail freight transportation business, as we believe our ability to offer such ancillary services provides our customers with one-stop solutions in terms of freight transportation and makes us more attractive to new customers.

Our revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020 was approximately RMB354.3 million, RMB386.9 million, RMB376.9 million, RMB150.2 million and RMB151.8 million, respectively. Our revenue from rail freight transportation increased from RMB100.5 million for the five months ended May 31, 2019 to RMB107.2 million for the five months ended May 31, 2020, largely due to an increase in the number of our customers as a result of our management's effort to expand our customer base. Our profit for the years ended December 31, 2017 and 2018 and 2019 and the five months ended May 31, 2019 and 2020 was approximately RMB80.4 million, RMB81.5 million, RMB69.5 million, RMB25.1 million and RMB30.0 million, respectively. The decrease in our profit for 2019 compared with 2018 was largely related to (i) the decrease in revenue from our loading and unloading business of RMB19.2 million, which was due to the decrease in volume of rail freight transportation designated to Port Huanghua following the implementation of the Action Plan; and (ii) an increase in general and administrative expenses primarily due to the incurrence of listing expenses of approximately RMB13.5 million in the year ended December 31, 2019. On August 15, 2019 we received the necessary approval from the Han-Huang Railway Line to connect our line to the Han-Huang Railway enabling us to transport cargo via such connecting railway line directly to Port Huanghua entirely by rail. On August 20, 2019, such connecting railway line commenced operations. We believe this will help us increase revenue and profit going forward. Our profit for the five months ended May 31, 2020 improved to RMB30.0 million as compared to RMB25.1 million for the corresponding period in 2019.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on October 19, 2018. Our Company is an investment holding company and has not carried on any business since its incorporation, except for the Reorganization. Our Company and subsidiaries are principally engaged in the provision of freight railway transportation and related services in China.

In preparation for the Listing, our Group underwent the Corporate Reorganization. See "History and Corporate Structure" for further details of the Corporate Reorganization. Upon completion of the Corporate Reorganization on June 17, 2019, our Company became the holding company of the companies now comprising the Group.

We have prepared our consolidated financial information for the Track Record Period in accordance with the basis of presentation as set out in note 1 of the Accountants' Report contained in Appendix I to this prospectus. Such consolidated financial information is presented in RMB and has been prepared under the historical cost convention. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions have been eliminated in full in preparing our consolidated financial statements.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including the following:

Development of the Coal Industry

As a service provider in the transportation industry, we derived a significant majority of our total revenue from rail freight transportation over the Track Record Period. Among the cargo we transport via railway, coal is the most important, accounting for approximately 79.6%, 74.4%, 60.4%, 67.3% and 60.3% of the total volume of cargo we transported via railway for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020 respectively. The following table sets forth our revenue and segment result for rail freight transportation during the Track Record Period.

	For the years ended December 31,			For the five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB in thousands				
Revenue	253,026	259,423	259,065	100,454	107,208
Analyzed by cargo type:					
– Coal cargo	213,728	203,461	191,708	72,699	79,344
– Non-coal cargo	39,298	55,962	67,357	27,755	27,864
Segment result for rail freight transportation	117,229	113,992	117,521	43,801	53,406
Analyzed by cargo type:					
– Coal cargo	93,351	84,775	70,965	29,460	32,181
– Non-coal cargo	23,878	29,217	46,556	14,341	21,225

Note:

The segment result for rail freight transportation by cargo type is calculated based on the total segment result of rail freight transportation, multiplied by the transportation volume of the particular type of cargo and divided by the total transportation volume of all cargo for respective years.

As such, the overall conditions and development of the coal industry in China materially affects our results of operations and financial conditions. According to the Frost & Sullivan Report, coal consumption in China is expected to continue to increase from approximately 1,930.6 million toe in 2019 to approximately 1,995.9 million toe in 2024. However, if the coal industry as a whole does not grow as much as expected or at all due to national or regional macro-economic conditions, or is subject to tightening restrictions relating to environmental, safety or other laws and regulations or is affected by accidents or other negative incidents and as a result coal production decreases, or if major customers turn to other fuels, the volume of coal we transport may decrease and our results of operations could be adversely affected.

We have taken steps to try to diversify our business and decrease the percentage of our revenue we derive from transportation of coal. Such steps have included developing ancillary businesses and increasing westbound and eastbound railway transportation of non-coal cargo such as petroleum, ore and other cargo, including PVC, asphalt and gravel. Largely as a result, the percentage of our revenue generated from coal transportation decreased over the Track Record Period. We intend to continue to further diversify our sources of revenue and types of cargo transported in the future. However, we cannot assure you that our efforts to increase the transportation volume of other cargo and other similar measures will be effective in addressing the concentration issue. In addition, some of the ancillary services we provided over the Track Record Period are subject to new regulatory restrictions which will serve to increase the importance of rail freight transportation as our main source of our revenue going forward. See "Risk Factors — Risks Relating to our Business and Industry — We have been dependent on the eastbound transportation of coal through our railway during the Track Record Period. Our business, financial condition and results of operations would be materially and adversely affected if demand for transportation of coal were to decline." We expect coal to continue to be the most significant cargo we transport going forward and development of the coal industry in China will continue to affect our business and results of operations.

Expansion and Technical Upgrade of Our Railway

We conduct our core rail freight transportation business, which contributed approximately 71.4%, 67.1%, 68.7%, 66.9% and 70.6% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively, through our railway. The construction of the Canggang Railway Line dates back to the late 1970s and after nearly 40 years of operation, it faces certain technical issues under the increasing demand for our railway transportation services. We invested RMB57.1 million, RMB58.4 million, RMB75.3 million, RMB2.8 million and nil on maintaining, upgrading and expanding our railway for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively. Technical upgrade and expansion of our railway will require additional capital expenditures in the future including the need to purchase additional modern signal automation equipment, and could result in increased depreciation and potentially lower margins. We expect to incur capital expenditure of RMB145.1 million, of which RMB36.2 million is expected to come from the net proceeds of the Global Offering to maintain and upgrade our existing Canggang Railway Line. See "Business – Our Strategies – Upgrade and increase transportation efficiency of our existing railway" and "Future Plans and Use of Proceeds" for details. However, such expansion will also potentially allow us to increase capacity and revenue and capture future business opportunities.

In addition to maintaining and upgrading our existing railway facilities, in order to help us secure further business opportunities and increase transportation volume, we plan to construct additional branch lines. In particular, we currently plan to construct two additional branch lines connecting our railway line directly to strategic areas where current and potential customers are located by 2022, including: (i) a branch line connecting our Gangkou Station to the Northern Shandong Industrial Park in the northern Shandong area; and (ii) a branch line connecting our Yangerzhuang Station to the Comprehensive Industrial Park in the Bohai New Area. We plan to construct such branch lines through strategic partnerships with other logistics and energy industry participants. Total capital expenditure for each of these lines for which we will be responsible is expected to be RMB101.3 million and RMB125.2 million, respectively, of which RMB70.6 million and RMB43.3 million, respectively, is expected to come from the net proceeds of the Global Offering. See "Business – Our Strategies – Construct additional branch lines to expand our business scale" and "Future Plans and Use of Proceeds" for details.

Another key component in expanding our railway is the construction of additional Special Service Lines. Historically, we have established strong relationships with many of our major customers through such dedicated branch lines. During the Track Record Period, we constructed the roadbeds of two Special Service Lines for our customers in 2017 and one in 2019. Given their importance to our revenue generation, the successful construction and operation of these Special Service Lines are essential for us to secure more customers, strengthen our relationship with current customers and increase the volume of the cargo we transport. See "Business – Our Strategies – Construct additional branch lines to expand our business scale" for further details.

Ability to Control Our Operating Expenses

While we experienced growth in revenue and profit for most of the Track Record Period, our net profit margin decreased, largely as a result of our operating expenses growing faster and representing an increasing percentage of our revenue. Our operating expenses represented approximately 63.1%, 66.7%, 69.1%, 71.8% and 66.9% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020 respectively. Thus, our ability to control operating expenses will be an important factor in maintaining or increasing our profit margins and our overall profitability. Our operating expenses primarily include staff costs, cargo logistics, outsourcing service charges and other labor costs, depreciation and fuel usage costs.

According to the Frost & Sullivan Report, overall salary levels in China has been increasing in recent years and we offer competitive compensation and other benefits to attract and retain talented employees. Our staff costs increased from approximately RMB59.5 million for the year ended December 31, 2017 to approximately RMB64.9 million for the year ended December 31, 2018 and remained relatively stable at approximately RMB63.8 million for the year ended December 31, 2019. Our staff costs decreased slightly from approximately RMB25.5 million for the five months ended May 31, 2019 to approximately 23.7 million for the five months ended May 31, 2020, mainly as a result of the temporary regulatory change in the mandatory contribution to social insurance plans due to the COVID-19 outbreak. We expect our staff costs to continue to be one of our most significant operating expense components going forward, particularly in light of the expected increase in the number of our employees needed for our business expansion and increasing demand for highly skilled technicians to operate, maintain, and repair our railway and related equipment. We plan to continue to hire staff for certain positions and maintain the salary for our employees at competitive levels. However, we will also look for ways to control such expenses where possible. Upgrade of our railway should also help decrease staff costs by decreasing the need for manpower, particularly with respect to railway repair and maintenance workers. As of May 31, 2020, we employed 147 workers for railway maintenance and repair work. We estimate that once we finish the planned upgrade and renovation of the basic infrastructure of our railway, the same railway maintenance and repair work will only require approximately 80 workers.

Our cargo logistics expenses increased from approximately RMB32.8 million for the year ended December 31, 2017 to RMB41.4 million for the year ended December 31, 2018 and decreased to approximately RMB39.1 million for the year ended December 31, 2019. Our cargo logistics expenses decreased from approximately RMB16.3 million for the five months ended May 31, 2019 to approximately RMB13.0 million for the five months ended May 31, 2020, primarily due to the fact that starting in March 2020 Supplier A temporarily waived part of our cargo logistics charges associated with switching lines from Shuo-Huang Railway to our railway line until further notice. We expect our cargo logistics expenses to remain a significant part of our operating expenses as we will continue using the connecting line to the Shuo-Huang Railway Line as well as the connecting line to the Han-Huang Railway Line for which we received the necessary approval on August 15, 2019. We will continue to monitor and, where possible, negotiate better price rates with service providers from time to time.

Our outsourcing service charges and other labor costs increased from approximately RMB44.2 million for the year ended December 31, 2017 to approximately RMB51.5 million for the year ended December 31, 2018 and decreased to approximately RMB44.3 million for the year ended December 31, 2019. Our outsourcing service charges and other labor costs decreased from approximately RMB21.0 million for the five months ended May 31, 2019 to approximately RMB18.9 million for the five months ended May 31, 2020. Our future expenditure on outsourcing service charges and other labor costs largely depends on the performance of ancillary businesses for which we use outsourced or temporary labors, primarily including our road freight transportation, loading and unloading, operation, repair and maintenance of Special Service Lines and railway roadbed and other railway facilities construction businesses and the growth of our overall business.

Factors Affecting the Rail Freight Transportation Industry, the Coal Industry and Port Huanghua

Given the importance of rail freight transportation of coal, and, in particular, our ability to transport cargo directly to the Port Huanghua area, to our revenue and overall business, any regulations or other policies affecting railways, coal, or the area in which we operate, in particular Port Huanghua, could have a direct effect on our business and results of operations. The freight railway transportation business is subject to various laws, regulations and policies and the supervision and regulation of multiple government authorities including the railway and pricing authorities. For an overview of the relevant laws and regulations regarding the railway transportation industry, see "Regulatory Overview".

Historically, PRC government policy has been supportive of rail freight transportation as a clean and efficient means of transport. According to the Frost & Sullivan Report, the PRC government has continued to push forward adjustment of the freight transportation structure by increasing rail freight transportation and decreasing road freight transportation in order to limit air pollutant emissions. In particular, at the end of 2018, the government started to forbid trucks to load or discharge coal at Port Tianjin, Port Huanghua and other ports at Bohai Bay. The transfer from road freight transportation to rail freight transportation for bulk commodities is expected to further stimulate rail freight volumes.

However, the PRC government may change its industry policies from time to time by adopting new policies and measures to further regulate the railway transportation industry due to changes in macroeconomic trends or certain unexpected events. As such, there can be no assurance that the specific favorable policies that are currently available will continue to be effective. If the PRC government enacts extensive and strict regulations on the railway transportation industry, our ability to conduct our business and our flexibility to respond to market conditions may be materially affected. This could in turn increase our compliance costs which could adversely affect our business and financial performance. See "Risk Factors – Risks Relating to our Business and Industry – We cannot guarantee that new PRC regulations and policies regarding railway transportation or environmental protection will not be introduced or that existing laws and regulations will not be interpreted in a way that could adversely affect our business".

In addition, such regulations, even if favorable to rail freight transportation as a whole, could have adverse effects on our overall operations. For example, the restrictions on road freight transportation of cargo to Port Huanghua had the effect of restricting our ability to transport coal to the piers at Port Huanghua starting at the end of 2018, where previously we had used our own trucks to complete the last short distance from our Gangkou Station and Yangzhuang Station.

The following table sets forth the revenue and segment result attributable to the use of road transportation.

	For the years ended December 31,			For the five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB in thousands				
Revenue	18,196	33,841	32,530	17,047	15,612
Analyzed by route:					
– To/from Port Huanghua	7,757	26,610	29,052	15,241	15,130
– Other routes	10,439	7,231	3,478	1,806	482
Segment result	2,413	1,633	1,032	813	1,957
Analyzed by route:					
– To/from Port Huanghua	1,719	1,351	972	786	1,928
– Other routes	694	282	60	27	29

Note:

Segment result by route is calculated based on the total segment result for road freight transportation, multiplied by the road freight transportation volume attributable to the particular route and divided by the total transportation road freight volume for respective years/periods.

The following table further illustrates the revenue and volume of the road freight transportation by cargo types to and from Port Huanghua in the period before implementation of the Action Plan (for the year ended December 31, 2017 and the nine months ended September 30, 2018) and after (for the three months ended December 31, 2018, the year ended December 31, 2019 and the five months ended May 31, 2020).

	For the years ended December 31, 2017(1)		For the nine months ended September 30, 2018(1)		For the three months ended December 31, 2018(2)		For the year ended December 31, 2019(2)		For the five months ended May 31, 2020(2)	
	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume	Revenue	Volume
	(RMB'000)	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*	*(RMB'000)*	*(tonnes'000)*
Coal cargo	5,121	552	16,611	1,161	601(3)	41(3)	7,672(3)	764(3)	1,050(3)	90(3)
Non-coal cargo	2,636	273	3,446	397	5,952	608	21,380	2,282	14,081	1,051
Total	**7,757**	**825**	**20,057**	**1,558**	**6,553**	**649**	**29,052**	**3,046**	**15,131**	**1,141**

Notes:

(1) Before the implementation of the Action Plan.

(2) After the implementation of the Action Plan.

(3) After the implementation of the Action Plan, these figures include semi coke, coke and coking coal.

In addition, our revenue from loading and unloading business also decreased primarily related to the decrease of rail freight transportation designated to Port Huanghua following implementation of the Action Plan.

Largely as a result of the combined effect of the above factors, our revenue decreased by 2.6% from RMB386.9 million for 2018 to RMB376.9 million for 2019. On August 15, 2019 we received the necessary approval to connect our line to the Han-Huang Railway Line to transport cargo directly to Port Huanghua entirely by rail. We believe while we are still not able to use road freight transportation to transport coal from Yangzhuang Station to Port Huanghua as we previously did, the commencement of operation of our Han-Huang connecting line allows us to carry out transportation into Port Huanghua directly by rail, mitigating the impact of the prohibition of road freight transportation for coal. For the four months ended December 31, 2019 and the five months ended May 31, 2020, our revenue derived from transporting cargo to/from Port Huanghua via the Han-Huang connecting line was RMB1.2 million and RMB3.1 million, respectively.

Any changes in laws, regulations and policies regarding Port Huanghua could also adversely affect our results of operations. The success of our transportation and other businesses was in part attributable to our access to Port Huanghua, an important port in terms of coal transportation as well as under current policies in China. For a detailed discussion of the location and importance of Port Huanghua, see ''Business – Our Strengths – Established and expanding local railway operator with excellent location of our railway and potential to grow''. If there are any changes in policies regarding Port Huanghua which make it no longer important for coal transportation or such other functions in terms of transportation and logistics business, our access to Port Huanghua may be no longer important for our business and our results of operations could be adversely affected.

Service Mix/Diversification of Services and Cargo

Historically, we generated a significant majority of our revenue from our rail freight transportation business. Over much of the Track Record Period, the percentage of revenue derived from our rail freight transportation business decreased, as we increased revenue from ancillary businesses, notably our loading and unloading and road freight transportation business. Revenue from our rail freight transportation business accounted for approximately 71.4%, 67.1%, 68.7%, 66.9% and 70.6% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively. Revenue from rail freight transportation remained relatively flat and revenue from ancillary businesses directly connected to rail freight transportation, particularly our loading and unloading business, decreased since 2018 primarily due to our inability to transport coal to Port Huanghua directly following the implementation of the Action Plan. However, we expect revenue from rail freight transportation and related ancillary business will gradually increase as our connecting line to the Han-Huang Railway Line commenced operation after receiving the necessary permission in August 2019, which allows us to arrange the transportation of coal to Port Huanghua by rail directly.

Our service mix may influence our operating and overall margins, as margins for our rail freight transportation business tend to be significantly higher than that of our ancillary businesses. The segment margin for our rail freight transportation business for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020 was 46.3%, 43.9%, 45.4%, 43.6% and 49.8%, respectively, with the segment margin for our ancillary businesses for the same periods was 20.7%, 23.3%, 18.8%, 14.1% and 14.2%, respectively.

Diversification of cargo may also affect our financial results. As noted above, while rail freight transportation of coal has contributed the largest percentage of our revenue throughout the Track Record Period, the percentage of revenue generated from such coal transportation decreased over the Track Record Period as we focused on transportation of other cargo and on westbound transportation in general (which is primarily non-coal cargo). We intend to continue to further diversify our sources of revenue and types of cargo transported in the future. We plan to continue to develop our westbound transportation (see "Business – Our Strategies – Explore the potential for westbound transportation business and diversity our sources of income" for details), which we believe will help us increase our revenue and further diversify cargo mix.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING JUDGEMENTS AND ESTIMATES

Our consolidated financial statements has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"). We have identified certain accounting policies which we believe are the most critical to our consolidated financial statements. Our significant accounting policies are set forth in detail in note 2 to the Accountants' Report in Appendix I to this prospectus. These accounting policies require subjective and complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our consolidated financial statements. The estimates and associated assumptions are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. The key accounting judgements and estimates are discussed in more detail in note 3 to the Accountants' Report in Appendix I to this prospectus. We review our estimates and underlying assumptions on an ongoing basis.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing our consolidated financial statements, we have adopted all applicable new and revised IFRSs throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period.

Adoption of IFRS 9, IFRS 15 and IFRS 16

The IASB issued, among other, (i) IFRS 9 "Financial instruments" ("IFRS 9"), replacing the IAS 39 "Financial instruments" ("IAS 39"); (ii) IFRS 15 "Revenue from contracts with customers" ("IFRS 15"), replacing the IAS 18 "Revenue" ("IAS 18") and IAS 11 "Construction contracts" ("IAS 11") and related interpretations which were effective for annual periods beginning on or after January 1, 2018; and (iii) IFRS 16 "Leases" ("IFRS 16"), replacing IAS 17 "Leases" ("IAS 17") and related interpretations which was effective for annual periods beginning on or after January 1, 2019. We adopted IFRS 9, IFRS 15 and IFRS 16 consistently throughout the Track Record Period. Our Directors have assessed the effects of the adoption of IFRS 9, IFRS 15 and IFRS 16 on our consolidated financial statements and consider that the adoption of IFRS 9, IFRS 15 and IFRS 16 did not have significant impact on our consolidated financial position and performance during the Track Record Period.

Further details of our accounting policies with respect of financial instruments, revenue recognition and leases are set out in Notes 2(e), 2(g), 2(h)(i) and 2(r) to the Accountant's Report in Appendix 1 to this prospectus.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2020

As of the Latest Practicable Date, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on January 1, 2020 and which have not been adopted in our audited consolidated financial statements, as follows.

	Effective for accounting periods beginning on or after
Amendment to IFRS 16, *Covid-19-Related Rent Concession*	June 1, 2020
Amendments to IFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	January 1, 2022
Annual Improvements to IFRSs 2018–2020 Cycle	January 1, 2022
IFRS 17, *Insurance contracts*	January 1, 2023
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

We are in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far we have concluded that the adoption of these amendments, new standards and interpretations are unlikely to have a significant impact.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2017		2018		2019		2019		2020	
	RMB in thousands, other than percentages									
		% of revenue		*% of revenue*		*% of revenue*		*% of revenue*		*% of revenue*
							(unaudited)			
Revenue	354,343	100.0%	386,889	100.0%	376,904	100.0%	150,158	100.0%	151,831	100.0%
Operating expenses:										
Staff costs	(59,466)	(16.8%)	(64,902)	(16.8%)	(63,777)	(16.9%)	(25,510)	(17.0%)	(23,727)	(15.6%)
Cargo logistics	(32,783)	(9.3%)	(41,379)	(10.7%)	(39,117)	(10.4%)	(16,315)	(10.9%)	(13,001)	(8.6%)
Outsourcing service charges and other labor costs	(44,156)	(12.5%)	(51,453)	(13.3%)	(44,291)	(11.8%)	(20,977)	(14.0%)	(18,933)	(12.5%)
Depreciation	(26,111)	(7.4%)	(29,467)	(7.6%)	(34,830)	(9.2%)	(14,245)	(9.5%)	(15,288)	(10.1%)
Fuel used	(18,560)	(5.2%)	(29,227)	(7.6%)	(26,815)	(7.1%)	(12,064)	(8.0%)	(10,520)	(6.9%)
Repairs and maintenance	(22,949)	(6.5%)	(17,694)	(4.6%)	(17,260)	(4.6%)	(6,112)	(4.1%)	(7,032)	(4.6%)
General and administrative expenses	(7,424)	(2.1%)	(14,771)	(3.8%)	(23,338)	(6.2%)	(8,453)	(5.6%)	(9,524)	(6.3%)
Other expenses	(12,147)	(3.4%)	(9,032)	(2.3%)	(11,130)	(2.9%)	(4,133)	(2.8%)	(3,567)	(2.3%)
Total operating expenses	(223,596)	(63.1%)	(257,925)	(66.7%)	(260,558)	(69.1%)	(107,809)	(71.8%)	(101,592)	(66.9%)
Other income	822	0.2%	2,387	0.6%	2,742	0.7%	566	0.4%	1,726	1.1%
Operating profit	**131,569**	**37.1%**	**131,351**	**34.0%**	**119,088**	**31.6%**	**42,915**	**28.6%**	**51,965**	**34.2%**
Finance costs	(23,920)	(6.8%)	(21,820)	(5.6%)	(24,654)	(6.5%)	(9,083)	(6.0%)	(10,821)	(7.1%)
Share of loss of an associate	(60)	(0.0%)	(233)	(0.1%)	(183)	(0.1%)	(73)	(0.0%)	(315)	(0.2%)
Profit before taxation	**107,589**	**30.4%**	**109,298**	**28.3%**	**94,251**	**25.0%**	**33,759**	**22.5%**	**40,829**	**26.9%**
Income tax	(27,228)	(7.7%)	(27,791)	(7.2%)	(24,755)	(6.6%)	(8,644)	(5.8%)	(10,817)	(7.1%)
Profit for the year/ period	**80,361**	**22.7%**	**81,507**	**21.1%**	**69,496**	**18.4%**	**25,115**	**16.7%**	**30,012**	**19.8%**
Attributable to:										
Equity shareholders of the Company	80,439	22.7%	81,706	21.1%	70,194	18.6%	25,357	16.9%	29,431	19.4%
Non-controlling interests	(78)	(0.0%)	(199)	(0.1%)	(698)	(0.2%)	(242)	(0.2%)	581	0.4%
Profit for the year/ period	**80,361**	**22.7%**	**81,507**	**21.1%**	**69,496**	**18.4%**	**25,115**	**16.7%**	**30,012**	**19.8%**

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Our revenue represents the amount received and receivables from the provision of service in rail freight transportation and a number of ancillary services including loading and unloading, road transportation, construction, maintenance and repair, and certain other services. During the Track Record Period, we derived most of our revenue from our rail freight transportation services.

Revenue arising from provision of rail freight transportation and related ancillary businesses is recognized when the services are rendered and the enforceable rights to payments are obtained. If the services rendered are a partial fulfillment of a contract covering other services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the services promised under the contract on a relative stand-alone selling prices basis. Our revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The following table sets forth a breakdown of our revenue by business category for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2017		2018		2019		2019		2020	
	RMB in thousands, other than percentages									
Rail freight transportation	253,026	71.4%	259,423	67.1%	259,065	68.8%	100,454	66.9%	107,208	70.6%
Ancillary businesses										
Loading and unloading	73,350	20.7%	84,833	21.9%	65,654	17.4%	28,877	19.2%	24,560	16.2%
Road freight transportation	18,196	5.1%	33,841	8.7%	32,530	8.6%	17,047	11.4%	15,612	10.3%
Construction, maintenance and repair[(1)]	7,513	2.1%	6,528	1.7%	15,525	4.1%	2,923	1.9%	2,054	1.4%
Others[(2)]	2,258	0.6%	2,264	0.6%	4,130	1.2%	857	0.6%	2,397	1.5%
Subtotal	101,317	28.6%	127,466	32.9%	117,839	31.2%	49,704	33.1%	44,623	29.4%
Total	**354,343**	**100.0%**	**386,889**	**100.0%**	**376,904**	**100.0%**	**150,158**	**100.0%**	**151,831**	**100.0%**

Notes:

(1) Primarily includes revenue from operation, repair and maintenance of Special Service Lines and railway roadbed and other railway facility construction.

(2) Primarily includes revenue from car arrival service, freight agency, antifreeze treatment, scattering prevention of coal services and coal filtering, among others.

Rail freight transportation

Rail freight transportation revenue primarily consists of transportation fees received from customers for transportation of goods by rail. The following table sets forth a breakdown of revenue generated from rail freight transportation by different cargo types for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
Cargo types	**2017**	**2018**	**2019**	**2019**	**2020**
	RMB in thousands				
Coal	213,728	203,461	191,708	72,699	79,344
Petroleum	19,038	24,600	23,825	8,081	7,754
Ore	12,184	19,566	20,601	11,897	11,131
Others(1)	8,076	11,796	22,931	7,777	8,979
Total	253,026	259,423	259,065	100,454	107,208

Note:

(1) Primarily includes PVC, asphalt, gravel and others.

The following table sets forth our transportation volume and average selling price per unit by cargo types for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2017		2018		2019		2019		2020	
Cargo types	**Volume**	**Average selling price per tonne**	**Volume**	**Average selling price per tonne**	**Volume**	**Average selling price per tonne**	**Volume**	**Average selling price per tonne**	**Volume**	**Average selling price per tonne**
	In thousand tonnes	*RMB*	*In thousand tonnes*	*RMB*	*In thousand tonnes*	*RMB*	*In thousand tonnes*	*RMB*	*In thousand tonnes*	*RMB*
Coal	11,641	18.4	11,674	17.4	9,728	19.7	4,986	14.6	4,120	19.3
Petroleum	823	23.1	1,142	21.5	1,057	22.5	359	22.5	322	24.1
Ore	1,561	7.8	2,160	9.1	2,369	8.7	1,342	8.9	1,286	8.7
Others(1)	594	13.6	721	16.4	2,956	7.8	725	10.7	1,109	8.1
Total	14,619		15,697		16,110		7,412		6,837	

Note:

(1) Primarily includes PVC, asphalt, gravel and others.

For the years ended December 31, 2017 and 2018, our revenue derived from rail freight transportation increased as the total volume of cargo transported by us for the same years increased. The volume of coal transported for these years was relatively stable. The volume of ore and petroleum transported westbound increased significantly due to new customers we engaged in 2017 and 2018, while the average selling prices for both cargoes remained relatively stable.

For the year ended December 31, 2019, our overall revenue derived from rail freight transportation remained relatively stable , as a combined effect of (i) a decrease in the volume of coal of 1.9 million tonnes or 16.7%, which was mainly due to restrictions imposed by the Action Plan since late 2018 on coal transportation by road to/from Port Huanghua, making us unable to transport coal designated to Port Huanghua by rail before the operation of the Han-Huang connecting line; (ii) a significant increase in the volume of other cargo of 2.2 million tonnes or 309.8%, primarily as a result of our management's effort to diversify our product mix and business in response to the Action Plan; and (iii) the relatively stable levels of volume of petroleum and ore transported. In the same year, the average selling prices of coal, petroleum and ore remained stable while that of the other cargo fluctuated due to the different product combinations within other cargo. Our revenue derived from rail freight transportation increased for the five months ended May 31, 2020, as compared with the five months ended May 31, 2019, primarily due to an increase in the number of our customers as a result of our management's effort to expand our customer base.

For the five months ended May 31, 2020, our revenue from rail freight transportation increased by RMB6.8 million or 6.7% as compared to the corresponding period in 2019. In particular, revenue from rail transportation of coal increased by RMB6.6 million or 9.1%, as a result of the increase in its average selling price from RMB14.6 per tonne to RMB19.3 per tonne as we transported more cargo with final destinations in Shandong Province, which usually has a higher average selling price per tonne. Revenue from other cargo also increased by RMB1.2 million or 15.5% primarily attributable to an increase in the volume transported of 0.4 million tonnes or 52.9%, primarily due to increased transportation volume of gravel as we secured more customers interested in transporting gravel as compared to the five months ended May 31, 2019.

Ancillary businesses

Loading and unloading

Revenue derived from our loading and unloading is generated from service fees we charged for loading and unloading cargo for our customers. Our loading and unloading services were largely related to our rail freight transportation business and the growth/decline during the Track Record Period was generally driven by the growth/decline of our rail freight transportation business over the same year. Revenue derived from our loading and unloading business increased from the year ended December 31, 2017 to the year ended December 31, 2018 mainly because of the increase in loading and unloading services provided to one of our largest rail freight transportation customers. Revenue derived from our loading and unloading business for the year ended December 31, 2019 decreased, as compared with revenue derived from such business for the year ended December 31, 2018, mainly due to the decrease of volume of rail freight transportation designated to Port Huanghua following the implementation of the Action Plan. Revenue derived from our loading and unloading business for the five months ended May 31, 2020 decreased, as compared with revenue derived from such business for the same period in 2019, due to the decrease in loading and unloading services accompanied with our freight transportation services.

Road freight transportation

Revenue derived from road freight transportation is generated from service fees we charged for road freight transportation services we provided to our customers. Revenue derived from road freight transportation amounted to RMB18.2 million, RMB33.8 million, RMB32.5 million, RMB17.0 million and RMB15.6 million for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively. The significant growth in revenue from road freight transportation from the year ended December 31, 2017 to the year ended December 31, 2018 was primarily driven by an increase in the volume of road freight transportation services we provided to one of our largest customers who uses both our road freight and rail freight transportation services, from January to September, 2018, prior to the policy that prohibited coal transportation by road to Port Huanghua being implemented, supported by an increase of our trucking fleet as we purchased additional trucks. We purchased an additional 40 trucks in 2018 increasing our total fleet to 80 trucks, which largely increased our road freight transportation capabilities. Our road freight transportation business was limited by the implementation of the Action Plan that prohibits coal transportation by road to key ports starting at the end of 2018. The same restriction will be applied in principle to road freight transportation of other bulk cargo by the heating season of 2020. As a result, our revenue derived from road freight transportation for the year ended December 31, 2019 decreased slightly as compared with the year ended December 31, 2018. Following the implementation of the Action Plan, we provided more road freight transportation of non-coal cargo and in other areas of the Bohai New Area and plan to continue to do so as permitted by relevant laws and regulations, including the Action Plan. Revenue derived from road freight transportation for the five months ended May 31, 2020 decreased as compared with revenue derived from such business for the same period in 2019, primarily due to the decrease in road freight transportation by one of our customers.

Construction, maintenance and repair

Revenue from our construction, maintenance and repair services includes revenue from service fees we charge for operation, repair and maintenance of Special Service Lines and railway roadbed and other railway facility construction. Revenue from our construction, maintenance and repair services amounted to RMB7.5 million, RMB6.5 million, RMB15.5 million, RMB2.9 million and RMB2.1 million, respectively, for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020. The increase in revenue from our construction, maintenance and repair services in 2019 was primarily due to additional railway roadbed construction works, and other railway facility construction services that we provided during that year. The decrease in revenue from our construction, maintenance and repair services in the five months ended May 31, 2020 was primarily due to a one-off significant Special Service Line maintenance service provided in the corresponding period in 2019.

Other businesses

Revenue from our other businesses includes revenue from service fees we charge for car arrival service, freight agency, antifreeze treatment, scattering prevention of coal services, coal filtering services and certain other services we provided to our customers. Revenue from our other businesses amounted to RMB2.3 million, RMB2.3 million, RMB4.1 million, RMB0.9 million and RMB2.4 million, respectively, for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020. The increases in revenue from our other businesses in 2019 as compared with 2018 and in the five months ended May 31, 2020 as compared with the corresponding period in 2019, were primarily due to additional environmental protection and dust suppression services that we provided during that year/period.

Operating expenses

The following table sets forth a breakdown of our operating expenses for the periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2017		2018		2019		2019		2020	
	RMB in thousands, other than percentages									
							(unaudited)			
Staff costs	59,466	26.6%	64,902	25.3%	63,777	24.5%	25,510	23.7%	23,727	23.4%
Cargo logistics	32,783	14.7%	41,379	16.0%	39,117	15.0%	16,315	15.1%	13,001	12.8%
Outsourcing service charges and other labor costs	44,156	19.7%	51,453	19.9%	44,291	17.0%	20,977	19.5%	18,933	18.6%
Depreciation	26,111	11.7%	29,467	11.4%	34,830	13.4%	14,245	13.2%	15,288	15.0%
Fuel used	18,560	8.3%	29,227	11.3%	26,815	10.3%	12,064	11.2%	10,520	10.4%
Repairs and maintenance	22,949	10.3%	17,694	6.9%	17,260	6.6%	6,112	5.7%	7,032	6.9%
General and administrative expenses	7,424	3.3%	14,771	5.7%	23,338	9.0%	8,453	7.8%	9,524	9.4%
Other expenses[(1)]	12,147	5.4%	9,032	3.5%	11,130	4.2%	4,133	3.8%	3,567	3.5%
Total	223,596	100.0%	257,925	100.0%	260,558	100.0%	107,809	100.0%	101,592	100.0%

Note:

(1) Other expenses primarily consists of construction expenses, insurance, utilities and inspection and testing fees.

Staff costs

Staff costs mainly represented salaries, wages, other benefits and contributions to defined contribution retirement plans for our employees. Our employees are remunerated in the form of fixed salary and discretionary bonus based on their performance. Our staff costs, accounted for approximately 16.8%, 16.8%, 16.9%, 17.0% and 15.6% of our total revenue for each of the three years ended December 31, 2019 and the five months ended May 31, 2019 and 2020. The following table sets forth a breakdown of our staff costs for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
	2017	2018	2019	2019	2020
	RMB in thousands				
				(unaudited)	
Salaries, wages and other benefits	52,082	56,600	56,031	21,778	23,137
Contributions to defined contribution retirement plans	7,384	8,302	7,746	3,732	590
Total	59,466	64,902	63,777	25,510	23,727

Cargo logistics

Cargo logistics costs mainly represented fees charged by third party service providers for services provided to us, primarily including (i) transportation costs associated with switching lines from Shuo-Huang Railway and Beijing-Shanghai Railway to our railway which accounted for a significant portion of our cargo logistics costs; (ii) carriage car occupancy fees for using other railway operator's carriage cars; and (iii) freight yard service fees. In general, cargo logistic costs are calculated based on the distance locomotives and carriage cars traveled at a standard price. Our cargo logistics accounted for approximately 9.3%, 10.7%, 10.4%, 10.9% and 8.6% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively. During the Track Record Period, we procured cargo logistics services from one of our largest customers. See "Business – Suppliers – One major supplier and major customer share the same ultimate shareholder" for details.

Outsourcing service charges and other labor costs

Outsourcing service charges and other labor costs primarily represented (i) outsourcing service fees charged by third party service providers from whom we outsourced labor and certain other aspects of some of our ancillary businesses and (ii) other labor costs for dispatched workers. See "Business — Subcontractors" for details of services we outsourced. Our outsourcing service charges and other labor costs accounted for approximately 12.5%, 13.3%, 11.8%, 14.0% and 12.5% of our total revenue for 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively.

Depreciation

Depreciation primarily represented depreciation of our property, plant and equipment and right-of-use assets. See notes 2(f) and 3(b) to the Accountants' Report in Appendix I to this prospectus for further details of our depreciation policies. Our investments into our Canggang Railway Line and other equipment increased depreciation over the Track Record Period. Depreciation accounted for approximately 7.4%, 7.6%, 9.2%, 9.5% and 10.1% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively.

Fuel used

Costs of fuel used mainly represented cost of diesel and natural gas consumed for the daily operations of our locomotives and trucks. Our fuel used accounted for approximately 5.2%, 7.6%, 7.1%, 8.0% and 6.9% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively.

Repairs and maintenance

Repair and maintenance costs represented expenses incurred for the repair and maintenance of our property, plant and equipment and expenses incurred to purchase various consumables needed for our daily operation. Our repairs and maintenance accounted for approximately 6.5%, 4.6%, 4.6%, 4.1% and 4.6% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively.

General and administration expenses

Our general and administration expenses accounted for approximately 2.1%, 3.8%, 6.2%, 5.6% and 6.3% of our total revenue for the year ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively. The following table sets forth a breakdown of our general and administration expenses for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB in thousands				
				(unaudited)	
Tax expenses and surcharges(1)	1,354	5,541	4,064	1,676	1,469
Legal and professional fees and auditors' remuneration	496	819	432	346	202
Listing expenses	–	2,601	13,466	4,164	4,841
Business entertainment expenses	2,392	3,375	2,375	1,398	307
Office expenses	1,327	1,464	1,147	381	519
Travel expenses	952	1,052	886	291	107
Impairment loss/(reversal of impairment loss) on trade and bills receivables	497	(364)	595	119	1,902
Advertising expenses	29	12	83	20	32
Others(2)	377	271	290	58	145
Total	7,424	14,771	23,338	8,453	9,524

Notes:

(1) Our Group is subject to environmental protection tax arising from coal dust emission from our loading and unloading business pursuant to the new environmental protection regulation that took effect on January 1, 2018. Thus, our Group did not incur environmental protection tax for the year ended December 31, 2017. For the years ended December 31, 2018 and 2019, our Group incurred environmental protection tax amounted to RMB4.6 million and RMB2.9 million, respectively. The decrease in environmental protection tax for the year ended December 31, 2019 compared to the same year in 2018 was primarily due to the decrease in our loading and unloading business in 2019 which resulted in a lower level of coal dust emission. For the five months ended May 31, 2019 and 2020, our Group incurred environmental protection tax amounted to RMB1.2 million and RMB1.0 million, respectively. The decrease in environmental protection tax for the five months ended May 31, 2020 compared to the same year in 2019 was primarily due to the decrease in our loading and unloading business in the five months ended May 31, 2020 which resulted in a lower level of coal dust emission.

(2) Others primarily consists of insurance fees, IT expenses and sewage charges.

Other expenses

Our other expenses accounted for approximately 3.4%, 2.3%, 2.9%, 2.8% and 2.3% of our total revenue for the year ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively. The following table sets forth a breakdown of our other expenses for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
			RMB in thousands		
				(unaudited)	
Property insurance fees	2,038	3,313	3,380	1,443	1,255
Utilities	2,311	2,271	2,716	1,512	1,261
Inspection and testing fees[1]	1,929	2,107	2,100	865	865
Rental expenses	280	844	78	26	–
Fixed assets impairment losses	3,571	–	–	–	–
Construction expenses[2]	1,663	101	2,256	–	48
Others[3]	355	396	600	287	138
Total	12,147	9,032	11,130	4,133	3,567

Notes:

(1) Inspection and testing fees relate to inspection and testing of our railway and locomotives.

(2) Construction expenses primarily relate to repair and maintenance of Special Service Lines and construction of railway roadbeds and other railway facilities.

(3) Others primarily consists of work safety related expenses and vehicle expenses.

Other income

The following table sets forth, a breakdown of our other income for the periods indicated:

	For the years ended 31 December			For the five months ended May 31,	
	2017	2018	2019	2019	2020
	RMB in thousands				
				(unaudited)	
Government grants[(1)]	–	–	155	–	1,216
Interest income[(2)]	588	1,107	1,097	472	522
Net gains on investments in wealth management products[(3)]	998	298	142	142	–
Net (losses)/gains on disposal of property, plant and equipment	(896)	136	784	(15)	(12)
Others[(4)]	132	846	564	(33)	–
	822	2,387	2,742	566	1,726

Notes:

(1) Our government grants in 2019 and part of our government grants in the five months ended May 31, 2020 were in relation to subsidizing the unemployment insurance premiums paid by us in the previous year. The requirements for a company to be eligible to receive the government grants include: (i) the production and operation activities of the company shall comply with the industrial structure adjustment and environmental protection policies of the PRC and the local governments where the company is located; (ii) there were no layoffs or the layoff rate of the company did not exceed 4.5% in the previous year; and (iii) the unemployment insurance premiums were paid in full for all the 12 months in the previous year. The policy for such refund was issued in 2019, and we expect to be granted the subsidy again if we meet the relevant requirements. The remaining part of our government grant in the five months ended May, 31, 2020 were in relation to subsidizing the listing expenses for companies which were (i) incorporated and registered with the commerce and tax authorities in Hebei Province; and (ii) seeking to be listed in certain stock exchanges, including the Stock Exchange. The policy was issued in January 2019 pursuant to which RMB1.0 million and RMB2.0 million of the subsidy shall be paid to qualified companies upon the submission of listing documents and upon the successful listing on the Stock Exchange. Given our expected timetable for the Listing, we expect to be granted the remaining RMB2.0 million in the year ending December 31, 2020. For government grants we recognized as other income during the Track Record Period there were no unfulfilled conditions or other contingencies.

(2) Interest income represents interest we earned from our bank deposits with commercial banks and financial component of our receivables from the disposals of Special Service Lines with repayment term of over 12 months under IFRS 15.

(3) Net gains on investments in wealth management product, represents net gains from non-principal guaranteed floating income wealth management products from reputable Chinese commercial banks. Our wealth management products were among the low-risk and short-term products issued by such banks, and generally had investment portfolios covering debentures, asset backed securities, interbank loans, reverse purchases and bank deposits. The return on these products were not fixed or guaranteed. Such products were primarily redeemable on demand upon our request.

(4) In 2018, we received monetary damages from a civil case that Canggang Company brought against an independent third party relating to property damage it suffered. In 2019, others primarily represents sales of scrap railway materials.

During the Track Record Period, the wealth management products purchased by us were among the low-risk and short-term products issued by such banks, and generally had investment portfolios covering debentures, asset backed securities, interbank loans, reverse purchases and bank deposits. The return on these products were not fixed or guaranteed. Such products were primarily redeemable on demand upon our request. All of our investments were reviewed and approved by Mr. Yi, our chief executive officer and executive Director. Our finance department was responsible for our day-to-day investment activities.

To better manage the risks which we may be exposed to in handling investment transactions, we have adopted and implemented an enhanced internal policy since August 2019 which provides guidelines, requirements and an approval process with respect to our treasury investment activities.

Under the enhanced treasury investment policy, the securities investment department, which is under our finance department, is responsible for managing our investments in securities and wealth management products. We are only allowed to invest in wealth management products with low risk as ranked by the issuing institutions. No investments can be made on unsecured debentures, non-principal protected products based on derivative assets and products issued by institutions without valid operating licenses. Our finance department is responsible for arranging for the funding for such investments, handling taxation related matters, providing financial data related to the investment and reviewing the financial conditions of the target entities (where applicable).

Prior to our purchase of any wealth management products, our securities investment department is required to compile a due diligence report providing the information such as the feasibility of the investment and an economic analysis of the investment. The report will be submitted to head of the securities investment department for review. After the head of the securities investment department has reviewed such due diligence report, the report will be submitted to the finance department for further examination. Upon approval by the finance department, the head of the securities investment department will submit the relevant investment proposal to the chief executive officer of our Company for final approval. If the amount of any investment exceeds RMB20.0 million, such investment must also be reviewed and approved by our Board. After the Listing, if any proposed investment would constitute a notifiable transaction under Chapter 14 of the Listing Rules, such investment will be subject to approval by the Board, and if required, our Shareholders.

After making the investments, our securities investment department is responsible for monitoring the performance of the invested wealth management products and ensuring the relevant contracts are not breached. Any significant or adverse fluctuation in the invested wealth management products shall be reported to our management and appropriate mitigation actions shall be taken immediately. Upon the expiration date of each investment, our securities investment department is responsible for the redemption and disposition of the investments according to the relevant contracts in a timely manner.

Our Board will conduct regular review on the status and returns of our major investments. Our independent non-executive Directors, are empowered to review our overall financial investments. If non-compliance with our treasury investment policies is found, our Board can terminate the relevant investment on the recommendation of our independent non-executive Directors.

Segment result and segment margin

We also prepare segment result and segment margin for each of our business segments. The following table sets forth a breakdown of our segment result and segment margin by business segment for the periods indicated:

		For the years ended December 31,			For the five months ended May 31,	
		2017	**2018**	**2019**	**2019**	**2020**
					(unaudited)	
Rail freight transportation	Segment result *(RMB in thousands)*	117,229	113,992	117,521	43,801	53,406
	Segment margin	46.3%	43.9%	45.4%	43.6%	49.8%
Ancillary businesses	Segment result *(RMB in thousands)*	20,942	29,743	22,163	7,001	6,357
	Segment margin	20.7%	23.3%	18.8%	14.1%	14.2%

Reconciliation of segment result to operating profit is as below:

	Years ended December 31,			For the five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Total segment result	138,171	143,735	139,684	50,802	59,763
General and administration expenses	(7,424)	(14,771)	(23,338)	(8,453)	(9,524)
Other income	822	2,387	2,742	566	1,726
Operating profit	131,569	131,351	119,088	42,915	51,965

Segment margin is equal to segment result divided by segment revenue.

Finance costs

The following table sets forth a breakdown of our finance costs for the periods indicated:

	For the years ended December 31			For the five months ended May 31,	
	2017	2018	2019	2019	2020
	RMB in thousands				
				(unaudited)	
Total interest expense on bank and other loans	25,603	26,812	27,198	10,791	10,821
Less: interest expense capitalized into property, plant and equipment [(1)]	(1,683)	(4,992)	(2,544)	(1,708)	–
	23,920	21,820	24,654	9,083	10,821

Note:

(1) Borrowing costs related to construction have been capitalized at a rate of 5.70-6.38% per annum, 5.84-6.08% per annum, 5.70%-6.18% per annum, 5.70-6.18% per annum (unaudited) and nil per annum for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively.

Share of loss of an associate/associates

Share of loss of an associate/associates represented our share of loss in our 40% interests in Cangzhou Bohai New Area Huanghua Port Railway Logistics Co., Ltd.* (滄州渤海新區黃驊港鐵路物流有限公司) ("Huanghua Logistics") and our 40% interests in Shangcheng, which in total amounted to RMB60,000, RMB233,000, RMB183,000, RMB73,000 and RMB315,000 in the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively.

For the summarized financial information in relation to Huanghua Logistics and Shangcheng, see note 14 to the Accountants' Report in Appendix I to this prospectus.

Taxation

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

Cayman Islands profit tax

Our Company was incorporated in the Cayman Islands as an exempt company with limited liability and accordingly is not subject taxation in the Cayman Islands.

BVI income tax

Canggang BVI and Puji Global were incorporated in the BVI. During the Track Record Period, Canggang BVI and Puji BVI were not subject to any taxation in the BVI.

Hong Kong profits tax

Canggang HK and Puji HK were incorporated in Hong Kong. During the Track Record Period, no provision for Hong Kong profits tax has been made because Canggang HK and Puji HK did not have assessable profits which are subject to Hong Kong profits tax.

PRC corporate income tax

WFOE, Canggang Company and Jinghai International were established in the PRC and their PRC corporate income tax have been provided at the applicable tax rate of 25% on the estimated assessable profits for the Track Record Period.

Our income tax expenses were RMB27.2 million, RMB27.8 million, RMB24.8 million, RMB8.6 million and RMB10.8 million for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively; our effective tax rates for the respective year/period remained relatively stable at 25.3%, 25.4%, 26.3%, 25.6% and 26.5%, respectively.

Our Directors confirm that as of the Latest Practicable Date, (i) our Group had made all required tax filings under the relevant tax laws and regulations in the PRC and had paid all outstanding tax liabilities due, and (ii) that our Group was not subject to any disputes with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five Months Ended May 31, 2020 Compared to Five Months Ended May 31, 2019

Revenue

	For the five months ended May 31,			
	2019		2020	
	RMB in thousands, other than percentages			
Rail freight transportation	100,454	66.9%	107,208	70.6%
Ancillary businesses				
Loading and unloading	28,877	19.2%	24,560	16.2%
Road freight transportation	17,047	11.4%	15,612	10.3%
Construction, maintenance and repair(1)	2,923	1.9%	2,054	1.4%
Other(2)	857	0.6%	2,397	1.5%
Subtotal	49,704	33.1%	44,623	29.4%
Total	150,158	100.0%	151,831	100.0%

Notes:

(1) Primarily includes revenue from operation, repair and maintenance of Special Service Lines and railway roadbed and other railway facility construction.

(2) Primarily includes revenue from car arrival service, freight agency, antifreeze treatment, and scattering prevention of coal services, among others.

Our revenue increased by 1.1% or RMB1.7 million, from RMB150.2 million for the five months ended May 31, 2019 to RMB151.8 million for the five months ended May 31, 2020, primarily due to an increase in revenue from rail freight transportation of RMB6.8 million, partially offset by a decrease in revenue from ancillary businesses, primarily including a decrease in our loading and unloading business of RMB4.3 million.

Revenue from rail freight transportation increased by 6.7% or RMB6.8 million, primarily due to an increase in the number of our customers as a result of our management's effort to expand our customer base.

Revenue from our loading and unloading business decreased by 14.9% or RMB4.3 million, primarily due to the decrease in loading and unloading services accompanied with our freight transportation services.

Revenue from our road freight transportation business decreased by 8.4% or RMB1.4 million, primarily due to a decrease in road freight transportation by one of our customers.

Revenue from our construction, maintenance and repair business for the five months ended May 31, 2020 was RMB0.9 million lower than that for the corresponding period in 2019, due to a one-off Special Service Line maintenance service provided during the five months ended May 31, 2019.

Revenue from others increased significantly by 179.7% or RMB1.5 million, primarily due to an increase in provision of scattering prevention services during the five months ended May 31, 2020.

Operating expenses

Our operating expenses decreased by 5.8% or RMB6.2 million from RMB107.8 million for the five months ended May 31, 2019 to RMB101.6 million for the five months ended May 31, 2020.

A year on year comparison of each of our major operating expenses is as follows:

Staff costs

Our staff costs decreased by 7.0% or RMB1.8 million, from RMB25.5 million in the five months ended May 31, 2019 to RMB23.7 million in the five months ended May 31, 2020, primarily due to a reduction in required contributions to social insurance schemes from February to April 2020 in accordance with changes in government policy due to the COVID-19 outbreak. Pursuant to the Notice to Temporarily Reduce Contributions to Social Insurance Schemes for Enterprises* (《關於階段性減免企業社會保險費的通知》) issued by Department of Human Resources and Social Security of Hebei Province (河北省人力資源和社會保障廳), Department of Finance of Hebei Province (河北省財政廳) and Hebei Taxation Bureau of State Administration of Taxation (國家税務總局河北省税務局), the required contribution to social insurance schemes payable by the enterprises for their employees were reduced by half for large-scale enterprises in Hebei Province from February to April 2020, in order to support the recovery of economy during the outbreak of COVID-19. As such, our contributions to defined contribution retirement plans dropped significantly.

Cargo logistics

Our cargo logistics expenses decreased by 20.3% or RMB3.3 million, from RMB16.3 million in the five months ended May 31, 2019 to RMB13.0 million in the five months ended May 31, 2020, primarily due to the fact that starting in March 2020 Supplier A temporarily waived our cargo logistics charges for non-coal cargo associated with switching lines from Shuo-Huang Railway to our railway line using their locomotive until further notice, pursuant to a conference minutes of Supplier A.

Outsourcing service charges and other labor costs

Our outsourcing service charges and other labor costs decreased by 9.7%, or RMB2.0 million, from RMB21.0 million in the five months ended May 31, 2019 to RMB18.9 million in the five months ended May 31, 2020, primarily due to a decrease in our loading and unloading services, resulting in a reduction in our need to engage third party service providers.

Depreciation

Our depreciation expenses increased by 7.3%, or RMB1.0 million, from RMB14.2 million in the five months ended May 31, 2019 to RMB15.3 million in the five months ended May 31, 2020, primarily due to the depreciation over the full value of the Han-Huang connecting line upon its completion in late 2019. In the five months ended May 31, 2019, we only incurred depreciation in relation to that part of the Han-Huang connecting line which had been completed in December 2018.

Fuel used

Our costs of fuel used decreased by 12.8%, or RMB1.5 million, from RMB12.1 million in the five months ended May 31, 2019 to RMB10.5 million in the five months ended May 31, 2020. Since 2018, we have been gradually replacing diesel with natural gas as the latter is cheaper and more environmentally friendly. As the price of natural gas is lower than diesel, our total cost for fuel used dropped.

Repairs and maintenance

Our repairs and maintenance expenses increased by 15.1%, or RMB0.9 million, from RMB6.1 million for the five months ended May 31, 2019 to RMB7.0 million for the five months ended May 31, 2020, primarily due to additional costs incurred in relation to repair, maintenance and inspection of our railway assets and trucks.

General and administration expenses

Our general and administration expenses increased by 12.7%, or RMB1.1 million, from RMB8.5 million for the five months ended May 31, 2019 to RMB9.5 million for the five months ended May 31, 2020, primarily due to the increase in the impairment loss on trade receivables of RMB1.8 million as our trade receivables were in general aged longer as of May 31, 2020, due to the delayed payment since the COVID-19 outbreak.

Other expenses

Our other expenses decreased by 13.7%, or RMB0.6 million, from RMB4.1 million for the five months ended May 31, 2019 to RMB3.6 million for the five months ended May 31, 2020, primarily due to decreases in property insurance fees and utilities expenses.

Other income

Our other income increased significantly by 204.9%, or RMB1.1 million, from RMB0.6 million for the five months ended May 31, 2019 to RMB1.7 million for the five months ended May 31, 2020, primarily due to a government grant we received in support of our Listing. The government grant we received in the five months ended May 31, 2020 was in relation to subsidizing the listing expenses for companies which were (i) incorporated and registered with the commerce and tax authorities in Hebei Province; and (ii) seeking to be listed in certain stock exchanges, including the Stock Exchange. The policy was issued in January 2019 pursuant to which RMB1.0 million and RMB2.0 million of the subsidy will be paid to qualified companies upon the submission of listing documents and upon the successful listing on the Stock Exchange. We expect to be granted the remaining RMB2.0 million in the year ending December 31, 2020.

Segment result and segment margin

For the five months ended May 31, 2019 and 2020, segment result for our rail freight transportation was RMB43.8 million and RMB53.4 million, respectively. For the same period, the segment margin for our rail freight transportation was 43.6% and 49.8%, respectively.

For the five months ended May 31, 2019 and 2020, segment result for our ancillary businesses was RMB7.0 million and RMB6.4 million, respectively. For the same period, the segment margin for our ancillary businesses remained relatively stable at 14.1% and 14.2%, respectively.

The increase in segment margin for rail freight transportation in the five months ended May 31, 2020 was primarily due to the fact that revenue from rail freight transportation increased, whereas the relevant staff costs and cargo logistics costs decreased as a result of special supportive government policies and our suppliers' internal guidelines in relation to the COVID-19 outbreak as discussed above.

Finance costs

Our finance costs increased by 19.1%, or RMB1.7 million, from RMB9.1 million for the five months ended May 31, 2019 to RMB10.8 million for the five months ended May 31, 2020, primarily due to the increase in our average monthly loan balance.

Income tax expenses

Our income tax expense increased by 25.1%, or RMB2.2 million, from RMB8.6 million for the five months ended May 31, 2019 to RMB10.8 million for the five months ended May 31, 2020, primarily due to the increase in our profit before tax. Our effective tax rate remained relatively stable at 25.6% for the five months ended May 31, 2019 and at 26.5% for the five months ended May 31, 2020.

Profit for the period and net profit margin

As a result of the foregoing, our profit for the period increased by 19.5% or RMB4.9 million, from RMB25.1 million for the five months ended May 31, 2019 to RMB30.0 million for the five months ended May 31, 2020. Our net profit margin increased from 16.7% for the five months ended May 31, 2019 to 19.8% for the five months ended May 31, 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

	For the year ended December 31,			
	2018		2019	
	RMB in thousands, other than percentages			
Rail freight transportation	259,423	67.1%	259,065	68.8%
Ancillary businesses				
Loading and unloading	84,833	21.9%	65,654	17.4%
Road freight transportation	33,841	8.7%	32,530	8.6%
Construction, maintenance and repair(1)	6,528	1.7%	15,525	4.1%
Others(2)	2,264	0.6%	4,130	1.2%
Subtotal	127,466	32.9%	117,839	31.2%
Total	**386,889**	**100.0%**	**376,904**	**100.0%**

Notes:

(1) Primarily includes revenue from operation, repair and maintenance of Special Service Lines and railway roadbed and other railway facility construction.

(2) Primarily includes revenue from car arrival service, freight agency, antifreeze treatment, and scattering prevention of coal services, among others.

Our revenue decreased by 2.6% or RMB10.0 million from RMB386.9 million for the year ended December 31, 2018 to RMB376.9 million for the year ended December 31, 2019, primarily due to a decrease in revenue from ancillary businesses of RMB9.6 million primarily relating to the decrease in revenue from loading and unloading business of RMB19.2 million partially offset by the increase in revenue from construction, maintenance and repair of RMB9.0 million.

Revenue from rail freight transportation remained relatively stable at RMB259.4 million for the year ended December 31, 2018 and RMB259.1 million for the year ended December 31, 2019. Revenue from rail freight transportation of coal decreased by 5.8% or RMB11.8 million, mainly as a result of our inability to transport coal to Port Huanghua directly following the implementation of the Action Plan in the third quarter of 2018 which restricted road transportation of coal to Port Huanghua. As a result of the Action Plan, Customer B, one of our key customers, reduced the use of our railway for transporting their coal to Port Huanghua starting in October 2018. However, such transportation into Port Huanghua was gradually resumed since late August 2019 when our Han-Huang connecting line commenced operations.

Further, this was partially offset by an increase in our transportation of other products such as asphalt and gravel of RMB11.1 million, primarily in relation to Customer B and our new customers who are primarily engaged in various construction projects, such as water conservancy projects and commenced business with us in 2019 as a result of our effort to diversify our product mix and business.

Revenue from our loading and unloading business decreased by 22.6% or RMB19.2 million. This decrease was largely related to the decrease of volume of rail freight transportation designated to Port Huanghua following the implementation of the Action Plan.

Revenue from our road freight transportation business decreased by 3.9% or RMB1.3 million primarily due to the impact of the Action Plan on road transportation of coal as mentioned above. After the implementation of the Action Plan, Customer B, Bohui Group and four other customers ceased to transport coal to Port Huanghua through us. This was particularly significant for Customer B, being our largest customer for the year ended December 31, 2018 which contributed over 90% of our Group's revenue in 2018 in respect of road freight transportation of coal to Port Huanghua. This decrease was partially offset by an increase in revenue from our road freight transportation services of non-coal cargo.

Revenue from our construction, maintenance and repair business increased by 137.8% or RMB9.0 million, primarily because more construction services were provided during the year, mainly in relation to the construction of two other railway facilities and repair and maintenance work for three Special Service Lines.

Revenue from others increased by 82.4% or RMB1.9 million, primarily due to provision of new services we offered to our customers, including antifreeze treatment and scattering prevention of coal services.

Operating expenses

Our operating expenses increased by 1.0% or RMB2.6 million from RMB257.9 million for the year ended December 31, 2018 to RMB260.6 million for the year ended December 31, 2019.

A year on year comparison of each of our major operating expenses is as follows:

Staff costs

Our staff costs remained relatively stable at RMB64.9 million and RMB63.8 million in the years ended December 31, 2018 and 2019, respectively.

Cargo logistics

Our cargo logistics expenses decreased by 5.5% or RMB2.3 million from RMB41.4 million in the year ended December 31, 2018 to RMB39.1 million in the year ended December 31, 2019, primarily due to a decrease in rail freight transportation volume to and from Port Huanghua.

Outsourcing service charges and other labor costs

Our outsourcing service charges and other labor costs decreased by 13.9%, or RMB7.2 million from RMB51.5 million for the year ended December 31, 2018 to RMB44.3 million for the year ended December 31, 2019, primarily due to the decrease in our loading and unloading services in 2019, resulting in a reduction in our need to engage third party service providers.

Depreciation

Our depreciation expenses increased by 18.2% or RMB5.4 million from RMB29.5 million for the year ended December 31, 2018 to RMB34.8 million for the year ended December 31, 2019, primarily in relation to (i) the full year depreciation in 2019 for an additional 40 trucks which were purchased by us in 2018 and (ii) the depreciation of the Han-Huang connecting line which was partially completed in December 2018.

Fuel used

Our costs of fuel used decreased by 8.3%, or RMB2.4 million, from RMB29.2 million for the year ended December 31, 2018 to RMB26.8 million for the year ended December 31, 2019. Since 2018, we have been replacing diesel with natural gas as the latter is cheaper and more environmentally friendly. As the price of natural gas is lower than diesel, our total cost for fuel used dropped.

Repairs and maintenance

Our repairs and maintenance expenses remained relatively stable, decreasing by 2.5%, or RMB0.4 million, from RMB17.7 million for the year ended December 31, 2018 to RMB17.3 million for the year ended December 31, 2019.

General and administration expenses

Our general and administration expenses increased by 58.0%, or RMB8.6 million, from RMB14.8 million for the year ended December 31, 2018 to RMB23.3 million for the year ended December 31, 2019, primarily due to an increase in listing expenses of RMB10.9 million in relation to this Global Offering partially offset by a decrease in tax expense and surcharges of RMB1.5 million mainly in relation to environmental protection tax which primarily related to the decrease in our loading and unloading business.

Other expenses

Our other expenses increased by 23.2%, or RMB2.1 million, from RMB9.0 million for the year ended December 31, 2018 to RMB11.1 million for the year ended December 31, 2019, primarily due to an increase in our construction expenses of RMB2.2 million which were primarily related to our additional railway roadbed and other railway facility construction works in 2019.

Other income

Our other income increased by 14.9%, or RMB0.4 million from RMB2.4 million for the year ended December 31, 2018 to RMB2.7 million for the year ended December 31, 2019, primarily due to the disposal of a railway culvert in 2019.

Segment result and segment margin

For the years ended December 31, 2018 and 2019, segment result for our rail freight transportation was RMB114.0 million and RMB117.5 million, respectively. For the same years, the segment margin for our rail freight transportation remained relatively stable at 43.9% and 45.4%, respectively.

For the years ended December 31, 2018 and 2019, segment result for our ancillary businesses was RMB29.7 million and RMB22.2 million, respectively. For the same years, segment margin for our ancillary businesses was 23.3% and 18.8%, respectively.

This decrease in segment margin for ancillary businesses in the year ended December 31, 2019 was primarily due to (i) increasing unit prices charged by our subcontractors; and (ii) higher costs related to our road transportation business as the purchase of 40 additional trucks in March 2018 led to higher depreciation costs for the year ended December 31, 2019 compared to 2018, partially offset by higher margins from railway roadbed construction and other railway facility construction.

Finance costs

Our finance costs increased by 13.0%, or RMB2.8 million from RMB21.8 million for the year ended December 31, 2018 to RMB24.7 million for the year ended December 31, 2019, primarily due to an increase in our average monthly loan balance.

Income tax expense

Our income tax expense decreased by 10.9% or RMB3.0 million from RMB27.8 million for the year ended December 31, 2018 to RMB24.8 million for the year ended December 31, 2019. This was primarily due to a decrease in our profit before tax. Our effective tax rate remained relatively stable at 25.4% for the year ended December 31, 2018 and at 26.3% for the year ended December 31, 2019.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year decreased by 14.7% or RMB12.0 million from RMB81.5 million for year ended December 31, 2018 to RMB69.5 million for the year ended December 31, 2019. Our net profit margin decreased from 21.1% for the year ended December 31, 2018 to 18.4% for the year ended December 31, 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

	For the year ended December 31,			
	2017		2018	
	RMB in thousands, other than percentages			
Rail freight transportation	253,026	71.4%	259,423	67.1%
Ancillary businesses				
Loading and unloading	73,350	20.7%	84,833	21.9%
Road freight transportation	18,196	5.1%	33,841	8.7%
Construction, maintenance and repair(1)	7,513	2.1%	6,528	1.7%
Others(2)	2,258	0.6%	2,264	0.6%
Subtotal	101,317	28.6%	127,466	32.9%
Total	**354,343**	**100.0%**	**386,889**	**100.0%**

Notes:

(1) Primarily includes revenue from operation, repair and maintenance of Special Service Lines and railway roadbed construction.

(2) Primarily includes revenue from car arrival service, freight agency, and coal filtering service, among others.

Our revenue increased by 9.2% or RMB32.6 million from RMB354.3 million for the year ended December 31, 2017 to RMB386.9 million for the year ended December 31, 2018, primarily due to (i) an increase in revenue from rail freight transportation of RMB6.4 million; and (ii) an increase in revenue from ancillary businesses of RMB26.1 million primarily relating to (a) an increase in revenue from our loading and unloading business of RMB11.5 million; and (b) an increase in revenue from our road freight transportation business of RMB15.6 million.

Revenue from rail freight transportation increased by 2.5%, or RMB6.4 million, primarily because of an increasing volume of westbound transportation from Port Huanghua, in particular for ore and petroleum, and eastbound transportation of non-coal cargo. This was the result of increased volume of cargo transported by existing customers and was part of our overall strategy to conduct more westbound transportation business to better utilize our transportation resources. This was partially offset by a decrease of revenue generated from transportation of coal, primarily due to a decrease in price we charged one of our largest customers.

Revenue from our loading and unloading business increased by 15.7%, or RMB11.5 million, primarily due to an increase in volume of loading and unloading services we provided to one of our major customers for the year ended December 31, 2018.

Revenue from our road freight transportation business increased by 86.0%, or RMB15.6 million, which was primarily because of an increase in the volume of our road freight transportation services we provided to one of our largest customers who uses both our road freight and rail freight transportation services, from January to September, 2018, prior to the policy that prohibited coal transportation by road to Port Huanghua was implemented; supported by an increase of our trucking fleet as we purchased additional 40 trucks in 2018.

Revenue from our construction, maintenance and repair business decreased by 13.1%, or RMB1.0 million primarily because we constructed roadbeds for additional two Special Service Lines during the year ended December 31, 2017. This decrease was partially offset by an increase in revenue from maintenance services we provided for these Special Service Lines for the year ended December 31, 2018.

Revenue from others remained relatively stable at RMB2.3 million for each of the years ended December 31, 2017 and 2018.

Operating expenses

Our operating expenses increased by 15.4%, or RMB34.3 million from RMB223.6 million for the year ended December 31, 2017 to RMB257.9 million for the year ended December 31, 2018.

A year on year comparison of each of our major operating expenses is as follows:

Staff costs

Our staff costs increased by 9.1% or RMB5.4 million from RMB59.5 million in the year ended December 31, 2017 to RMB64.9 million in the year ended December 31, 2018, mainly attributable to an increase in the average number of employees and increases in performance-based bonuses primarily corresponding with the increase in our revenue.

Cargo logistics

Our cargo logistics expenses increased by 26.2% or RMB8.6 million from RMB32.8 million in the year ended December 31, 2017 to RMB41.4 million in the year ended December 31, 2018, primarily due to increases in costs associated with switching lines from our railway to Shuo-Huang Railway and the Beijing-Shanghai Railway and carriage car occupancy fees which was generally in line with the growth of our rail freight transportation volume in 2018, in particular, the growth of our westbound rail freight transportation volume.

Outsourcing service charges and other labor costs

Our outsourcing service charges and other labor costs increased by 16.5%, or RMB7.3 million from RMB44.2 million for the year ended December 31, 2017 to RMB51.5 million for the year ended December 31, 2018, primarily due to increase in other labor costs charged by third party labor dispatching agents in 2018 for additional labor to carry out certain tasks for our ancillary businesses. This was partially offset by a decrease in outsourcing charges as we purchased an additional 40 trucks in 2018 in order to handle more of our road freight transportation requirements internally, leading to a decrease in the need for third party service providers.

Depreciation

Our depreciation expenses increased by 12.9% or RMB3.4 million from RMB26.1 million for the year ended December 31, 2017 to RMB29.5 million for the year ended December 31, 2018, primarily attributable to our purchase of right-of-use assets, trucks, and equipment related to our railway operation in 2018.

Fuel used

Our cost of fuel used increased by 57.5%, or RMB10.6 million, from RMB18.6 million for the year ended December 31, 2017 to RMB29.2 million for the year ended December 31, 2018, primarily due to (i) an increase in our consumption of diesel which was in line with increases in our rail freight transportation and road freight transportation volume; (ii) an increase in the price of diesel; and (iii) an increase in our consumption of natural gas due to purchase of an additional 40 trucks in 2018.

Repairs and maintenance

Our repairs and maintenance expenses decreased by 22.9%, or RMB5.2 million, from RMB22.9 million for the year ended December 31, 2017 to RMB17.7 million for the year ended December 31, 2018, mainly due to additional costs we incurred in 2017 relating to repair, maintenance and inspection of our tracks, railway assets and locomotives.

General and administration expenses

Our general and administration expenses increased by 99.0%, or RMB7.4 million, from RMB7.4 million for the year ended December 31, 2017 to RMB14.8 million for the year ended December 31, 2018, primarily due to (i) an increase in tax expenses and surcharges of RMB4.2 million, mainly attributable to a significant increase in environmental protection taxes by RMB4.6 million arising from our loading and unloading business pursuant to the new environmental protection regulation that took effect on January 1, 2018; and (ii) an increase in listing expenses of RMB2.6 million in relation to this Global Offering, partially offset by the reversal of impairment loss of trade and bills receivables of RMB0.4 million for the year ended December 31, 2018, as compared to impairment loss of RMB0.5 million for the year ended December 31, 2017.

Other expenses

Our other expenses decreased by 25.6%, or RMB3.1 million from RMB12.1 million for the year ended December 31, 2017 to RMB9.0 million for the year ended December 31, 2018, primarily due to (i) a decrease in fixed asset impairment losses of RMB3.6 million due to the fact that we ceased to operate our coal filtering services in November 2017 as the demand from our customers was low and equipment related to such services had became obsolete; (ii) a decrease in construction expenses of RMB1.6 million as we did not provide railway roadbed construction service in 2018. This was partially offset by an increase in property insurance fees of RMB1.3 million mainly in relation to additional motor vehicle insurance we purchased for our new trucks purchased in the same year.

Other income

Our other income increased by 190.4%, or RMB1.6 million from RMB0.8 million for the year ended December 31, 2017 to RMB2.4 million for the year ended December 31, 2018, primarily due to (i) an increase in interest income of RMB0.5 million as a result of an increase in our average monthly bank balances; and (ii) net gains on disposal of property, plant and equipment of RMB0.1 million in the year ended December 31, 2018 compared to net losses on disposal of property, plant and equipment of RMB0.9 million in the previous year, in relation to certain obsolete equipment used for coal filtering services, partially offset by a decrease in net gains on investments in wealth management products by RMB0.7 million.

Segment result and segment margin

For the years ended December 31, 2017 and 2018, segment result for our rail freight transportation business was RMB117.2 million and RMB114.0 million, respectively. For the same years, segment margin for our rail freight transportation was 46.3% and 43.9%, respectively.

The decrease in our segment result and segment margin for our rail freight transportation was primarily due to (i) the increase in staff cost mainly attributable to an increase in staff we employed and an increase in performance-based bonus we gave to our employees in response to the increase in revenue for rail freight transportation; (ii) the increase in cargo logistics expenses mainly attributable to the increase in service fees charged by the Shuo-Huang Railway Line for taking trains out of and into stations, partially offset by the decrease in repair and maintenance expenses as we incurred less expenses for repairing our locomotives and tracks, bridges and other railway assets in 2018 compared to 2017.

For the years ended December 31, 2017 and 2018, segment result for our ancillary businesses was RMB20.9 million and RMB29.7 million, respectively. For the same years, the segment margin for our ancillary businesses was 20.7% and 23.3%, respectively.

The increase in our segment result and segment margin for our ancillary businesses was due to (i) the significant increase in revenue from our loading and unloading and road freight transportation businesses; (ii) the less significant increase in our outsourcing service charges and other labor costs as compared to revenue primarily because we have handled more of our road freight transportation requirements by our trucking fleet using the additional trucks we acquired, leading to a decrease in the need for third party service providers; and partially offset by (iii) the increase in cost of fuel used for our road freight transportation business primarily due to the increase in our consumption of natural gas due to purchase of an additional 40 trucks in 2018.

Finance costs

Our finance costs decreased by 8.8%, or RMB2.1 million from RMB23.9 million for the year ended December 31, 2017 to RMB21.8 million for the year ended December 31, 2018 despite the fact that there was an increase in average loan balance, primarily due to increase in amount of interest expense capitalized mainly for the construction of the connection line between Yangerzhuang Station and Bohaixi Station.

Income tax expense

Our income tax expense increased by 2.1% or RMB0.6 million from RMB27.2 million for the year ended December 31, 2017 to RMB27.8 million for the year ended December 31, 2018. This was primarily due to an increase in our profit before tax. Our effective tax rate remained relatively stable at 25.3% for the year ended December 31, 2017 and 25.4% for the year ended December 31, 2018.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by 1.4% or RMB1.1 million from RMB80.4 million for the year ended December 31, 2017 to RMB81.5 million for the year ended December 31, 2018. Our net profit margin decreased from 22.7% for the year ended December 31, 2017 to 21.1% for the year ended December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2020, we had cash and cash equivalents of RMB70.8 million. Historically, we have financed our capital expenditures and working capital requirements mainly through cash generated from our operating activities and bank and other loans. Our business model does not require extensive external capital expenditures for daily operation and we do not expect our business to become capital demanding in the future. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash flow generated from our operating activities, bank and other loans and proceeds from the Global Offering.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
	2017	2018	2019	2019	2020
	RMB in thousands				
				(unaudited)	
Net cash generated from operating activities	112,053	150,039	110,326	14,322	47,277
Net cash used in investing activities	(88,995)	(146,370)	(20,779)	(12,164)	(12,140)
Net cash (used in)/ generated from financing activities	5,985	8,871	(108,800)	(48,054)	1,784
Net (decrease)/increase in cash and cash equivalents	29,043	12,540	(19,253)	(45,896)	36,921
Cash and cash equivalents at January 1	11,536	40,579	53,119	53,119	33,866
Effect of exchange rate change	–	–	–	–	4
Cash and cash equivalents at December 31/May 31	40,579	53,119	33,866	7,223	70,791

Net cash generated from operating activities

Cash generated from operating activities primarily consisted of fees we charged for railway freight transportation and ancillary businesses. Our cash generated from operating activities reflected our profit before tax, adjusted for non-cash and non-operating items, which mainly included depreciation, impairment loss or reversal of impairment loss on trade receivables, net losses or net gains on disposal of property, plant and equipment, impairment loss on property, plant and equipment, finance costs, interest income, net gains on investment in wealth management products and share of loss of an associate, and the effects of changes in working capital, which primarily consisted of changes in inventories, trade and bills receivables, prepayments and other receivables, trade payables and other payables and contract liabilities.

We had net cash generated from operating activities of RMB47.3 million and profit before tax of RMB40.8 million for the five months ended May 31, 2020. Adjustments primarily included depreciation of RMB15.3 million and finance costs of RMB10.8 million. Changes in working capital represented net outflows of RMB8.3 million, primarily attributable to a decrease in trade payables and other payables of RMB10.6 million, partially offset by a decrease in inventories of RMB1.3 million and a decrease in trade and bills receivables, prepayments and other receivables of RMB1.9 million.

We had net cash generated from operating activities of RMB110.3 million and profit before tax of RMB94.3 million for the year ended December 31, 2019. Adjustments primarily included depreciation of RMB34.8 million and finance costs of RMB24.7 million. Changes in working capital represented net outflows of RMB19.4 million, primarily attributable to an increase in trade and bills receivables, prepayments and other receivables of RMB25.8 million, partially offset by an increase in trade payables and other payables of RMB6.6 million. We paid income taxes of RMB22.7 million for the year ended December 31, 2019.

We had net cash generated from operating activities of RMB150.0 million and profit before tax of RMB109.3 million for the year ended December 31, 2018. Adjustments primarily included depreciation of RMB29.5 million, finance costs of RMB21.8 million and interest income of RMB1.1 million. Changes in working capital represented net inflows of RMB15.3 million of cash, primarily attributable to a decrease in trade and bills receivables, prepayments and other receivables of RMB10.5 million. We paid income taxes of RMB24.1 million for the year ended December 31, 2018.

We had net cash generated from operating activities of RMB112.1 million and profit before tax of RMB107.6 million for the year ended December 31, 2017. Adjustments primarily included depreciation of RMB26.1 million, impairment loss on property, plant and equipment of RMB3.6 million and finance costs of RMB23.9 million. Changes in working capital represented net outflows of RMB14.9 million of cash, primarily attributable to an increase in trade and bills receivables, prepayments and other receivables of RMB30.3 million, partially offset by an increase in trade payables and other payables of RMB18.4 million. We paid income taxes of RMB34.1 million for the year ended December 31, 2017.

Net cash used in investing activities

During the Track Record Period, our cash used in investing activities were mainly for payments for purchase of property, plant and equipment and right-of-use assets, payments for purchase of wealth management products and investment in an associate. We also generated cash from investing activities, mainly from proceeds from disposal of property, plant and equipment and proceeds from disposal of wealth management products.

We had net cash used in investing activities of RMB12.1 million for the five months ended May 31, 2020, which was primarily due to (i) payments for purchase of property, plant and equipment and right of use assets of RMB10.4 million; and (ii) investment in an associate of RMB2.0 million.

We had net cash used in investing activities of RMB20.8 million for the year ended December 31, 2019, which was primarily due to (i) payments for purchase of property, plant and equipment and right-of-use assets of RMB24.0 million; and (ii) payments for purchase of investments in wealth management products of RMB37.0 million. The effect was partially offset by proceeds from disposal of investments in wealth management products of RMB38.1 million.

We had net cash used in investing activities of RMB146.4 million for the year ended December 31, 2018, which was primarily due to (i) payments for purchase of property, plant and equipment and right-of-use assets of RMB158.2 million; and (ii) payments for purchase of investments in wealth management products of RMB104.1 million. The effect was partially offset by (i) proceeds from disposal property, plant and equipment of RMB11.4 million; and (ii) proceeds from disposal of wealth management products of RMB103.4 million.

We had net cash used in investing activities of RMB89.0 million for the year ended December 31, 2017, which was primarily due to (i) payments for purchase of property, plant and equipment and right-of-use assets of RMB107.4 million; and (ii) payments for purchase of investments in wealth management products of RMB263.2 million. The effect was partially offset by (i) proceeds from disposal property, plant and equipment of RMB6.8 million; and (ii) proceeds from disposal of wealth management products of RMB274.2 million.

Net cash (used in)/generated from financing activities

During the Track Record Period, our cash used in financing activities were mainly for repayment of bank and other loans, decrease of amounts due to related parties, payment to the then equity holder upon the group reorganization, payment of borrowing costs and distributions. We also generated cash from financing activities mainly from new bank and other loans, capital contributions from shareholders and a non-controlling equity holder of a subsidiary of the Group, and increase of amounts due from related parties.

We had net cash generated from financing activities of RMB1.8 million for the five months ended May 31, 2020, which was primarily due to proceeds from new bank and other loans of RMB241.9 million largely offset by repayments of bank and other loans of RMB230.5 million and borrowing costs paid of RMB9.6 million.

We had net cash used in financing activities of RMB108.8 million for the year ended December 31, 2019, which was primarily due to (i) payments for acquisition of equity interest in Canggang Company of RMB361.2 million; (ii) repayments of bank and other loans of RMB262.9 million; and (iii) payments of borrowing costs of RMB26.0 million. The effect was partially offset by (i) proceeds from new bank and other loans of RMB397.3 million; and (ii) net decrease in amounts due from related parties of RMB132.3 million; and (iii) proceeds from capital injection by a non-controlling equity holder of a subsidiary of our Group of RMB12.1 million.

We had net cash generated from financing activities of RMB8.9 million for the year ended December 31, 2018, which was primarily due to (i) proceeds from new bank and other loans of RMB182.8 million; and (ii) proceeds from capital injection by a non-controlling equity holder of a subsidiary of RMB4.9 million. The effect was partially offset by (i) repayment of bank and other loans of RMB122.9 million; (ii) net decrease in amounts due to related parties of RMB11.2 million; (iii) net increase in amounts due from related parties of RMB17.9 million; and (iv) payments of borrowing costs of RMB26.8 million.

We had net cash generated from financing activities of RMB6.0 million for the year ended December 31, 2017, which was primarily due to (i) proceeds from new bank loans of RMB324.5 million; (ii) net decrease in amounts due from related parties of RMB53.6 million; and (iii) proceeds from capital injection by a non-controlling equity holder of a subsidiary of RMB24.5 million. The effect was partially offset by (i) repayment of bank and other loans of RMB273.4 million; (ii) distribution paid of RMB75.0 million; (iii) net decrease in amounts due to related parties of RMB22.6 million; and (iv) payments of borrowing costs of RMB25.6 million.

Net Current Assets/Liabilities

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of May 31,	As of August 31,
	2017	**2018**	**2019**	**2020**	**2020**
	RMB in thousands				
					(unaudited)
Current assets					
Inventories	4,430	4,407	5,009	3,662	4,713
Trade and bill receivables	121,340	111,020	134,858	128,332	124,225
Prepayments and other receivables	14,657	12,370	19,649	22,577	22,485
Amounts due from related parties	114,384	132,276	–	–	–
Financial assets at fair value through profit or loss	–	1,000	–	–	–
Cash and cash equivalents	40,579	53,119	33,866	70,791	82,482
Total current assets	**295,390**	**314,192**	**193,382**	**225,362**	**233,905**
Current liabilities					
Bank and other loans	93,726	168,008	290,999	127,551	114,364
Trade payables	33,543	26,742	27,700	19,902	24,313
Other payables	61,437	78,601	75,745	63,744	63,929
Contract liabilities	729	2,229	2,630	1,688	3,150
Amounts due to related parties	11,538	310	–	–	–
Current taxation	1,619	5,941	8,501	6,124	5,230
Total current liabilities	**202,592**	**281,831**	**405,575**	**219,009**	**210,986**
Net current assets/(liabilities)	**92,798**	**32,361**	**(212,193)**	**6,353**	**22,919**

As of December 31, 2019, we had net current liabilities of RMB212.2 million. We had net current liabilities as of such date primarily due to (i) a decrease of amounts due from related parties from RMB132.3 million as of December 31, 2018 to nil as of December 31, 2019; (ii) use of such cash (along with proceeds from additional long-term loans) for the acquisition of the equity interest in Canggang Company for total consideration of approximately RMB361.2 million in connection with the Corporate Reorganization; and (iii) two bank loans of approximately RMB120.0 million in aggregate becoming due within the next one year and thus falling under the current portion. See "History and Corporate Structure – Corporate Reorganization" and "Risk Factors – Risks Relating to our Business and Industry – We had high levels of indebtedness and recorded net current liabilities during the Track Record Period." Hence our net current liabilities position was primarily caused by one-off events related to the Corporate Reorganization, which will not recur.

As of December 31, 2019, our bank and other loans represented 71.7% of our total current liabilities, contributing to our net current liability position as of that date. Pursuant to a confirmation letter we obtained from one of our principal banks, the bank confirmed that we can extend the term of our loans borrowed from this bank from when they fall due until July 2022, provided that the operations of Canggang Company remain normal, there have been no material adverse changes and conditions for approval will be met. As of May 31, 2020 and August 31, 2020, the balance of outstanding bank loans from this principal bank was RMB244.4 million and RMB312.5 million, respectively. See "Financial Information – Discussion of Certain Items from the Consolidated Statements of Financial Position" for a discussion of various current assets and current liabilities items.

Based on the consistency of the financial performance of our operations, as evidenced by our profit for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020 of approximately RMB80.4 million, RMB81.5 million, RMB69.5 million and RMB30.0 million, respectively, and our cash flow from operating activities of approximately RMB112.1 million, RMB150.0 million, RMB110.3 million and RMB47.3 million for the corresponding years/periods, respectively, we believe our profit and cash flow from operating activities will be available to enable us to improve our liquidity position. We expect to improve our liquidity position by settling our current liabilities with the profit generated from our principal business and the net proceeds from the Global Offering.

As of May 31, 2020, we had recovered to a net current assets position of approximately RMB6.4 million from net current liabilities position of approximately RMB212.2 million as of December 31, 2019. In addition to the profit we generated during the period, such net current assets position was mainly attributable to (1) the decrease in bank and other loans under current liabilities from approximately RMB291.0 million as of December 31, 2019 to approximately RMB127.6 million as of May 31, 2020, primarily due to our repayment of bank and other loans during the period and (2) the increase in bank and other loans under non-current liabilities from approximately RMB270.3 million as of December 31, 2019 to approximately RMB446.4 million as of May 31, 2020, primarily due to new bank loans obtained from banks which were classified as non-current bank and other loans during the period. As such, the classification of our bank and other loans and hence, the respective amounts of them being classified under current or non-current liabilities pursuant to their respective repayment clauses subsequent to May 31, 2020 would potentially have significant impact on our net current assets position as of May 31, 2020. To ensure the sufficiency of our liquidity, we (i) will continue to generate cash flow from our operating activities; (ii) have made arrangements with our banks to extend the term of certain bank loans; (iii) will utilize part of the net proceeds from the Global Offering as general working capital and to fund part of our proposed expansion plan. To further enhance our liquidity, we may seek debt financing from financial institutions from time to time, especially for financing capital expenditures in relation to our railway lines. As of August 31, 2020, we continued to have a net current assets position of approximately RMB22.9 million.

Working capital statement

In view of our net current liabilities position as of December 31, 2019, we have given careful consideration to our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors are of the view, and the Sole Sponsor concurs, that we will have sufficient financial resources to meet our working capital needs for at least the next twelve months from the date of this prospectus by taking into account reasons as discussed above, including (i) our recovery to a net current assets position as of May 31, 2020; (ii) our net current liabilities position being caused by one-off events related to the Corporate Reorganization; (iii) our unutilized banking facilities; and (iv) our cash flow projection, including net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), and our planned capital expenditure and capital commitments.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of May 31,
	2017	2018	2019	2020
	RMB in thousands			
Non-current assets				
Property, plant and equipment	692,399	805,122	789,570	777,321
Right-of-use assets	137,398	202,323	197,855	195,993
Interests in associates	3,918	3,685	3,502	5,187
Deferred tax assets	6,983	7,661	8,209	8,035
Prepayments and other receivables	52,128	6,500	3,374	3,495
Total non-current assets	892,826	1,025,291	1,002,510	990,031
Current assets				
Inventories	4,430	4,407	5,009	3,662
Trade and bills receivables	121,340	111,020	134,858	128,332
Prepayments and other receivables	14,657	12,370	19,649	22,577
Amounts due from related parties	114,384	132,276	–	–
Financial assets at fair value through profit or loss	–	1,000	–	–
Cash and cash equivalents	40,579	53,119	33,866	70,791
Total current assets	295,390	314,192	193,382	225,362

	As of December 31,			As of May 31,
	2017	**2018**	**2019**	**2020**
	RMB in thousands			
Current liabilities				
Bank and other loans	93,726	168,008	290,999	127,551
Trade payables	33,543	26,742	27,700	19,902
Other payables	61,437	78,601	75,745	63,744
Contract liabilities	729	2,229	2,630	1,688
Amounts due to related parties	11,538	310	–	–
Current taxation	1,619	5,941	8,501	6,124
Total current liabilities	**202,592**	**281,831**	**405,575**	**219,009**
Net current assets/(liabilities)	**92,798**	**32,361**	**(212,193)**	**6,353**
Total assets less current liabilities	**985,624**	**1,057,652**	**790,317**	**996,384**
Non-current liabilities				
Bank and other loans	272,162	257,783	270,332	446,385
Total non-current liabilities	272,162	257,783	270,332	446,385
NET ASSETS	**713,462**	**799,869**	**519,985**	**549,999**
Total equity attributable to equity shareholders of the Company	689,040	770,746	491,560	520,993
Non-controlling interests	24,422	29,123	28,425	29,006
TOTAL EQUITY	**713,462**	**799,869**	**519,985**	**549,999**

Non-current Assets

Property, plant and equipment

The following table sets forth a breakdown of the carrying amounts of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of May 31,
	2017	2018	2019	2020
	RMB in thousands			
Tracks, bridges and other railway assets	423,227	454,210	497,316	494,375
Buildings and other properties	123,803	134,875	160,394	157,877
Locomotives and rolling stock	24,513	24,093	21,303	20,140
Motor vehicles	18,072	35,817	31,866	29,579
Machinery and equipment	43,683	58,873	77,680	73,580
Construction in progress	59,101	97,254	1,011	1,770
Total	692,399	805,122	789,570	777,321

Our property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Our construction in progress includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs. The carrying amount of our property, plant and equipment increased from RMB692.4 million as of December 31, 2017 to RMB805.1 million as of December 31, 2018, primarily due to (i) further construction of the Han-Huang connecting line in 2018; (ii) purchase of tracks, bridges and other railway assets; and (iii) purchase of an additional 40 trucks. The carrying amount of our property, plant and equipment decreased slightly to RMB789.6 million as of December 31, 2019 primarily due to depreciation charged during the year. The carrying amount of our property, plant and equipment decreased to RMB777.3 million as of May 31, 2020, primarily due to depreciation of RMB13.4 million.

As of December 31, 2017, 2018 and 2019, and May 31, 2020, certain of our property, plant and equipment with carrying amounts of approximately RMB9.2 million, RMB8.9 million, RMB8.6 million, and RMB8.4 million, respectively, were pledged for our bank loans and our property, plant and equipment with carrying amounts of RMB119.8 million, RMB159.2 million, RMB148.8 million and RMB144.4 million, respectively, secured our other loans. For details, see "– Indebtedness and Contingent Liabilities".

Right-of-use assets

Right-of-use assets represented the lump sum consideration paid or payable by our Group to acquire leasehold lands located in China. The lease periods of our leasehold lands range from 48 to 50 years. There are no ongoing payments to be made under the terms of such land leases. Our right-of-use assets increased from RMB137.4 million as of December 31, 2017 to RMB202.3 million as of December 31, 2018, primarily because we obtained new right-of-use assets for land occupied by (i) the newly constructed Han-Huang connecting lines; and (ii) our Jinghai Ore Freight Yard. Our right-of-use assets remained relatively stable at RMB197.9 million as of December 31, 2019 and RMB196.0 million as of May 31, 2020.

As of December 31, 2017, 2018 and 2019 and May 31, 2020, a certain portion of our right-of-use assets with carrying amount of RMB96.3 million, RMB103.2 million, RMB91.1 million and RMB105.7 million, respectively, were pledged for our bank loans and our right-of-use assets with carrying amount of nil, RMB7.5 million, RMB7.3 million and RMB7.2 million, respectively secured our other loans. For further details, see "– Indebtedness and Contingent Liabilities" below in this section.

Interests in an associate/associates

Interests in an associate/associates primarily represented our 40% interest in Cangzhou Bohai New Area Huanghua Port Railway Logistics Company Limited* (滄州渤海新區黃驊港鐵路物流有限公司) an associate of our Group, involved in expanding railway logistic services in the northern Shandong area, and our 40% interest in Shangcheng, which is an associate and a strategic customer of our Group, principally engaged in the trading of construction materials. See "Summary – Recent Development and No Material Change – Establishment of Shangcheng" and "Business – Our Strategies – Construct additional branch lines to expanded our business scale" for details. Our interest in an associate/associates amounted to RMB3.9 million, RMB3.7 million, RMB3.5 million and RMB5.2 million as of December 31, 2017, 2018 and 2019 and May 31, 2020. See note 14 to the Accountants' Report in Appendix I to this prospectus for the summarized financial information of this associate.

Deferred tax assets

As of December 31, 2017, 2018 and 2019 and May 31, 2020, our deferred tax assets amounted to RMB7.0 million, RMB7.7 million, RMB8.2 million and RMB8.0 million, respectively, mainly arising from timing differences relating to depreciation of property, plant and equipment and right-of-use assets, impairment of property, plant and equipment, credit loss allowance on trade receivables and accrued expenses. See "Risk Factors – Risks Relating to Our Business and Industry – Our deferred tax assets may not be recoverable" for a discussion of risks related to our deferred tax assets.

Prepayments and other receivables

Our prepayments and other receivables under non-current assets represented (i) prepayments for acquisition of right-of-use assets amounting to RMB41.4 million, nil, nil and nil; and (ii) receivables relating to disposal of property, plant and equipment amounting to RMB10.7 million, RMB6.5 million, RMB3.4 million and RMB3.5 million, in each case as of December 31, 2017, 2018 and 2019 and May 31, 2020, respectively.

The balance of prepayments for acquisition of right-of-use assets represented the advance payment for acquisition of leasehold lands. The balance of RMB41.4 million as of December 31, 2017 was mainly attributable to advance payments for the leasehold lands occupied by the Han-Huang connecting line and the Jinghai Ore Freight Yard. Such balance decreased to nil as of December 31, 2018 as we began using the relevant leasehold land parcels.

The balance of receivables relating to disposal of property, plant and equipment mainly represented the balance of consideration receivables in relation to the disposal of the Special Service Lines. Pursuant to respective sale and purchase agreements, the timing of settlement of part of the consideration varied according to actual transportation volume transported on such Special Service Lines following the disposal. We expect the consideration will be fully recovered within three years. Receivables that we expected to receive in more than one year as of the relevant dates were classified as non-current. Such balance decreased from RMB10.7 million as of December 31, 2017, to RMB6.5 million as of December 31, 2018, mainly due to the settlement of receivables, partially offset by the further disposal of another Special Service Line in 2018. The balance further decreased to RMB3.4 million as of December 31, 2019, mainly due to further settlement of receivables from the disposal of the Special Service Lines. The balance remained stable at RMB3.5 million as of May 31, 2020.

Current Assets

Inventories

Our inventories primarily represented fuel, materials and consumables used in our operations. Our inventories remained stable at RMB4.4 million as of December 31, 2017 and 2018. Our inventories as of December 31, 2019 increased to RMB5.0 million primarily due to an increase in materials accumulated for roadbed construction of planned Special Service Lines and for planned repair and maintenance of Special Service Lines. Our inventories as of May 31, 2020 decreased to RMB3.7 million, due to a decrease in fuel stock.

See the following table for details of our inventories for the dates indicated:

	As of December 31,			As of May 31,
	2017	**2018**	**2019**	**2020**
		RMB in thousands		
Fuel	2,684	2,438	2,409	1,472
Materials and consumables	1,746	1,969	2,600	2,190
	4,430	4,407	5,009	3,662

The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,
	2017	2018	2019	2020
Average inventory turnover days [(1)]	33.1	34.4	39.0	37.1

Note:

(1) The calculation of average inventory turnover days is based on the average of the opening and closing balances of inventories for the relevant period, divided by the total cost of fuel used and repair and maintenance expenses and multiplied by the number of days contained in that period.

See "Business – Inventory Management" for details of our inventory management policy.

As of August 31, 2020, RMB1.3 million, or 35.1%, of our total inventories as of May 31, 2020 had utilized.

Trade and bills receivables

Our trade and bills receivables primarily represented service fees payable by our customers for our rail freight transportation and ancillary businesses.

The following table sets forth the details of our trade and bills receivables as of the dates indicated.

	As of December 31,			As of May 31,
	2017	2018	2019	2020
	RMB in thousands			
Trade receivables	48,274	47,249	74,055	81,101
Bills receivables	73,066	63,771	60,803	47,231
	121,340	111,020	134,858	128,332

Our trade and bills receivables decreased by RMB10.3 million, or 8.5% from RMB121.3 million as of December 31, 2017 to RMB111.0 million as of December 31, 2018, which was primarily due to our continued efforts to collect receivables. Our trade and bills receivables increased by RMB23.8 million, or 21.5% to RMB134.9 million as of December 31, 2019, primarily due to the increase in trade receivables from new customers. Our trade and bills receivables decreased by RMB6.5 million or 4.8% to RMB128.3 million as of May 31, 2020, as a combined effect of (i) an increase in trade receivables of RMB7.0 million due to an increase in revenue recognized near the end of the period; and (ii) a decrease in bills receivables of RMB13.6 million since we accepted fewer bills to settle our receivables as a strategy to improve our liquidity.

We did not write off any trade and bills receivables over the Track Record Period. In assessing the loss allowance, we have applied the simplified approach to provide for loss allowances as prescribed by IFRS, which permits the use of a lifetime expected loss provision which is calculated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both current and forecast general economic conditions. In assessing our debtors' ability to pay, our evaluations focus on customers' past history of making payments when due and current ability to pay, and takes into account information specific to the customers as well as the economic environment in which the customers operate. Our allowance for expected credit losses of trade debtors on a collective basis was RMB1.6 million, RMB1.2 million, RMB1.8 million and RMB3.7 million as of December 31, 2017, 2018 and 2019 and May 31, 2020, respectively. The relatively higher allowance as of May 31, 2020 was due to the fact that trade receivables were in general aged longer due to the COVID-19 outbreak.

We seek to maintain strict control over outstanding receivables and our senior management regularly review overdue balances to minimize credit risk. Our trade and bills receivables are non-interest bearing. We closely review the trade and bills receivable balances and any overdue balances on an ongoing basis and assess the collectability of overdue balances.

We generally grant credit terms of 30 days from the date of billing to our customers. Our bills receivables generally have maturities of 180 to 360 days from the date of issuance.

The following table sets forth an aging analysis of trade receivables as of the dates indicated, based on the invoice date and net of loss allowance:

	As of December 31,			As of May 31,
	2017	**2018**	**2019**	**2020**
	RMB in thousands			
Within one month	27,947	32,737	39,887	40,829
One to six months	19,053	14,194	30,437	32,526
Six to twelve months	55	252	3,731	7,746
More than twelve months	1,219	66	–	–
	48,274	47,249	74,055	81,101

The following table sets forth the average turnover days of trade receivables for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,
	2017	2018	2019	2020
Average trade receivables turnover days[1]	52.0	45.1	58.7	77.7

Note:

(1) The calculation of average turnover days is based on the average of the opening and closing balances of trade receivables for the relevant period, divided by total revenue and multiplied by the number of days contained in that period.

Our average trade receivables turnover days were 52.0 days, 45.1 days, 58.7 days and 77.7 days for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, respectively. From 2017 to 2018, the decreasing of our average trade receivables turnover days was largely related to our efforts to collect receivables. In the year ended December 31, 2019, the increase in average trade receivables turnover days was mainly due to the higher trade receivables balance as of December 31, 2019 as discussed above. In the five months ended May 31, 2020, the increase in average trade receivables turnover days was due to the higher trade receivables balances as of May 31, 2020 and as of December 31, 2019 as compared to that as of December 31, 2018.

During the Track Record Period, we endorsed certain of our bills receivables to our suppliers to settle our trade and other payables and factored certain of our bills receivables for certain banking facilities. The endorsement and factoring of these bills receivables did not satisfy the derecognition criteria since our Group was still subject to risk default of the bills receivables.

As of December 31, 2017, 2018 and 2019 and May 31, 2020, the carrying amounts of our bills receivable that have been endorsed to our suppliers and other creditors to settle our trade and other payables towards these suppliers but have not been derecognized were RMB27.3 million, RMB25.1 million, RMB10.3 million and RMB7.0 million, respectively.

As of December 31, 2017, 2018 and 2019 and May 31, 2020, the carrying amounts of our bills receivable that have been factored to banks but have not been derecognized were RMB8.6 million, RMB3.8 million, RMB14.6 million and RMB11.9 million, respectively.

As of August 31, 2020, RMB58.1 million, or 71.6% of the carrying amount of our trade receivables outstanding as of May 31, 2020 had been settled.

As of August 31, 2020, RMB23.7 million, or 50.2% of the carrying amount of our bills receivables outstanding as of May 31, 2020 had been settled.

As of August 31, 2020, RMB81.8 million, or 63.8% of the carrying amount of the total trade and bills receivables outstanding as of May 31, 2020 had been settled.

Prepayments and other receivables

The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of May 31,
	2017	**2018**	**2019**	**2020**
	RMB in thousands			
Receivables relating to disposal of property, plant and equipment	15,323	8,651	11,451	11,536
Interest receivable	–	–	–	219
Financial assets measured at amortized cost	15,323	8,651	11,451	11,755
Value-added-tax recoverable	–	4,616	2,208	2,059
Deposits	584	1,361	1,454	1,427
Prepayments for acquisitions of right-of-use assets	41,401	–	–	–
Prepayments for purchase of inventories and prepaid expenses	9,477	3,380	2,688	4,152
Prepayments in connection with the proposed initial listing of the Companies shares	–	862	5,222	6,679
	66,785	18,870	23,023	26,072
Less: other receivables due after one year	(52,128)	(6,500)	(3,374)	(3,495)
Current portion of prepayments and other receivables	14,657	12,370	19,649	22,577

Receivables relating to disposal of property, plant and equipment (under current assets)

Our receivables relating to disposal of property, plant and equipment under current assets mainly represented the balance of consideration receivables in relation to the disposal of Special Service Lines, see "Non-current Assets – other receivables" for details. The current portion of such receivables was RMB4.6 million, RMB2.2 million, RMB8.1 million and RMB8.0 million as of December 31, 2017, 2018 and 2019, and May 31, 2020, respectively. The decrease in such balance from RMB4.6 million as of December 31, 2017 to RMB2.2 million as of December 31, 2018, was mainly attributable to the accelerated settlement in relation to one of our Special Service Lines. The balance increased to RMB8.1 million as of December 31, 2019, primarily in relation to the disposal of railway facilities in 2019. The balance remained relatively stable at RMB8.0 million as of May 31, 2020.

Value-added-tax recoverable

Value-added-tax recoverable represents the excess of input value-added-tax over output value-added-tax during the Track Record Period. The input value-added-tax recoverable can be carried forward indefinitely to set off future output value-added-tax according to relevant tax regulations in China. Our value-added-tax recoverable increased from nil as of December 31, 2017 to RMB4.6 million as of December 31, 2018, primarily because the significant amount of input value-added-tax arising from acquisition of fixed assets made during the year ended December 31, 2018. Our value-added-tax recoverable decreased to RMB2.2 million as of December 31, 2019, primarily due to the accelerated deduction of output value-added-tax by input value-added-tax arising from acquisition of fixed assets following the new value-added-tax government policy effective on April 1, 2019. Our value-added-tax remained relatively stable at RMB2.1 million as of May 31, 2020.

Deposits

Deposits primarily represented security deposits we give to certain of our customers, suppliers or subcontractors in relation to our business cooperations. Our deposits increased from RMB0.6 million as of December 31, 2017 to RMB1.4 million as of December 31, 2018, which was primarily due to an increase in the number of subcontractors engaged by us for outsourcing services. Our deposits remained relatively stable at RMB1.5 million as of December 31, 2019 and RMB1.4 million as of May 31, 2020.

Prepayments for purchase of inventories and prepaid expenses

Our prepayments for purchase of inventories and prepaid expenses primarily represented prepayments for purchase of fuel and other materials used in our daily operations, medical insurance for employees, property insurance, and advances to employees for business trips. Our prepayments for purchase of inventories and prepaid expenses decreased from RMB9.5 million as of December 31, 2017, to RMB3.4 million as of December 31, 2018, primarily due to no prepayment of medical insurance for employees as a result of a change in the medical insurance payment policy by the government in 2018. We paid such insurance at the beginning of each year and by the end of 2018, all prepayment for medical insurance for the year had been fully recognized. Our prepayments for purchase of inventories and prepaid expenses remained relatively stable at RMB2.7 million as of December 31, 2019. Our prepayments for purchase of inventories and prepaid expenses increased to RMB4.2 million, due to the insurance paid in advance for our trucks.

Amounts due from related parties

Amounts due from related parties amounted to RMB114.4 million, RMB132.3 million, nil and nil as of December 31, 2017, 2018 and 2019, and May 31, 2020 respectively. These balances represented (i) the outstanding balance of a partial payment made to Chengyu Company in 2014 for transfer of land use rights from Chengyu Company to Canggang Company then contemplated. It was subsequently determined that Chengyu Company was not able to transfer its land use rights to Canggang Company under PRC law, as it held allocated land use rights. The agreement for such transfer was rescinded by a subsequent written agreement between Chengyu Company and Canggang Company in October 2019 and declared retroactively void in accordance with PRC contract law, as Chengyu Company could not perform its contractual obligation to transfer such land use rights. As a result, the partial payment was treated as an amount due from Chengyu Company from the date it was paid to Chengyu Company. Balances of our amounts due from related parties are presented as net of any amounts due to the same related party for the same year. The amounts due from related parties increased from RMB114.4 million of December 31, 2017 to RMB132.3 million as of December 31, 2018, primarily due to our repayment of RMB46.4 million for the loan lent by Chengyu Company in 2017. We had no amounts due from related parties as of December 31, 2019 and May 31, 2020. All amounts due from related parties were unsecured, non-interest bearing and did not have fixed terms of repayment.

The following table sets out the details of our amounts due from related parties as of the dates indicated:

	As of December 31,			As of May 31,
	2017	**2018**	**2019**	**2020**
	RMB in thousands			
Chengyu Company	85,877	132,276	–	–
Huanghua Railway Construction	21,628	–	–	–
Huanghua Port Xinghua Company	6,879	–	–	–
	114,384	132,276	–	–

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented non-principal guaranteed floating income wealth management products we purchased from time to time from reputable Chinese commercial banks in the form of short-term wealth management products which were generally described as having low risk in the product description manuals published by the issuing banks and which generally had higher yields than time deposits that we would otherwise make with banks in China. Our wealth management products were issued by creditworthy commercial banks in China. Our wealth management products were among the low-risk products issued by such banks, and generally had investment portfolios covering debentures, asset backed securities, interbank loans, reverse purchases and bank deposits etc. The return on these products were not fixed nor guaranteed. Such products were primarily redeemable on demand upon our request. As of December 31, 2017, 2018 and 2019, and May 31, 2020, we had financial assets at fair value through profit or loss of nil, RMB1.0 million, nil and nil, respectively.

Current Liabilities

Trade payables

Our trade payables primarily represented amounts payable to our suppliers who normally granted us credit terms of 30 days.

As of December 31, 2017, 2018 and 2019 and May 31, 2020, we had trade payables of RMB33.5 million, RMB26.7 million, RMB27.7 million and RMB19.9 million, respectively. Our trade payables decreased by RMB6.8 million, or 20.3% from RMB33.5 million as of December 31, 2017 to RMB26.7 million as of December 31, 2018, primarily due to settlement of outstanding payables relating to repair and maintenance of our railway, and our locomotives and partial settlement of trade payables from 2017. Our trade payables increased by RMB1.0 million, or 3.6% from RMB26.7 million as of December 31, 2018 to RMB27.7 million as of December 31, 2019, primarily due to increased payables relating to our construction works. Our trade payables decreased by RMB7.8 million, or 28.2% to RMB19.9 million as of May 31, 2020, due to settlement of payables relating to our loading and unloading business and cargo logistics expenses.

The following table sets forth an aging analysis of our trade payables, based on the invoice date, as of the dates indicated:

	As of December 31,			As of May 31,
	2017	**2018**	**2019**	**2020**
	RMB in thousands			
Within one months	10,842	8,909	10,189	6,780
One to three months	11,695	4,646	5,323	4,356
Three to six months	7,655	7,037	5,451	5,272
Six to 12 months	983	3,556	2,886	1,434
Over 12 months	2,368	2,594	3,851	2,060
Total	33,543	26,742	27,700	19,902

As of December 31, 2017, 2018 and 2019 and May 31, 2020, our trade payables aged over 12 months were approximately RMB2.4 million, RMB2.6 million, RMB3.9 million and RMB2.1 million, respectively. These trade payables aged over 12 months were primarily related to certain repair and maintenance and cargo logistic services we received from our suppliers.

As of December 31, 2017, 2018 and 2019 and May 31, 2020, the balance of trade payables to related parties included payables to Subcontractor A, a related party of our Group, for purchase of loading and unloading service amounted to RMB9.3 million, RMB8.1 million, RMB2.3 million and nil, respectively. For the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, the amount of purchases of loading and unloading services from Subcontractor A amounted to RMB 18.9 million, RMB13.9 million, RMB6.3 million and nil, respectively, and all such balances have been fully settled prior to the Listing.

The following table sets forth the average trade payables turnover days for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,
	2017	2018	2019	2020
Average trade payables turnover days[1]	83.6	78.7	77.9	73.1

Note:

(1) The calculation of average turnover days is based on the average of the opening and closing balances of trade payables for the relevant period, divided by the total of cargo logistics expenses, outsourcing service charges and other labor costs, fuel used and repair and maintenance expenses for the year and multiplied by the number of days contained in that period.

Average trade payables turnover days indicates the average time we take to make cash payments to our suppliers. Our average trade payables turnover days were 83.6 days, 78.7 days, 77.9 days and 73.1 days for the three years ended December 31, 2019 and the five months ended May 31, 2020, respectively. The decreasing trend in our average trade payables turnover days during the Track Record Period was primarily due to our continuing efforts to settle outstanding trade payables.

As of August 31, 2020, RMB9.5 million, or 47.7% of our trade payables outstanding as of May 31, 2020 had been settled.

Other payables

The following table sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,			As of May 31,
	2017	2018	2019	2020
	RMB in thousands			
Payables for acquisitions of property, plant and equipment	22,403	18,868	14,057	12,920
Payables for acquisitions of right-of-use assets-related parties	25,767	11,957	8,032	–
Payables for acquisitions of right-of-use assets-third parties	–	24,484	24,484	24,484
Payables for staff costs	10,414	15,418	15,861	13,851
Payables for other labor costs	1,207	2,004	2,411	2,958
Payables for expenditures incurred in connection with the proposed initial listing of the Company's shares	–	1,771	6,810	6,282
Others	1,646	4,099	4,090	3,249
Total	61,437	78,601	75,745	63,744

Our other payables increased by RMB17.2 million, or 27.9%, from RMB61.4 million as of December 31, 2017 to RMB78.6 million as of December 31, 2018, primarily due to (i) an increase in payables for acquisitions of right-of-use assets-third parties of RMB24.5 million; (ii) an increase in payables for staff costs by RMB5.0 million, which was partially offset by a decrease in payables for acquisition of right-of-use assets from related parties by RMB13.8 million as we settled a portion of such outstanding payables. Our other payables decreased by RMB2.9 million, or 3.6%, from RMB78.6 million as of December 31, 2018 to RMB75.7 million as of December 31, 2019, primarily due to (i) a decrease in payables for acquisitions of property, plant and equipment by RMB4.8 million; and (ii) a decrease in payables for acquisition of right-of-use assets by RMB3.9 million, partially offset by an increase in payables for expenditures incurred in connection with the Listing by RMB5.0 million. Our other payables decreased by RMB12.0 million, or 15.8% from RMB75.7 million as of December 31, 2019 to RMB63.7 million as of May 31, 2020, primarily due to the settlement of payables relating to right-of-use assets of RMB8.0 million.

As of December 31, 2017, 2018 and 2019, and May 31, 2020, the balance of other payables to related parties included (i) payables to Chengyu Company for acquisitions of right-of-use assets amounting to RMB25.8 million, RMB12.0 million, RMB8.0 million and nil, respectively, and (ii) payables to Huanghua Railway Construction amounting to nil, RMB1.2 million, RMB1.2 million and RMB1.2 million, respectively. Such balance will be fully settled prior to the Listing. See " — Related Party Transactions" and note 28 to the Accountants' Report in Appendix I for details.

Contract liabilities

Contract liabilities primarily consisted of prepayments received from some of our customers for rail freight transportation and related services. We receive full payments from certain customers prior to our performance of certain service contracts based on business negotiation. Such prepayments are recognised as contract liabilities until the relevant services have been rendered and the prepayments are recognised as revenue. As of December 31, 2017, 2018 and 2019 and May 31, 2020, we had contract liabilities of RMB0.7 million, RMB2.2 million, RMB2.6 million and RMB1.7 million, respectively.

The following table sets forth movements of our contract liabilities during the Track Record Period:

	Years ended December 31,			Five months ended May 31,
	2017	**2018**	**2019**	**2020**
	RMB in thousands			
Balance as of January 1	2,459	729	2,229	2,630
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(2,459)	(729)	(2,229)	(1,540)
Increase in contract liabilities as a result of billing in advance of performance as of December 31/May 31	729	2,229	2,630	598
Balance as of December 31/May 31	729	2,229	2,630	1,688

Our contract liabilities increased by RMB1.5 million, or 205.8%, from RMB0.7 million as of December 31, 2017 to RMB2.2 million as of December 31, 2018, primarily due to increases in prepayments from customers, which were generally in line with the growth of our revenue. Our contract liabilities further increased slightly to RMB2.6 million as of December 31, 2019 primarily due to increases in prepayments from customers, partially offset by the revenue recognized from contract liabilities. Our contract liabilities decreased to RMB1.7 million as of May 31, 2020, primarily due to the fact that revenue recognized from contract liabilities was higher than prepayments from customers during the five months ended May 31, 2020.

As of August 31, 2020, RMB0.7 million, or 42.2% of our contract liabilities as of May 31, 2020, were subsequently recognized as our revenue for the three months ended August 31, 2020.

Amounts due to related parties

The following table sets out the details of our amounts due to related parties as of the dates indicated:

	As of December 31,			As of May 31,
	2017	**2018**	**2019**	**2020**
	RMB in thousands			
Chengyu Company	–	–	–	–
Jinghai Energy	9,821	310	–	–
Mei Lu Garden	1,717	–	–	–
	11,538	310	–	–

Our amounts due to related parties decreased from RMB11.5 million as of December 31, 2017 to RMB0.3 million as of December 31, 2018 and further decreased to nil as of December 31, 2019 primarily due to the repayment of loans from Jinghai Energy and Mei Lu Garden in 2018 and 2019. All amounts due to related parties were unsecured, non-interest bearing and did not have fixed terms of repayment.

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of May 31,	As of August 31,
	2017	2018	2019	2020	2020
	RMB in thousands				
					(unaudited)
Bank loans:					
– Secured	294,096	317,255	251,002	340,470	365,605[(1)]
– Unsecured	–	–	60,094	–	30,046[(2)]
	294,096	317,255	311,096	340,470	395,651
Other loans:					
– Secured	71,792	108,536	72,782	57,886	48,947[(3)]
– Unsecured	–	–	177,453	175,580	105,260
	71,792	108,536	250,235	233,466	154,207
Subtotal	365,888	425,791	561,331	573,936	549,858
Amounts due to related parties:	11,538	310	–	–	–
Total	377,426	426,101	561,331	573,936	549,858

Notes:

(1) RMB83,124,000 of our secured bank loans were guaranteed by WFOE.

(2) The unsecured bank loans were guaranteed by WFOE.

(3) RMB25,147,000 of our secured other loans was guaranteed by WFOE.

Our Group has leased certain properties for which the lease terms at the respective commencement dates were no more than 12 months. Under IFRS 16, all leases are required to be capitalized in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalize leases which are short-term leases. Our Group has elected not to recognize lease liabilities for the abovementioned leases. The lease payments associated with those leases have been expensed on a straight-line basis over the lease terms. Therefore, our Group had no lease liabilities as of December 31, 2017, 2018 or 2019 or as of May 31, 2020 or August 31, 2020.

Bank and other loans

The following table sets forth the maturity periods for our bank and other loans:

	As of December 31,			As of May 31,	As of August 31,
	2017	**2018**	**2019**	**2020**	**2020**
	RMB in thousands				
					(unaudited)
Within one year or on demand	93,726	168,008	290,999	127,551	114,364
One to two years	129,300	191,704	57,147	42,245	100,734
Two to five years	142,862	66,079	213,185	404,140	334,760
Subtotal	272,162	257,783	270,332	446,385	435,494
Total	365,888	425,791	561,331	573,936	549,858

The following table sets forth the effective interest rates for our bank and other loans as of the dates indicated:

	As of December 31,			As of May 31,	As of August 31,
	2017	**2018**	**2019**	**2020**	**2020**
					(unaudited)
	%	%	%	%	%
Bank and other loans	4.25-8.72	4.00-6.92	1.00-6.92	1.00-6.92	1.00-6.92

We primarily took out loans from banks and other financial institutions to supplement our working capital and finance our capital expenditure.

As at August 31, 2020, we had unutilized banking facilities of RMB23.0 million, none of which was guaranteed or secured by our related parties. Such banking facilities were unrestricted.

Most of our bank and other loans were denominated in Renminbi. As of December 31, 2017, 2018 and 2019, May 31, 2020 and August 31, 2020, our bank and other loans were secured by (i) our property, plant and equipment; and/or (ii) our right-of-use assets; and/or (iii) our bill receivables; and/or (iv) the right to our future revenue from rail freight transportation of our Group, and/or guaranteed and/or secured by our related parties (see note 28(e) and 28(f) to the Accountants' Report in Appendix I to this prospectus for details). Details of the carrying amount of the assets for our secured bank loans are set forth in the following table:

	As of December 31,			As of May 31,	As of August 31,
	2017	**2018**	**2019**	**2020**	**2020**
	(RMB in thousands)				
					(unaudited)
Right-of-use assets	96,250	103,185	91,112	105,746	118,055
Property, plant and equipment	9,221	8,901	8,581	8,446	8,366
Bills receivables	8,613	3,750	14,620	11,900	–
Total	114,084	115,836	114,313	126,092	126,421

Our secured other loans as of December 31, 2017, 2018, 2019, May 31, 2020 and August 31, 2020 were borrowed from financial leasing institutions and were secured by the following assets of the Group.

	As of December 31,			As of May 31,	As of August 31,
	2017	**2018**	**2019**	**2020**	**2020**
	(RMB in thousands)				
					(unaudited)
Carrying amount:					
Property, plant and equipment	119,794	159,166	148,751	144,411	141,808
Right-of-use assets	–	7,452	7,290	7,223	7,182
Total	119,794	166,618	156,041	151,634	148,990

As of May 31 and August 31, 2020, included in the Group's secured other loans of RMB57.9 million and RMB48.9 million, respectively, RMB31.7 million and RMB25.1 million, respectively, were also secured by equity interests in our subsidiary.

As of August 31, 2020, being the latest practicable date for determining our indebtedness, our Group's total indebtedness amounted to RMB549.9 million.

Except as disclosed above and apart from intra-group liabilities, as of August 31, 2020, we did not have any other material borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorized or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge, our Directors confirm that there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into certain related party transactions in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Related party transactions during the Track Record Period were in relation to provision of rail freight transportation and other ancillary services, purchase of construction services, purchase of loading and unloading service and net changes in amounts due to/from related parties. All the amounts due to/due from related parties are unsecured, non-interest bearing and have no fixed term of repayment. See "– Discussion of Certain Items from the Consolidated Statements of Financial Position – Current Assets – Amounts due from related parties" and "– Discussion of Certain Items from the Consolidated Statements of Financial Position – Current Liabilities – Amounts due to related parties".

As of December 31, 2017, 2018 and 2019 and May 31, 2020, Mr. Liu and his affiliates provided guarantees for bank and other loans taken out by us. The following table sets forth details of guarantees provided by related parties during the Track Record Period:

	As of December 31,			As of May 31,
	2017	**2018**	**2019**	**2020**
		RMB in thousands		
Guarantees provided by Mr Liu and his affiliates in respect of the Group's bank loans	234,398	268,431	–	–
Guarantees provided by Mr Liu and his affiliates in respect of the Group's other loans	71,792	108,536	–	–
Total	306,190	376,967	–	–

As of December 31, 2017, 2018 and 2019, and May 31, 2020, our Group's bank loans of RMB51.1 million, RMB62.1 million, nil and nil were secured by buildings and leasehold land of Chengyu Company.

As of December 31, 2017, 2018 and 2019, and May 31, 2020 our Group's other loans of RMB52.0 million, RMB68.9 million, nil and nil were secured by the equity interests in Chengyu Company held by Huanghua Port Xinghua Port Development Co., Ltd.* (黄驊港興華港務開發有限公司) and Beijing Shiji Jinding Investment Co., Ltd.* (北京世紀金鼎投資有限公司).

On August 12, 2019, Chengyu Company has granted our Group a gratuitous right to use its land for operating the Group's railway and rail yards for a period of 20 years. No rental was charged during the Track Record Period under this arrangement. For details, see "Connected Transaction – Fully Exempt Continuing Connected Transaction" in this prospectus.

Our Directors confirm that all related party transactions during the Track Record Period were conducted on normal commercial terms that were fair and reasonable and in the interest of our Group as a whole. Our Directors further confirm that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. For more information on our related party transactions, see note 28 to the Accountants' Report in Appendix I to this prospectus.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

For the years ended December 31, 2017, 2018 and 2019, and the five months ended May 31, 2020, we incurred capital expenditures of RMB107.4 million, RMB158.2 million, RMB24.0 million and RMB10.4 million, respectively, which primarily represented purchases of property, plant and equipment and right-of-use assets for our operations. We expect to finance our capital expenditures primarily through cash generated from operations, banking facilities, and the net proceeds we receive from the Global Offering.

Capital commitments

As of December 31, 2017, 2018 and 2019, and May 31, 2020, our outstanding capital commitments in respect of property, plant and equipment amounted to RMB90.5 million, RMB5.9 million, RMB0.1 million and RMB0.6 million, respectively.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates/for the year/period indicated:

	As of/for the year ended December 31,			As of/for the five months ended May 31,
	2017	2018	2019	2020
Profitability ratios				
Net profit margin[1] (%)	22.7	21.1	18.4	19.8
Return on equity[2] (%)	11.3	10.2	13.4	N/A
Return on total assets[3] (%)	6.8	6.1	5.8	N/A
Interest coverage ratio[4] (times)	5.5	6.0	4.8	4.8
Liquidity ratios				
Current ratio[5] (times)	1.5	1.1	0.5	1.0
Quick ratio[6] (times)	1.4	1.1	0.5	1.0
Capital adequacy ratios				
Gearing ratio[7] (%)	51.3	53.2	108.0	104.4
Debt to equity ratio[8] (%)	45.6	46.6	101.4	91.5

Notes:

(1) Net profit margin is calculated by dividing profit for the year/period by revenue for the respective year/period then multiply by 100%. See "– Year to Year Comparison of Results of Operations" for detailed discussions.

(2) Return on equity is calculated by dividing profit for the year by total equity as of the end date of the respective year then multiplying by 100%. For the five months ended May 31, 2020, the calculation of return on equity is not applicable since the calculation is on a full-year basis.

(3) Return on total assets is calculated by dividing profit for the year by the total assets as of the end date of the respective year then multiplying by 100%. For the five months ended May 31, 2020, the calculation of return on total assets is not applicable since the calculation is on a full-year basis.

(4) Interest coverage ratio is calculated by dividing profit before finance costs and tax by finance costs for the respective year/period.

(5) Current ratio is calculated by dividing current assets by current liabilities as of the end date of the year/period.

(6) Quick ratio is calculated by dividing total current assets less inventories by current liabilities as of the end date of the year/period.

(7) Gearing ratio is calculated by dividing total debt (being bank and other loans) by total equity then multiply by 100% as of the end date of the respective year/period then multiplying by 100%.

(8) Debt to equity ratio is calculated by dividing net debts (being bank and other loans less cash and cash equivalents) by total equity as of the end date of the respective year/period then multiplying by 100%.

Return on equity

Our return on equity decreased from 11.3% for the year ended December 31, 2017 to 10.2% for the year ended December 31, 2018, mainly due to the increase in total equity of 12.1%, while our profit for the year remained relatively stable for both years. Our return on equity then increased to 13.4% for the year ended December 31, 2019, mainly due to the combined effect of a decrease in profit for the year of 14.7% and a decrease in our total equity of 35.0% after the completion of Corporate Reorganization in 2019.

Return on total assets

Our return on total assets decreased from 6.8% for the year ended December 31, 2017 to 6.1% for the year ended December 31, 2018, mainly due to the increase in total assets of 12.7%, while our profit for the year remained relatively stable for both years. Our return on total assets further decreased to 5.8% for the year ended December 31, 2019, mainly due to the higher magnitude of the 14.7% decrease in our profit than the 10.9% decrease in our total assets, primarily driven by the settlement of amounts due from related parties.

Interest coverage ratio

Our interest coverage ratio increased from 5.5 times for the year ended December 31, 2017 to 6.0 times for the year ended December 31, 2018, primarily attributable to decreased in finance costs by 8.8%. Our interest coverage ratio then decreased to 4.8 times for the year ended December 31, 2019, primarily due to an increase in finance costs of 13.0% and a decrease in profit before finance costs and tax for the year of 9.3%. Our interest coverage ratio remained stable at 4.8 times for the five months ended May 31, 2020.

Current ratio

Our current ratio decreased from 1.5 times as of December 31, 2017 to 1.1 times as of December 31, 2018, mainly due to the higher magnitude of increase in current liabilities of 39.1% compared to the increased in current assets of 6.4%. Our current ratio further decreased to 0.5 times as of December 31, 2019, mainly due to a decrease in current assets of 38.5%, primarily attributable to the settlement of amounts due from related parties, and an increase in current liabilities of 43.9% primarily due to increased bank and other loans. Our current ratio increased to 1.0 times for the five months ended May 31, 2020, primarily due to the decrease in current liabilities due to the settlement of bank loans that fell due.

Quick ratio

Our quick ratio was 1.4 times, 1.1 times, 0.5 times and 1.0 times as of December 31, 2017, 2018 and 2019, and May 31, 2020, respectively. The fluctuation of quick ratio was generally in line with the fluctuation of our current ratio as we did not maintain significant amount of inventories.

Gearing ratio

Our gearing ratio increased slightly from 51.3% as of December 31, 2017, to 53.2% as of December 31, 2018, since the increase in the balance of our bank and other loans as of December 31, 2018 was in proportion to the increase in the balance of our total equity as of December 31, 2018 to that of December 31, 2017.

Our gearing ratio increased significantly to 108.0% as of December 31, 2019, mainly due to the combined effect of the increase in our bank and other loans of 31.8% and decreased in total equity of 35.0%. Our gearing ratio decreased slightly to 104.4% as of May 31, 2020, mainly due to the higher magnitude of the increase in total equity of 5.8% than the increase in our bank and other loans of 2.2%.

Debt to equity ratio

Our debt to equity ratio was relatively stable at 45.6% and 46.6% as of December 31, 2017 and 2018, respectively. Our debt to equity ratio increased significantly to 101.4% as of December 31, 2019, mainly due to the combined effect of an increase in our bank and other loans of 31.8% and a decrease in total equity of 35.0%. Our debt to equity ratio decreased to 91.5% as of May 31, 2020, mainly due to the higher magnitude of the increase in total equity of 5.8% than the increase in our bank and other loans of 2.2%.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had no other material off-balance sheet arrangements or contingencies.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, including credit risk, liquidity risk and interest rate risk. We monitor and manage policies to mitigate each of these risks to ensure appropriate measures are implemented in a timely and effective manner. Details of the financial risks we are exposed to are set out in note 26 to the Accountants' Report in Appendix I to this prospectus.

DIVIDENDS

We are a holding company incorporated in the Cayman Islands. Any declaration of final dividends is subject to the applicable laws and regulations including the Companies Law, and our Articles, which require also the approval of our Shareholders. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future. In addition, PRC laws and regulations require that dividends of a PRC enterprise be paid only out of accumulated profits, if any, as determined in accordance with PRC accounting standards, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws and regulations also require a PRC enterprise to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends.

For the year ended December 31, 2017, Canggang Company distributed RMB75.0 million to its then Shareholders on May 26, 2017. Other than the foregoing, we did not pay or declare to our then Shareholders during the Track Record Period. We will continue to re-evaluate the payment and amount of our future dividends in light of our financial conditions and the prevailing economic climate. However, there can be no assurance that dividends of any amount will be declared or distributed in any year.

DISTRIBUTABLE RESERVES

Our Company was incorporated on October 19, 2018 and is an investment holding company. As of December 31, 2019, we did not have any distributable reserves.

LISTING EXPENSES

Our listing expenses primarily consist of underwriting commissions and professional fees paid to the reporting accountants, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The total estimated listing expenses (based on the mid-point of our indicative price range of HK$0.975 for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions) in relation to the Global Offering are approximately HK$44.8 million (equivalent to RMB40.5 million), representing approximately 18.4% of the gross proceeds of the Global Offering (assuming an Offer Price of HK$0.975 per Share and no exercise of the Over-allotment Option). Out of the total estimated listing expenses of approximately HK$44.8 million, HK$16.3 million (equivalent to RMB14.8 million) is expected to be capitalized after the Global Offering. The remaining amount of approximately HK$28.5 million (equivalent to RMB25.7 million) is expected to be charged to our Company's consolidated statements of profit or loss and other comprehensive income, of which approximately HK$2.9 million (equivalent to RMB2.6 million) was charged in the year ended December 31, 2018, approximately HK$14.9 million (equivalent to RMB13.5 million) was charged in the year ended December 31, 2019, approximately HK$5.4 million (equivalent to RMB4.8 million) was charged in the five months ended May 31, 2020 and additional approximately HK$5.3 million (equivalent to RMB4.8 million) is expected to be incurred in the seven months ending December 31, 2020. The listing expenses above are the latest practicable estimate and are provided for reference only, and actual amounts may differ from this estimate.

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO LISTING EXPENSES

Our profit for the years ended December 31, 2018 and 2019 had, and our profit for the year ending December 31, 2020 will have a considerable reduction due to the incurrence of listing expenses in those years. Our Directors believe that our financial performance for the year ending December 31, 2020 will likely be adversely affected by such expenses.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for inclusion in Investment Circulars'' issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of May 31, 2020 as if it had taken place on May 31, 2020.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of May 31, 2020 or any future date. It is prepared based on our consolidated net tangible assets attributable to the equity shareholders of the Company as of May 31, 2020 extracted from the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of May 31, 2020(1)	Estimated net proceeds from the Global Offering(2)(4)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*(4)
Based on an Offer Price of HK$0.77 per share, after a Downward Offer Price Adjustment of 10%	520,993	155,914	676,907	0.68	0.75
Based on an Offer Price of HK$0.85 per share	520,993	173,484	694,477	0.69	0.77
Based on an Offer Price of HK$1.10 per share	520,993	228,390	749,383	0.75	0.83

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of May 31, 2020 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the consolidated total equity attributable to the equity shareholders of the Company as of May 31, 2020 of approximately RMB521.0 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$0.85 per Share (being the minimum Offer Price) or HK$1.10 per Share (being the maximum Offer Price) or an Offer Price of HK$0.77 per Share (after making a Downward Offer Price Adjustment of 10%), and there are 250,000,000 Shares to be issued under the Global Offering, after deduction of the underwriting fees and other related expenses payable (excluding listing expenses of RMB20.9 million which have already been charged to consolidated statements of profit or loss during the Track Record Period) by the Group and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 1,000,000,000 Shares, being the number of shares expected to be in issue following the completion of the Capitalization Issue and the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme.

(4) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets per Share are converted from or to Hong Kong dollar at an exchange rate of RMB0.9047 to HK$1.0000. No representation is made that Renminbi amount have been, could have been or may be converted to Hong Kong dollars, or vice versa at that rate or at any other rate.

(5) No adjustment has been made to the pro forma adjusted net tangible assets to reflect any trading result or other transactions of the Group entered into subsequent to May 31, 2020.

(6) The Group's property interests as of August 31, 2020 have been valued by AVISTA Valuation Advisory Limited, an independent valuer. The relevant property valuation report is set out in Appendix III to this prospectus. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests. Revaluation surplus has not been recorded in the historical financial information of the Group and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in the Group's financial statements, additional annual depreciation and amortization of approximately RMB14.0 million would be charged against the profit in the future periods.

NO MATERIAL ADVERSE CHANGE

Investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending December 31, 2020. Except as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospects of our Group since May 31, 2020 (being the date of which our Group's latest historical financial information was made up as set out in the Accountants' Report in Appendix I to this prospectus) and there has been no event since May 31, 2020 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS AND PROPERTY VALUATION

Avista Valuation Advisory Limited, an independent valuer, valued our property interest as of August 31, 2020. The text of the valuation report, valuation summary and valuation certificates are set out in Appendix III to this prospectus.

The table below sets forth the reconciliation of aggregate carrying amounts of our property interests from our consolidated financial statements as of May 31, 2020 to the valuation of selective property interests as of August 31, 2020.

	Amount *(RMB in thousands)*
Net book value of property interests of the Group as of May 31, 2020	817,089[(1)]
Movement for the period from June 1, 2020 to August 31, 2020 (unaudited)	(4,076)
Net book value of property interests of the Group as of August 31, 2020 (unaudited)	813,013
Valuation surplus as of August 31, 2020	663,905[(2)]
Valuation as of August 31, 2020 as set out in Appendix III to this prospectus	1,476,918[(3)]

Notes:

(1) Such amount excluded the net book value of a piece of land parcel with a carrying amount of RMB32.9 million as of May 31, 2020, occupied by our Han-Huang connecting line to Bohaixi Station which we have not yet obtained the land use right permit.

(2) Included in the valuation surplus as of August 31, 2020, RMB1.9 million was attributable to a non-controlling shareholder of the Company.

(3) Such amount represented the valuation of our Group's property interests (excluding the land parcel as mentioned in note 1 above) as of August 31, 2020, which comprised commercial values of RMB1,043.8 million and reference values of RMB433.1 million per "Appendix III – Property Valuation Report".

FUTURE PLANS

See "Business – Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be in the amounts set out below:

- approximately HK$168.6 million, if the Over-allotment Option is not exercised, or approximately HK$199.6 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$0.85 per Offer Share, being the low-end of the proposed Offer Price range;

- approximately HK$199.0 million, if the Over-allotment Option is not exercised, or approximately HK$234.5 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$0.975 per Offer Share, being the mid-point of the proposed Offer Price range; or

- approximately HK$229.3 million, if the Over-allotment Option is not exercised, or approximately HK$269.4 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$1.10 per Offer Share, being the high-end of the proposed Offer Price range.

We intend to use the net proceeds from Global Offering for the purposes and in the amounts set out below, assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK$0.975 per Share (being the mid-point of the indicative range of the Offer Price of HK$0.85 to HK$1.10 per Share):

- approximately 63.3% of our total estimated net proceeds, or HK$125.9 million (equivalent to approximately RMB113.9 million), will be used to construct two new branch railway lines, one connects our railway to the Comprehensive Industrial Park (渤海新區綜合產業園區支線) at the Bohai New Area, the other one connects our railway to the Northern Shandong Industrial Park (山東魯北工業園). Construction of such lines will be carried out by joint venture companies we formed with third parties. We own a minority interest in such joint venture companies and are responsible for managing and operating such branch lines. See "Business – Our Strategies – Construct additional branch lines to expand our business scale". In particular, we intend to allocate:

  - approximately 39.2% of our total estimated net proceeds, or HK$78.0 million (equivalent to approximately RMB70.6 million), to be used for constructing a branch line connecting Gangkou Station of the Canggang Railway Line to the Northern Shandong Industrial Park in Binzhou, Shandong Province; which will provide us direct railway access to a number of existing clients in the northern Shandong area who need bulk cargo (primarily coal and, to a lesser extent, bauxite) transportation services. The length of this branch line will be approximately 20.7 km. As part of the construction of this new branch line we intend to build two new stations: one in Wudi County, Shandong

Province and one at the terminus in Northern Shandong Industrial Park. Our investment in this project will be carried out through a joint venture with a government-owned logistics company in which the ownership percentage of our associate (we own 40% equity interest) is 49%. We expect construction to begin in the fourth quarter in 2020 and be completed by the first quarter in 2022; and

  - approximately 24.1% of our total estimated net proceeds, or HK$47.9 million (equivalent to approximately RMB43.3 million). The length of this branch line will be approximately 7.2 km. As part of the construction of this new branch line we intend to build a new station, Industrial Park Station (產業園站), from which we expect to connect to our customers' factories via Special Service Lines in the future. Our investment in this project will be carried out through a joint venture with one of the largest independent coke producers in the world and a leading oil pipe manufacturer in China, in which our ownership percentage is 36%. We expect construction to begin in the fourth quarter in 2020 and be completed by the first quarter of 2022.

- approximately 20.2% of our total estimated net proceeds, or HK$40.0 million (equivalent to approximately RMB36.2 million), will be used to fund technical upgrades, acquire a new locomotive and purchase of additional equipment for our Canggang Railway Line, which is expected to commence in the fourth quarter of 2020 and aim to complete in the fourth quarter of 2021 see "Business – Our Strategies – Upgrade and increases transportation efficiency of our existing railway". In particular, we intend to allocate:

  - approximately 12.9% of our total estimated net proceeds, or HK$25.6 million (equivalent to approximately RMB23.2 million), to be used for upgrading and renovating basic infrastructure including railway tracks, the surrounding roadbed and building culverts and other necessary infrastructure;

  - approximately 4.8% of our total estimated net proceeds, or HK$9.5 million (equivalent to approximately RMB8.6 million), to be used for purchasing one new locomotive.

  - approximately 2.5% of our total estimated net proceeds, or HK$4.9 million (equivalent to approximately RMB4.4 million), to be used to partially cover purchase of equipment to upgrade our communications, signal automation, and remote monitoring systems.

- approximately 3.1% of our total estimated net proceeds, or HK$6.1 million (equivalent to approximately RMB5.5 million), will be used for repaying a bank loan due in the outstanding amount of RMB30.1 million as of May 31, 2020 with an interest rate of 5.94% per annum;

- approximately 11.9% of our total estimated net proceeds, or HK$23.7 million (equivalent to approximately RMB21.4 million), will be used to partially settle amounts payable in connection with our purchase of the land use rights for land occupied by our Han-Huang connecting line and land occupied by Bohaixi Station. Such land is currently occupied by us without land use right permit. Please refer to the section headed "Business – Legal Compliance and Proceedings – Non-compliance Incidents – 1." for details. Total estimated purchase price for such land use rights was approximately RMB31.1 million to RMB36.3 million based on the Directors' estimation of the land area, which will be partially funded by the net proceeds from the Global Offering with the remaining amount funded by our internal resources. Our Directors are of the view that our Group will have sufficient internal resources by the time we are required to settle the aforesaid remaining balance on the basis that (1) our Group had considerable amount of cash and cash equivalents amounted to approximately RMB82.5 million as of August 31, 2020; and (2) our Group had been able to generate cash from its operating activities, in the amount of approximately RMB112.1 million, RMB150.0 million, RMB110.3 million and RMB48.3 million, respectively during the Track Record Period; and

- approximately 1.5% of our total estimated net proceeds, or HK$3.3 million (equivalent to approximately RMB3.0 million), will be used for working capital and general corporate purposes.

In the event that the Offer Price is fixed at the highest or lowest point of the indicative Offer Price range (or the downward adjusted Offer Price after making a Downward Offer Price Adjustment), the net proceeds allocated to the above purposes will be adjusted on a pro rata basis. Any additional proceeds received from the exercise of the Over-allotment Option will be allocated to the above purposes on a pro rata basis.

If we make a Downward Offer Price Adjustment to set the Offer Price at HK$0.77 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced to approximately HK$149.2 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to apply the net proceeds to short-term demand deposits with licensed banks.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, we will issue a formal announcement.

HONG KONG UNDERWRITERS

Innovax Securities Limited

Guotai Junan Securities (Hong Kong) Limited

China Everbright Securities (HK) Limited

Ever-Long Securities Company Limited

Maxa Capital Limited

Zhong Jia Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Stock Exchange granting listing of, and permission to deal in, our Shares to be offered as mentioned herein (including the additional Shares to be issued pursuant to the exercise of the Over-allotment Option) and to certain other conditions set out in the Hong Kong Underwriting Agreement having been duly executed and delivered and having become unconditional in accordance with its terms, the Hong Kong Underwriters have agreed, severally, to subscribe or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its own terms or otherwise, prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) with immediate effect by notice, if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

  (i) any new law, rule, statute, ordinance, regulation, guideline, opinion, notice, circular, order, judgement, decree or ruling of any governmental authority ("**Laws**") or any change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority of or affecting the Cayman Islands, the BVI, Hong Kong the PRC or any other jurisdiction in which any member of our Group operates (collectively, the "**Relevant Jurisdictions**" and individually, a "**Relevant Jurisdiction**");

(ii) any change or development involving a prospective change in local, national or international financial, political, military, industrial, legal, economic, exchange control, currency market, fiscal or regulatory or market matters or conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets) in or affecting any Relevant Jurisdiction;

(iii) the imposition or declaration of any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the New York Stock Exchange, the Nasdaq National Market, the Stock Exchange, Tokyo Stock Exchange, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting any Relevant Jurisdiction;

(iv) any change or development or event occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in any Relevant Jurisdiction;

(v) any change or development or event occurs involving a prospective change in the financial or operational condition or in the earnings, business affairs, business prospects or trading position of any member of our Group, or customer confidence, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any member of our Group, or any investigation of any member of our Group or an order for suspension of business by any government department or authority;

(vi) any change or prospective change, or a materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus;

(vii) any moratorium on banking activities or foreign exchange trading or settlement or clearance services in or affecting any Relevant Jurisdiction;

(viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act of terrorism or other state of emergency or calamity or wide-spread epidemic or political or social crisis directly involving any Relevant Jurisdiction, or the declaration by any Relevant Jurisdiction of a national emergency or war;

(ix) any event beyond the control of the Hong Kong Underwriters, including without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, tsunami, volcanic eruption, ice-storm, explosion, outbreak of disease or epidemic, acts of government, labor dispute, strike or lock-out involving directly or indirectly any Relevant Jurisdiction that render the Hong Kong Underwriters' performance of their obligations under the Hong Kong Underwriting Agreement commercially impossible, non-practicable or infeasible;

(x) any imposition of any economic sanctions, in whatever form, directly or indirectly, by any Relevant Jurisdiction, on any Relevant Jurisdiction, or against any member of our Group;

(xi) an executive Director being charged or indicted with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship or taking part in the management of a company, or the commencement by any governmental authority of any investigation or other action against any Director in his or her capacity as such or an announcement by any governmental authority that it intends to take any such actions;

(xii) the chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group will be will be materially and may, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of Hong Kong Underwriters), be adversely affected;

(xiii) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules, the Articles of Association, the Companies (WUMP) Ordinance, the SFO or any other applicable Laws by any of our Company, our Controlling Shareholders, or our executive Directors, except in relations to such matters of which waivers and exemptions are sought and disclosed in the Prospectus;

(xiv) the commencement by any judicial, political, governmental or regulatory body or organization of any investigation, claim, proceeding or other action, or announcing an intention to investigate or take such action, against any executive Director, any Controlling Shareholder or any member of our Group;

(xv) any litigation, or claim, or investigation, or action, being announced, threatened, or instigated against any member of our Group, any Controlling Shareholder or any executive Director; or

(xvi) any contravention by any member of our Group of the Companies Ordinance, the Companies (WUMP) Ordinance, the Listing Rules or applicable Laws,

which, in each case or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(A) is or may be or is likely to be materially adverse to, or materially or prejudicially affect, the business, financial or other condition or prospects of our Company or our Group, taken as a whole;

(B) has or might have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering, the International Placing or the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

(C) makes or will or is likely to make it inadvisable, inexpedient, impracticable or not commercially viable to proceed with or to market the Hong Kong Public Offering, the International Placing or the Global Offering, or a material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offering, the International Placing or the Global Offering to be performed or implemented in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) any breach of any of the warranties, representations, obligations or undertakings given by or imposed upon our Company, our Controlling Shareholders or our executive Directors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement or any matter or event showing any of such warranties, representations, obligations or undertakings to be untrue, inaccurate or misleading or having been breached in any respect when given or repeated;

(ii) any breach on the part of our Company, any of our Controlling Shareholders or any of our executive Directors of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement which is material in the sole and absolute opinion of the Joint Global Coordinators;

(iii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom;

(iv) that any statement contained in this prospectus, the Application Forms, the formal notice, other offering documents or any announcements (including any supplement or amendment thereto) issued by our Company, if any, considered by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute opinion to be material in the context of the Global Offering was, when it was issued, or has become untrue, incorrect in any material respect or misleading, or that any estimates, forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice, other offering documents or any announcements (including any supplement or amendment thereto) considered by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute opinion to be material in the context of the Global Offering is not, in all respects, fair and honest and based on reasonable assumptions;

(v) there shall have occurred any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our Controlling Shareholders or our executive Directors pursuant to the indemnities referred to in the Hong Kong Underwriting Agreement or the International Underwriting Agreement;

(vi) any valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole;

(vii) that an order is made or a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group;

(viii) that approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued pursuant to the exercise of Over-allotment Option) to be issued or sold under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions), revoked or withheld;

(ix) that our Company withdraws any of the offering documents issued for the purposes of or in connection with the Global Offering (and/or any other documents used in connection with the contemplated subscription of the Offer Shares), collectively, the ("**Offer Documents**") or the Global Offering;

(x) that any person (other than the Sole Sponsor and the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents;

(xi) other than with the approval of the Sole Sponsor and the Joint Global Coordinators (such approval shall not be unreasonably withheld), the issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated subscription of our Shares) pursuant to the Companies (WUMP) Ordinance, the Listing Rules, the SFO, or any other applicable Laws, or any requirement or request of the Stock Exchange and/or the SFC; or

(xii) any prohibition on our Company by any applicable governmental authority for whatever reasons from offering, allotting, issuing or selling our Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering,

then the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may at their absolute discretion (acting in good faith), upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to: (i) the Global Offering (including the Over-allotment Option); (ii) the Share Option Scheme; (iii) any capitalization issue, capital reduction or consolidation or sub-division of Shares; and (iv) the circumstances permitted pursuant to Rule 10.08 of the Listing Rules, we will not, within six months from the Listing Date, issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such issue (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange that, save as disclosed in this prospectus and except pursuant to: (i) the Global Offering (including the Over-allotment Option); and (ii) the Share Option Scheme, he/it will not and shall procure that the relevant registered holder(s) of our Shares, any associates or companies controlled by him/it, any nominees or trustees holding our Shares in trust for him/it (as the case may be), will not:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "First Lock-up Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company (except pursuant to any security (including a charge or a pledge) in favor of an authorized institution for a bona fide commercial loan) in respect of which he/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules); or

(b) in the period of a further six months commencing on the date on which the First Lock-up Period expires (the "Second Lock-up Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) above, if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

In addition, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that during the First Lock-up Period and Second Lock-up Period, he/it shall:

(a) when he/it pledges or charges any Shares or securities of our Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the laws of Hong Kong), immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclosure such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to, among others, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Hong Kong Underwriters that, except pursuant to the Capitalization Issue, the Global Offering (including the Over-allotment Option) or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date ("**First Six-month Period**") without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital, debt capital or other securities, or any shares or other securities of such other member of our Group, or any interest therein;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share capital or other securities, or any of the share capital or other securities of any other member of our Group, or any interest therein, or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution;

(c) enter into any of the above transactions with the same economic effect; or

(d) agree or contract to, or publicly announce any intention to enter into any of the above transactions described in (a), (b) or (c) above,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, our Company and the Hong Kong Underwriters that, except pursuant to the Capitalization Issue, the Global Offering (including the Over-allotment Option) or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, he/it will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(a) at any time during the First Six-month Period:

(i) offer, accept subscription for, pledge, mortgage, charge (other than any pledge, mortgage or charge of the issued share capital of our Company in favor of an authorized institution as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong) for a bona fide commercial loan), sell, lend, assign, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale, assign or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase, any of our Shares, share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any such Shares, share or debt capital or other securities or any interest therein) whether now owned or hereinafter acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which our Controlling Shareholders have beneficial ownership (collectively the "**Lock-up Securities**"), or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distributions;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such Lock-up Securities or any interest therein, or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distributions;

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above,

whether any such transaction described above is to be settled by delivery of the Lock-up Securities, in cash or otherwise;

(b) at any time in the six month period commencing from the expiry of the First Six-month Period ("**Second Six-month Period**"), he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, any Controlling Shareholder will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company;

(c) until the expiry of the Second Six-month Period, in the event that he/it or the relevant registered holder(s) or his/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he/it will take all reasonable steps to ensure that he/it or the relevant registered holder(s) or his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it will not create a disorderly or false market in the securities of our Company;

(d) at any time during the First Six-month Period or the Second Six-month Period (where applicable):

(i) when he/it pledges or charges any Shares, share capital or other securities of our Company including but not limited to rights as to voting, dividend or distribution in the securities of our Company, in respect of which he/it is the beneficial owner, immediately inform the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and our Company, if required under the Listing Rules, the Stock Exchange in writing of such pledge or charge and the number of Shares or other securities of our Company, and the nature of interest, so pledged or charged; and

(ii) if and when he/it receives any indication, either verbal or written, from any pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company or interests in or rights attaching to the securities of our Company, will be sold, transferred or disposed of, immediately inform us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Co-Managers and, if required under the Listing Rules, the Stock Exchange of any such indication.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Hong Kong Underwriters and their respective affiliates for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of the Hong Kong Underwriting Agreement by us, our Controlling Shareholders or our executive Directors.

The International Placing

In connection with the International Placing, it is expected that our Company, our executive Directors and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the International Underwriters.

Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters are expected to severally agree to purchase or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We expect to grant to the International Underwriters the Over-allotment Option exercisable by the Stabilizing Manager (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until November 14, 2020, being the 30th day after the last date for lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing to solely cover over-allocations, if any, in the International Placing.

Our Company, our Controlling Shareholders and our executive Directors will agree to indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the International Underwriters and their respective affiliates for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the International Underwriting Agreement and any breach of the International Underwriting Agreement by us, our Controlling Shareholders or our executive Directors.

Underwriting commission and expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.9% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters).

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$44.8 million in total (based on the Offer

Price of HK$0.975, being the mid-point of the indicative Offer Price range between HK$0.85 and HK$1.10, and assuming Downward Offer Price Adjustment and the Over-allotment Option are not exercised) and will be payable by us.

Sole Sponsor's and Underwriters' interests in our Company

The Underwriters will receive an underwriting commission of 2.9% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commissions and expenses are set out under "Underwriting commissions and expenses" in this section.

Save as disclosed above, none of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers or the Underwriters is legally or beneficially interested in any shares of our subsidiaries or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. Innovax Capital is the Sole Sponsor for the listing of the Shares on the Stock Exchange. Innovax Securities and Guotai Junan are the Joint Global Coordinators; Innovax Securities, Guotai Junan, and China Everbright are the Joint Bookrunners; Innovax Securities, Guotai Junan and China Everbright are the Joint Lead Managers; and Ever-Long, Maxa and Zhong Jia are the Co-Managers of the Global Offering.

The Global Offering initially comprises:

(a) the Hong Kong Public Offering of 25,000,000 Offer Shares (subject to reallocation on the bases set out in "Hong Kong Public Offering – Reallocation" in this section below) in Hong Kong as described in "Hong Kong Public Offering" in this section below; and

(b) the International Placing of 225,000,000 Offer Shares (subject to reallocation on the bases set out in "Hong Kong Public Offering – Reallocation" in this section below and the Over-allotment Option as set out in "Over-allotment Option and Stock Borrowing Agreement" in this section below) outside the United States in reliance on Regulation S.

Investors may either: (a) apply for Offer Shares under the Hong Kong Public Offering; or (b) apply for or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both.

Reasonable steps will be taken to identify and reject: (a) applications in the Hong Kong Public Offering from investors who have applied for Offer Shares under the International Placing; and (b) applications or indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares under the Hong Kong Public Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States, in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing may be subject to reallocation and, in the case of the International Placing only, the Over-allotment Option as set out in "Over-allotment Option and Stock Borrowing Agreement" in this section below.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional on, among other things:

(a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalization Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;

(b) the Offer Price having been fixed on or around the Price Determination Date;

(c) the execution and delivery of the Underwriting Agreements in accordance with their respective terms; and

(d) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Thursday, October 15, 2020 and in any event not later than 6:00 p.m. on Friday, October 16, 2020.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by 6:00 p.m. on Friday, October 16, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on the next business day following such lapse on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.czcgtl.com.** In the event of such lapse, all application monies will be returned, without interest, on the terms set out in "How to apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time).

Share certificates for the Offer Shares are expected to be issued on Thursday, October 22, 2020 but will only become valid certificates of title at 8:00 a.m. on Friday, October 23, 2020 provided that: (a) the Global Offering has become unconditional in all respects; and (b) the right of termination as described in "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of shares certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The Hong Kong Public Offering and the International Placing are subject to the conditions set out in "Conditions of the Global Offering" in this section. The Hong Kong Underwriting Agreement and the International Underwriting Agreement shall be conditional upon each other.

Number of Offer Shares initially offered

Our Company is initially offering 25,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing, the number of Hong Kong Offer Shares will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue. Completion of the Hong Kong Public Offering is subject to the conditions set out in "Conditions of the Global Offering" in this section above. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and individual investors.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Assuming that the Over-allotment Option is not exercised, the total number of Shares available under the Hong Kong Public Offering will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue, and is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B.

The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application (without regard to the Offer Price as finally determined). Applicants can only apply for Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only receive Hong Kong Offer Shares from either pool A or pool B. Multiple or suspected multiple applications within either pool or between pools and any application for more than 12,500,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation and clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation on the following basis:

(a) Where the International Placing Shares are fully subscribed or oversubscribed and:

(i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators, in their discretion, may (but shall have no obligation to) reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate;

(ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Joint Global Coordinators, in their discretion, may (but shall have no obligation to) reallocate up to 25,000,000 Offer Shares to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 50,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering;

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 75,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 100,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering; and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 100,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 125,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering.

(b) Where the International Placing Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Joint Global Coordinators, in their discretion, may (but shall have no obligation to) reallocate up to 25,000,000 Offer Shares to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering.

In the event of a reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK$0.85 per Offer Share) or the downward adjusted final Offer Price if a Downward Offer Price Adjustment is made, according to HKEX Guidance Letter HKEX-GL91–18 issued by the Stock Exchange.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.10 per Offer Share in addition to any brokerage fee of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK$4,444.34 for one board lot of 4,000 Shares. If the Offer Price, as finally determined in the manner described in "Price determination of the Global Offering" in this section below, is less than the maximum price of HK$1.10 per Share, appropriate refund payments (including the brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to apply for Hong Kong Offer Shares" for further details.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

The International Placing is expected to be fully underwritten by the International Underwriters on a several basis. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

Number of Offer Shares offered

The number of Offer Shares to be initially offered under the International Placing will be 225,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to reallocation and assuming that the Over-allotment Option is not exercised). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of International Placing Shares will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue.

The International Placing is subject to the same conditions set out in "Conditions of the Global Offering" in this section above.

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The International Placing Shares will be allocated in accordance with the book-building process described in "Price determination of the Global Offering" in this section below, and is based on several factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to achieve a distribution of the Shares that would allow for the establishment of a solid professional and institutional shareholder base which will be beneficial to our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION AND STOCK BORROWING AGREEMENT

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters exercisable at the sole discretion of the Stabilizing Manager (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Stabilizing Manager (on behalf of the International Underwriters) has the right, exercisable at anytime from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 37,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Placing to cover over-allocation in the International Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Global Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.75% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the Capitalization Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the requirements of the Listing Rules.

In order to facilitate the settlement of over-allocations under the International Placing, the Stabilizing Manager (or any person acting for it) may, at its option, cover such over-allocations by borrowing Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilizing Manager will enter into the Stock Borrowing Agreement with Jinghai BVI, our Controlling Shareholder, whereby the Stabilizing Manager may borrow Shares from Jinghai BVI on the following conditions:

(a) such stock borrowing arrangement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from Jinghai BVI will be limited to 37,500,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;

(c) the same number of Shares borrowed from Jinghai BVI must be returned to it or its nominees (as the case may be) no later than the third business day following the earlier of:

  (i) the last day on which the Over-allotment Option may be exercised;

  (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or

  (iii) such earlier time as may be agreed in writing between Jinghai BVI and the Stabilizing Manager;

(d) the stock borrowing arrangement will be carried out in compliance with all applicable listing rules, laws and other regulatory requirements; and

(e) no payments will be made to Jinghai BVI by the Stabilizing Manager in relation to such stock borrowing arrangement.

The stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price will be fixed on the Price Determination Date, which is expected to be on or around Thursday, October 15, 2020, and in any event not later than 6:00 p.m. on Friday, October 16, 2020, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK$1.10 per Offer Share and is expected to be not less than HK$0.85 per Offer Share (subject to a Downward Offer Price Adjustment), unless otherwise announced, as further explained below. Applicants under the Public Offer must pay, on application, the maximum Offer Price of HK$1.10 per Offer Share plus 1.00% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK$4,444.34 for one board lot of 4,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the expected Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).

The Joint Global Coordinators will solicit from prospective investors indications of interest in acquiring the International Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to the Price Determination Date.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the expected Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.czcgtl.com** an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Thursday, October 22, 2020. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of indications of interest in the International Placing, the level of applications and the basis of allotment of Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, October 22, 2020 on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.czcgtl.com.**

PRICE PAYABLE ON APPLICATION

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$1.10 for each Hong Kong Offer Share (plus 1.00% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK$1.10, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applicants.

If, for any reason our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 6:00 p.m. Friday, October 16, 2020, the Global Offering will not proceed and will lapse.

REDUCTION OF THE NUMBER OF OFFER SHARES AND/OR THE INDICATIVE OFFER PRICE RANGE

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering following the decision to make such reduction, publish notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.czcgtl.com**. Upon the issuance of such notices, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notices will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notices so published, the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) with our Company, will under no circumstances be fixed outside the Offer Price range as stated in this prospectus. Applicants under the Hong Kong Public Offering should note that applications cannot be withdrawn once they are submitted, unless the number of Offer Shares and/or the Offer Price is/are reduced.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their sole discretion, reallocate the number of Offer Shares offered under the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares available under the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

STABILIZATION ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to minimize and, if possible, prevent any decline in the market price of the securities below the Offer Price. Such transactions may be carried out in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws, rules and regulations, including those of Hong Kong (such as the Securities and Futures (Price Stabilizing) Rules under the SFO, as amended, supplemented or otherwise modified from time to time). In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is carried out is not permitted to exceed the Offer Price.

We have appointed Innovax Securities as the Stabilizing Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules under the SFO, as amended, supplemented or otherwise modified from time to time. In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or carry out transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and expected to end on November 14, 2020, being the 30th day from the last day for lodging of applications under the Hong Kong Public Offering.

Any market purchases of the Shares may be carried out on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing action, which if commenced, will be conducted at the sole and absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilizing activity must cease on November 14, 2020, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 37,500,000 Shares in aggregate, which represents 15% of the Shares initially available under the Global Offering.

The types of stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;

(e) selling, or agreeing to sell, the Shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

The Stabilizing Manager, its affiliates or any person acting for it, may take all or any of the above stabilizing actions in Hong Kong during the stabilization period. Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;

(b) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilizing Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;

(c) stabilizing action cannot be used to support the price of the Shares for longer than the stabilizing period, which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on November 14, 2020, being the 30th day from the last date for lodging applications under the Hong Kong Public Offering. After this date, no further stabilizing action may be taken and therefore the demand for the Shares as well as the price of the Shares may fall;

(d) there is no assurance that the price of the Shares will stay at or above the Offer Price either during or after the stabilizing period by taking any stabilizing action; and

(e) stabilizing bids may be made or transactions carried out in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions carried out at a price below the price paid by applicants or investors for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

OVER-ALLOCATION

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at their sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of and permission to deal in:

(a) the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(b) the Shares to be issued upon the exercise of options that may be granted under the Share Option Scheme.

No part of the share capital of our Company is listed on or dealt in any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Friday, October 23, 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. (Hong Kong time) on Friday, October 23, 2020.

The Shares will be traded in board lots of 4,000 Shares each and the stock code of the Shares will be 2169.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **White Form eIPO** service at **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, October 12, 2020 until 12:00 noon Thursday, October 15, 2020 from:

(a) any of the following addresses of the Hong Kong Underwriters:

Innovax Securities Limited	Unit A-C, 20/F Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
China Everbright Securities (HK) Limited	12/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong

Ever-Long Securities Company Limited	Rooms 1101–02 & 1111–12 11/F., Wing On Centre 111 Connaught Road Central Sheung Wan Hong Kong
Maxa Capital Limited	Unit 1908, Harbour Center 25 Harbour Road Wanchai Hong Kong
Zhong Jia Securities Limited	Unit D – F, 15/F, Neich Tower 128 Gloucester Road Wan Chai Hong Kong

(b) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Central District (Wing On House) Branch	B/F-2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Texaco Road Branch	Shop A112, East Asia Gardens, 36 Texaco Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, October 12, 2020 until 12:00 noon on Thursday, October 15, 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – CANGGANG RAILWAY PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Monday, October 12, 2020 – 9:00 a.m. to 5:00 p.m.

- Tuesday, October 13, 2020 – 9:00 a.m. to 5:00 p.m.
- Wednesday, October 14, 2020 – 9:00 a.m. to 5:00 p.m.
- Thursday, October 15, 2020 – 9:00 a.m. to 12:00 noon

The latest time for lodging your application is 12:00 noon on Thursday, October 15, 2020. The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, October 15, 2020, the last application day or such later time as described in "10. Effect of bad weather on the opening of the applications lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully, otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that: (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, and the Hong Kong Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "2. Who can apply" in this section above, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on Thursday, October 15, 2020, the last application day) from 9:00 a.m. on Monday, October 12, 2020 until 11:30 a.m. on Thursday, October 15, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, October 15, 2020 or such later time under "10. Effect of bad weather on the opening of the applications lists" in this section below.

No multiple applications

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** more than once and obtaining payment application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Canggang Railway Limited" **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

(i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

(ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

(iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

(v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

(vi) confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(vii) authorize our Company to place HKSCC Nominee's name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

(viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

(x) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(xi) agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters and/or their respective advisers and agents;

(xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

(xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

(xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

(xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association; and

(xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, October 12, 2020 – 9:00 a.m. to 8:30 p.m.
- Tuesday, October 13, 2020 – 8:00 a.m. to 8:30 p.m.
- Wednesday, October 14, 2020 – 8:00 a.m. to 8:30 p.m.
- Thursday, October 15, 2020 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, October 12, 2020 until 12:00 noon on Thursday, October 15, 2020 (24 hours daily, except on Thursday, October 15, 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, October 15, 2020, the last application day or such later time as described in ‘‘10. Effect of bad weather on the opening of the application lists’’ in this section below.

Note:

These times in this sub-section are subject to change as HKSCC may determine, from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed ‘‘Personal Data’’ applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, October 15, 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked ''For nominees'', you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

''Unlisted company'' means a company with no equity securities listed on the Stock Exchange.

''Statutory control'' means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details of the Offer Price, see "Structure of the Global Offering – Price determination of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; or
- an "extreme condition" is announced by the Government of Hong Kong,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 15, 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, October 15, 2020 or if there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal or an "extreme condition" announced by the Government of Hong Kong is in force in Hong Kong that may affect the dates mentioned in "Expected timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, October 22, 2020 on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.czcgtl.com.**

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.czcgtl.com** no later than 9:00 a.m. on Thursday, October 22, 2020;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a ''search by ID'' function on a 24-hour basis from 8:00 a.m. on Thursday, October 22, 2020 to 12:00 midnight on Wednesday, October 28, 2020;

- by telephone enquiry line by calling 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, October 22, 2020, Friday, October 23, 2020, Tuesday, October 27, 2020 and Wednesday, October 28, 2020;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, October 22, 2020 to Saturday, October 24, 2020 at all the receiving bank designated branches of the receiving bank.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. See ''Structure of the Global Offering'' for further details.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, October 22, 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, October 22, 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, October 23, 2020 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, October 22, 2020, or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, October 22, 2020 by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, October 22, 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Thursday, October 22, 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 22, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, October 22, 2020, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, October 22, 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, October 22, 2020 or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of results" in this section above on Thursday, October 22, 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 22, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, October 22, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, October 22, 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I – 1 to I – 65, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CANGGANG RAILWAY LIMITED AND INNOVAX CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Canggang Railway Limited (the ''Company'') and its subsidiaries (together, the ''Group'') set out on pages I – 4 to I – 65, which comprises the consolidated statements of financial position of the Group as at December 31, 2017, 2018 and 2019 and May 31, 2020 and the statements of financial position of the Company as at December 31, 2018 and 2019 and May 31, 2020, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2017, 2018 and 2019 and five months ended May 31, 2020 (the ''Track Record Period''), and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages I – 4 to I – 65 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated October 12, 2020 (the ''Prospectus'') in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'').

DIRECTORS' RESPONSIBILITY FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2017, 2018 and 2019 and May 31, 2020 and the Company's financial position as at December 31, 2018 and 2019 and May 31, 2020, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REVIEW OF STUB PERIOD CORRESPONDING FINANCIAL INFORMATION

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended May 31, 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I – 4 have been made.

Dividends

We refer to Note 25(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

October 12, 2020

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

1. Consolidated statements of profit or loss

(Expressed in RMB)

		Years ended December 31,			Five months ended May 31,	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	4	354,343	386,889	376,904	150,158	151,831
Operating expenses:						
Staff costs	6(b)	(59,466)	(64,902)	(63,777)	(25,510)	(23,727)
Outsourcing service charges and other labor costs		(44,156)	(51,453)	(44,291)	(20,977)	(18,933)
Cargo logistics		(32,783)	(41,379)	(39,117)	(16,315)	(13,001)
Depreciation	6(c)	(26,111)	(29,467)	(34,830)	(14,245)	(15,288)
Fuel used		(18,560)	(29,227)	(26,815)	(12,064)	(10,520)
Repairs and maintenance		(22,949)	(17,694)	(17,260)	(6,112)	(7,032)
General and administration expenses		(7,424)	(14,771)	(23,338)	(8,453)	(9,524)
Other expenses		(12,147)	(9,032)	(11,130)	(4,133)	(3,567)
Total operating expenses		(223,596)	(257,925)	(260,558)	(107,809)	(101,592)
Other income	5	822	2,387	2,742	566	1,726
Operating profit		**131,569**	**131,351**	**119,088**	**42,915**	**51,965**
Finance costs	6(a)	(23,920)	(21,820)	(24,654)	(9,083)	(10,821)
Share of loss of an associate/associates	14	(60)	(233)	(183)	(73)	(315)
Profit before taxation	6	**107,589**	**109,298**	**94,251**	**33,759**	**40,829**
Income tax	7(a)	(27,228)	(27,791)	(24,755)	(8,644)	(10,817)
Profit for the year/period		**80,361**	**81,507**	**69,496**	**25,115**	**30,012**

The accompanying notes form part of the Historical Financial Information.

1. Consolidated statements of profit or loss (continued)

(Expressed in RMB)

		Years ended December 31,			Five months ended May 31,	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Attributable to:						
Equity shareholders of the Company		80,439	81,706	70,194	25,357	29,431
Non-controlling interests		(78)	(199)	(698)	(242)	581
Profit for the year/period		**80,361**	**81,507**	**69,496**	**25,115**	**30,012**
Earnings per share *(RMB)*						
– Basic and diluted	10	N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

2. Consolidated statements of profit or loss and other comprehensive income

(Expressed in RMB)

	Years ended December 31,			Five months ended May 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	**80,361**	**81,507**	**69,496**	**25,115**	**30,012**
Other comprehensive income for the year/period (after tax):					
Item that may be reclassified subsequently to profit or loss:					
– Exchange differences on translation into presentation currency of the Group	–	–	(272)	–	2
Total comprehensive income for the year/period	**80,361**	**81,507**	**69,224**	**25,115**	**30,014**
Attributable to:					
Equity shareholders of the Company	80,439	81,706	69,922	25,357	29,433
Non-controlling interests	(78)	(199)	(698)	(242)	581
Total comprehensive income for the year/period	**80,361**	**81,507**	**69,224**	**25,115**	**30,014**

The accompanying notes form part of the Historical Financial Information.

3. Consolidated statements of financial position

(Expressed in RMB)

		At December 31,			At May 31,
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	11	692,399	805,122	789,570	777,321
Right-of-use assets	12	137,398	202,323	197,855	195,993
Interests in an associate/associates	14	3,918	3,685	3,502	5,187
Deferred tax assets	24(b)	6,983	7,661	8,209	8,035
Prepayments and other receivables	17	52,128	6,500	3,374	3,495
Total non-current assets		892,826	1,025,291	1,002,510	990,031
Current assets					
Inventories	15	4,430	4,407	5,009	3,662
Trade and bills receivables	16	121,340	111,020	134,858	128,332
Prepayments and other receivables	17	14,657	12,370	19,649	22,577
Amounts due from related parties	28(d)	114,384	132,276	–	–
Financial assets at fair value through profit or loss	18	–	1,000	–	–
Cash and cash equivalents	19	40,579	53,119	33,866	70,791
Total current assets		295,390	314,192	193,382	225,362
Current liabilities					
Bank and other loans	20	93,726	168,008	290,999	127,551
Trade payables	21	33,543	26,742	27,700	19,902
Other payables	22	61,437	78,601	75,745	63,744
Contract liabilities	23	729	2,229	2,630	1,688
Amounts due to related parties	28(d)	11,538	310	–	–
Current taxation	24(a)	1,619	5,941	8,501	6,124
Total current liabilities		202,592	281,831	405,575	219,009
Net current assets/(liabilities)		**92,798**	**32,361**	**(212,193)**	**6,353**
Total assets less current liabilities		**985,624**	**1,057,652**	**790,317**	**996,384**
Non-current liabilities					
Bank and other loans	20	272,162	257,783	270,332	446,385
Total non-current liabilities		272,162	257,783	270,332	446,385
NET ASSETS		**713,462**	**799,869**	**519,985**	**549,999**

The accompanying notes form part of the Historical Financial Information.

3. Consolidated statements of financial position (continued)
(Expressed in RMB)

		At December 31,			At May 31,
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES	25				
Paid-in/Share capital		347,885	347,885	–*	–*
Reserves		341,155	422,861	491,560	520,993
Total equity attributable to equity shareholders of the Company		689,040	770,746	491,560	520,993
Non-controlling interests		24,422	29,123	28,425	29,006
TOTAL EQUITY		**713,462**	**799,869**	**519,985**	**549,999**

* *Amounts less than RMB1,000.*

The accompanying notes form part of the Historical Financial Information.

4. Statements of financial position of the Company

(Expressed in RMB)

	Note	At December 31, 2018 RMB'000	At December 31, 2019 RMB'000	At May 31, 2020 RMB'000
Non-current assets				
Investments in a subsidiary/ subsidiaries*	13	–	–	–
Current assets				
Prepayments and other receivables		–	–	20
Amounts due from related parties*		–	–	–
Current liabilities				
Amounts due to a subsidiary/ subsidiaries		–*	448	914
NET CURRENT ASSETS/ (LIABILITIES)		–*	(448)	(894)
NET ASSETS/(LIABILITIES)		–*	(448)	(894)
CAPITAL AND RESERVES	25			
Share capital*		–	–	–
Reserves		–	(448)	(894)
TOTAL EQUITY		–*	(448)	(894)

* *Amounts less than RMB1,000.*

The accompanying notes form part of the Historical Financial Information.

5. Consolidated statements of changes in equity

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Paid-in/ Share capital	**Other reserve**	**Statutory reserve**	**Safety production fund reserve**	**Exchange reserve**	**Retained profits**	**Subtotal**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25(b))	*(Note 25(d)(i))*	*(Note 25(d)(ii))*	*(Note 25(d)(iii))*	*(Note 25(d)(iv))*				
At January 1, 2017	347,885	99,053	23,499	–	–	213,164	683,601	–	683,601
Changes in equity for the year ended December 31, 2017:									
Profit for the year	–	–	–	–	–	80,439	80,439	(78)	80,361
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	80,439	80,439	(78)	80,361
Distributions *(Note 25(c))*	–	–	–	–	–	(75,000)	(75,000)	–	(75,000)
Capital injection	–	–	–	–	–	–	–	24,500	24,500
Appropriation to reserves	–	–	7,861	–	–	(7,861)	–	–	–
Safety production fund reserve									
– Appropriation	–	–	–	2,394	–	(2,394)	–	–	–
– Utilization	–	–	–	(2,394)	–	2,394	–	–	–
At December 31, 2017 and January 1, 2018	347,885	99,053	31,360	–	–	210,742	689,040	24,422	713,462

5. Consolidated statements of changes in equity (continued)
(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Paid-in/ Share capital RMB'000 (Note 25(b))	Other reserve RMB'000 (Note 25(d)(i))	Statutory reserve RMB'000 (Note 25(d)(ii))	Safety production fund reserve RMB'000 (Note 25(d)(iii))	Exchange reserve RMB'000 (Note 25(d)(iv))	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At December 31, 2017 and January 1, 2018	347,885	99,053	31,360	–	–	210,742	689,040	24,422	713,462
Changes in equity for the year ended December 31, 2018:									
Profit for the year	–	–	–	–	–	81,706	81,706	(199)	81,507
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	81,706	81,706	(199)	81,507
Capital injection	–	–	–	–	–	–	–	4,900	4,900
Appropriation to reserves	–	–	7,914	–	–	(7,914)	–	–	–
Safety production fund reserve									
– Appropriation	–	–	–	2,807	–	(2,807)	–	–	–
– Utilization	–	–	–	(2,807)	–	2,807	–	–	–
At December 31, 2018 and January 1, 2019	347,885	99,053	39,274	–	–	284,534	770,746	29,123	799,869
Changes in equity for the year ended December 31, 2019:									
Profit for the year	–	–	–	–	–	70,194	70,194	(698)	69,496
Other comprehensive income	–	–	–	–	(272)	–	(272)	–	(272)
Total comprehensive income	–	–	–	–	(272)	70,194	69,922	(698)	69,224
Capital injection	–	12,075	–	–	–	–	12,075	–	12,075
Appropriation to reserves	–	–	11,640	–	–	(11,640)	–	–	–
Deemed distribution *(Note 1)*									
– effect on equity arising from the group reorganization	(347,885)	(13,298)	–	–	–	–	(361,183)	–	(361,183)
Safety production fund reserve									
– Appropriation	–	–	–	2,952	–	(2,952)	–	–	–
– Utilization	–	–	–	(2,952)	–	2,952	–	–	–
At December 31, 2019 and January 1, 2020	–	97,830	50,914	–	(272)	343,088	491,560	28,425	519,985

5. Consolidated statements of changes in equity (continued)

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Paid-in/ Share capital	Other reserve	Statutory reserve	Safety production fund reserve	Exchange reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25(b))	*(Note 25(d)(i))*	*(Note 25(d)(ii))*	*(Note 25(d)(iii))*	*(Note 25(d)(iv))*				
At December 31, 2019 and January 1, 2020	–	97,830	50,914	–	(272)	343,088	491,560	28,425	519,985
Changes in equity for the five months ended May 31, 2020:									
Profit for the period	–	–	–	–	–	29,431	29,431	581	30,012
Other comprehensive income	–	–	–	–	2	–	2	–	2
Total comprehensive income	–	–	–	–	2	29,431	29,433	581	30,014
Safety production fund reserve									
– Appropriation	–	–	–	1,265	–	(1,265)	–	–	–
– Utilization	–	–	–	(1,265)	–	1,265	–	–	–
At May 31, 2020	–	97,830	50,914	–	(270)	372,519	520,993	29,006	549,999
At January 1, 2019	347,885	99,053	39,274	–	–	284,534	770,746	29,123	799,869
Changes in equity for the five months ended May 31, 2019 (unaudited):									
Profit for the period (unaudited)	–	–	–	–	–	25,357	25,357	(242)	25,115
Other comprehensive income (unaudited)	–	–	–	–	–	–	–	–	–
Total comprehensive income (unaudited)	–	–	–	–	–	25,357	25,357	(242)	25,115
Deemed distribution *(Note 1)*									
– effect on equity arising from the group reorganization (unaudited)	(347,885)	(2,462)	–	–	–	–	(350,347)	–	(350,347)
Safety production fund reserve (unaudited)									
– Appropriation (unaudited)	–	–	–	1,230	–	(1,230)	–	–	–
– Utilization (unaudited)	–	–	–	(1,230)	–	1,230	–	–	–
At May 31, 2019 (unaudited)	–	96,591	39,274	–	–	309,891	445,756	28,881	474,637

The accompanying notes form part of the Historical Financial Information.

6. Consolidated cash flow statements

(Expressed in RMB)

		Years ended December 31,			Five months ended May 31,	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Operating activities						
Profit before taxation		107,589	109,298	94,251	33,759	40,829
Adjustments for:						
Depreciation	6(c)	26,111	29,467	34,830	14,245	15,288
Impairment loss/(reversal of impairment loss) on trade and bills receivables	6(c)	497	(364)	595	119	1,902
Impairment loss on property, plant and equipment	6(c)	3,571	–	–	–	–
Finance costs	6(a)	23,920	21,820	24,654	9,083	10,821
Interest income	5	(588)	(1,107)	(1,097)	(472)	(522)
Net gains on investments in wealth management products	5	(998)	(298)	(142)	(142)	–
Net losses/(gains) on disposal of property, plant and equipment	5	896	(136)	(784)	15	12
Share of loss of an associate/associates	14	60	233	183	73	315
Changes in working capital:						
(Increase)/decrease in inventories		(1,325)	23	(602)	(1,057)	1,347
(Increase)/decrease in trade and bills receivables, prepayments and other receivables		(30,257)	10,526	(25,786)	(29,072)	1,879
Increase in restricted bank deposits		–	–	–	(750)	–
Increase/(decrease) in trade payables and other payables		18,389	3,224	6,566	325	(10,632)
(Decrease)/increase in contract liabilities		(1,730)	1,500	401	(874)	(942)
Cash generated from operations		146,135	174,186	133,069	25,252	60,297
Income tax paid	24(a)	(34,082)	(24,147)	(22,743)	(10,930)	(13,020)
Net cash generated from operating activities		112,053	150,039	110,326	14,322	47,277
Investing activities						
Payments for purchase of property, plant and equipment and right-of-use assets		(107,420)	(158,184)	(23,973)	(13,949)	(10,392)
Proceeds from disposal of property, plant and equipment		6,839	11,409	955	171	84
Payments for purchase of investments in wealth management products		(263,200)	(104,100)	(37,000)	(37,000)	–
Proceeds from disposal of investments in wealth management products		274,198	103,398	38,142	38,142	–
Investment in an associate		–	–	–	–	(2,000)
Interest received		588	1,107	1,097	472	168
Net cash used in investing activities		(88,995)	(146,370)	(20,779)	(12,164)	(12,140)

The accompanying notes form part of the Historical Financial Information.

6. Consolidated cash flow statements (continued)

(Expressed in RMB)

		Years ended December 31,			Five months ended May 31,	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Financing activities						
Proceeds from capital injection		24,500	4,900	12,075	–	–
Proceeds from new bank and other loans	19(b)	324,513	182,800	397,313	272,774	241,900
Repayments of bank and other loans	19(b)	(273,407)	(122,919)	(262,943)	(93,088)	(230,479)
Net (decrease)/increase in amounts due to related parties	19(b)	(22,637)	(11,228)	(310)	1,120	–
Net decrease/(increase) in amounts due from related parties	19(b)	53,597	(17,892)	132,276	132,276	–
Payments to the then equity holder upon the group reorganization	19(b)	–	–	(361,183)	(350,347)	–
Borrowing costs paid	19(b)	(25,581)	(26,790)	(26,028)	(10,789)	(9,637)
Distributions paid	19(b)	(75,000)	–	–	–	–
Net cash generated from/ (used in) financing activities		5,985	8,871	(108,800)	(48,054)	1,784
Net increase/(decrease) in cash and cash equivalents		29,043	12,540	(19,253)	(45,896)	36,921
Cash and cash equivalents at January 1,	19(a)	11,536	40,579	53,119	53,119	33,866
Effect of exchange rate changes		–	–	–	–	4
Cash and cash equivalents at December 31/May 31,	19(a)	40,579	53,119	33,866	7,223	70,791

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation and presentation of Historical Financial Information

Canggang Railway Limited (the "Company") was incorporated in the Cayman Islands on October 19, 2018 as an exempted company with limited liability.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganization mentioned below. The Company and its subsidiaries (together, the "Group") 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").

Prior to the incorporation of the Company, the principal businesses of the Group have been operated under Cangzhou Canggang Railway Company Limited ("Canggang Company") which was controlled by Mr. Liu Yongliang ("Mr. Liu"). Canggang Company was established as a limited liability company in the PRC on October 22, 2009.

To rationalize the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent a reorganization (the "Corporate Reorganization"), as detailed in the section headed "History and Corporate Structure" in the Prospectus. As part of the Corporate Reorganization, Cangzhou Railway Logistics Services Company Limited ("Cangzhou Logistics"), a wholly-owned subsidiary of the Company, acquired 97% of the equity interests of Canggang Company from Cangzhou Chengyu Railway Company Limited ("Chengyu Company"), which is controlled by Mr. Liu, and the Company acquired 3% of the equity interests of Canggang Company through acquiring the entire equity interest of Puji Global Limited ("Puji Global"). The total consideration of the above acquisitions is RMB 361,183,000, which was determined with reference to the valuation of Canggang Company as of August 31, 2018. Upon completion of the acquisitions, Canggang Company became a wholly-owned subsidiary of the Company.

Upon completion of the Corporate Reorganization on June 17, 2019, the Company became the holding company of the companies now comprising the Group. The Corporate Reorganization only involved inserting newly formed entities with no substantive operations as the new holding companies of Canggang Company and there were no changes in the economic substance of the ownership and the business of the Group before and after the Corporate Reorganization. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of Canggang Company with the assets and liabilities recognized and measured at their historical carrying amounts prior to the Corporate Reorganization. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no statutory audited financial statements have been prepared for the Company, Canggang Railway International Company Limited ("Canggang BVI") and Puji Global, as they are not subject to statutory audit requirements under the relevant rules and regulations in the respective jurisdictions of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

Upon completion of the Corporate Reorganization and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

			Percentage of ownership interest				Name of statutory auditors		
Company name	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-in capital	The Group's effective interest	Held by the Company	Held by the subsidiaries	Principal activities	2017	2018	2019
Canggang Company (滄州滄港鐵路有限公司)* (Note (a))	The PRC October 22, 2009	RMB347,884,681	100.0%	–	100.0%	Provision of rail freight transportation and related ancillary services by operating freight railway and railway yards	Pan-China Certified Public Accountants (天健會計師事務所)	Cangzhou Shicheng Certified Public Accountants (滄州市獅城會計師事務所)	Cangzhou Shicheng Certified Public Accountants (滄州市獅城會計師事務所)
Hebei Jinghai International Logistics Development Company Limited ("Jinghai International") (河北京海國際物流發展有限公司)* (Note (a))	The PRC July 20, 2017	RMB60,000,000	51.0%	–	51.0%	Provision of logistics agency services	Cangzhou Hongren Certified Public Accountants (滄州市鴻仁會計師事務所)	Cangzhou Hongren Certified Public Accountants (滄州市鴻仁會計師事務所)	Cangzhou Hongren Certified Public Accountants (滄州市鴻仁會計師事務所)
Puji Global (普濟環球有限公司) ***	The British Virgin Islands (the "BVI") October 18, 2018	1 share of United States Dollars ("US$") 1 each	100.0%	100.0%	–	Investment holding	N/A	N/A	N/A
Canggang BVI (滄港鐵路國際有限公司)***	The BVI October 29, 2018	1 share of US$1 each	100.0%	100.0%	–	Investment holding	N/A	N/A	N/A
Canggang Railway (Hong Kong) Limited (滄港鐵路(香港)有限公司)***	Hong Kong December 5, 2018	Hong Kong dollar ("HK$") 1	100.0%	–	100.0%	Investment holding	N/A	N/A	W L CHAN Certified Public Accountant
Puji Railway Global Holdings Limited (普濟鐵路環球控股有限公司)***	Hong Kong December 28, 2018	HK$1	100.0%	–	100.0%	Investment holding	N/A	N/A	W L CHAN Certified Public Accountant
Cangzhou Logistics (滄州鐵運物流有限公司)** (Note (a))	The PRC February 14, 2019	HK$10,000,000 and HK$Nil	100.0%	–	100.0%	Investment holding	N/A	N/A	Cangzhou Shicheng Certified Public Accountants (滄州市獅城會計師事務所)

Notes:

* The official names of these entities are in Chinese. The English translations are for identification purpose only. These companies are limited liability companies established in the PRC.

** The official name of this entity is in Chinese. The English translation is for identification purpose only. This company is registered as a wholly foreign-owned enterprise under the PRC Law.

*** These companies are limited liability companies incorporated outside of the PRC or in Hong Kong.

(a) The statutory financial statements of these entities were prepared in accordance with the Accounting Standards for Business Enterprises applicable to enterprises in the PRC.

All companies now comprising the Group have adopted December 31 as their financial year end date.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (''IFRSs'') which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the ''IASB''). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The adoption of IFRS 9, IFRS 15 and IFRS 16 did not have significant impact on the Group's financial position and performance throughout the Track Record Period when compared to those that would have been presented under IAS 39, Financial Instruments: Recognition and Measurement, IAS 18, Revenue and IAS 17, Leases, respectively. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2020 and have not been adopted by the Group are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement

The Historical Financial Information is presented in Renminbi (''RMB'').

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for investments in wealth management products which are state at their fair value as explained in the accounting policy set out in Note 2(e).

(b) Use of estimates and judgements

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

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

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)).

(d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(h)(ii)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interests in the investees, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 26(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(r)(ii)).

– fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income when the equity holder's right to receive payment is established.

(f) Property, plant and equipment and right-of-use assets

The following items of property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)):

– items of property, plant and equipment; and

– interests in leasehold land held for own use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment or right-of-use assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, and right-of-use assets using the straight line method over their estimated useful lives as follows:

–	Leasehold land is depreciated over the unexpired term of lease.	
–	The Group's interests in buildings and other properties situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.	
–	Tracks, bridges and other railway assets	30-95 years
–	Locomotives and rolling stock	16 years
–	Motor vehicles	5-8 years
–	Machinery and equipment	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset (see note 2(f)) and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(f) and 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "Right-of-use-assets" and presents lease liabilities within bank and other loans in the consolidated statement of financial position.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortized cost (including cash and cash equivalents, trade and bills receivables, other receivables and amounts due from related parties) and contract assets.

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and bills receivables, other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization; or

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– interests in an associate; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(i) Inventories

Inventories are assets which are held in the form of materials or supplies to be consumed in the rendering of services.

Inventories are stated at cost and are recognized as expenses in the year in which the consumption occurs.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

(j) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see Note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue (see Note 2(r)). A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(r)).

(k) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(j)).

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

The Group entered into the arrangements with the financial leasing institutions in which the Group sold certain equipment to these institutions and then leased back with scheduled lease payments. The Group has an option to buy back these equipment at a token price at the end of the lease term, i.e. the bargain purchase option. Considering that the bargain purchase option is set at a token price, it is almost certain that the Group would exercise such option. Such arrangements do not, in substance, involve a lease under IFRS 16. The substance of these arrangements are interest-bearing borrowings, secured by the underlying assets and repayable in installments over the lease term. The information of the underlying assets and the secured loans are disclosed in Notes 11 and 20.

(o) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognized when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from provision of rail freight transportation and related ancillary services

Revenue from provision of rail freight transportation and related ancillary services are recognized when the services are rendered and the enforceable rights to payments are obtained.

If the services rendered are a partial fulfillment of a contract covering other services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the services promised under the contract on a relative stand-alone selling prices basis.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(iii) Government grants

Government grants are recognized in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Translation of foreign currencies

Foreign currency transactions are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB, the Group's reporting currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgements and estimates

Note 26 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized in accordance with accounting policy for impairment of long-lived assets as described in Note 2(h)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(b) Depreciation

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment and right-of-use assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of useful lives and residual values, if any, are based on the historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Expected credit losses for trade receivables

The credit loss allowance for trade receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

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 recognized over time.

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

	Years ended December 31,			Five months ended May 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers					
– Rail freight transportation	253,026	259,423	259,065	100,454	107,208
– Ancillary services					
– Loading and unloading	73,350	84,833	65,654	28,877	24,560
– Road freight transportation	18,196	33,841	32,530	17,047	15,612
– Construction, maintenance and repair	7,513	6,528	15,525	2,923	2,054
– Others	2,258	2,264	4,130	857	2,397
Subtotal	101,317	127,466	117,839	49,704	44,623
	354,343	386,889	376,904	150,158	151,831

(ii) During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years are set out below:

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	75,186	69,751	57,290	22,539	20,718
Customer B	49,497	87,583	58,479	22,977	15,855
Customer C	*	40,212	39,059	*	*
Customer D	45,128	*	*	*	*
Customer E	*	*	*	*	31,627

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

Note: Customer A, Customer B, Customer D and Customer E each 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 December 31, 2017, 2018 and 2019 and May 31, 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 December 31,			At May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,594	133	2,190	2,030
Over 1 year	133	–	10,438	9,592
	1,727	133	12,628	11,622

Details of concentration of credit risks of the Group are set out in Note 26(a).

(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 Track Record Period. 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.

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 each of the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 (unaudited) and 2020 is set out below.

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from external customers					
– Rail freight transportation	253,026	259,423	259,065	100,454	107,208
– Ancillary services	101,317	127,466	117,839	49,704	44,623
	354,343	386,889	376,904	150,158	151,831
Segment result					
– Rail freight transportation	117,229	113,992	117,521	43,801	53,406
– Ancillary services	20,942	29,743	22,163	7,001	6,357
	138,171	143,735	139,684	50,802	59,763

(ii) Reconciliation of segment results

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Segment result	138,171	143,735	139,684	50,802	59,763
General and administration expenses	(7,424)	(14,771)	(23,338)	(8,453)	(9,524)
Other income	822	2,387	2,742	566	1,726
Finance costs	(23,920)	(21,820)	(24,654)	(9,083)	(10,821)
Share of loss of an associate/ associates	(60)	(233)	(183)	(73)	(315)
Consolidated profit before taxation	107,589	109,298	94,251	33,759	40,829

(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

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	–	–	155	–	1,216
Interest income	588	1,107	1,097	472	522
Net gains on investments in wealth management products	998	298	142	142	–
Net (losses)/gains on disposal of property, plant and equipment	(896)	136	784	(15)	(12)
Others	132	846	564	(33)	–
	822	2,387	2,742	566	1,726

6 Profit before taxation

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

(a) Finance costs:

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Total interest expense on bank and other loans *(Note 19(b))*	25,603	26,812	27,198	10,791	10,821
Less: interest expense capitalized into property, plant and equipment* *(Note 19(b))*	(1,683)	(4,992)	(2,544)	(1,708)	–
	23,920	21,820	24,654	9,083	10,821

* The borrowing costs have been capitalized at a rate of 5.70-6.38% per annum, 5.84-6.08% per annum, 5.70-6.18% per annum, 5.70-6.18% per annum (unaudited) and Nil per annum for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 (unaudited) and 2020, respectively.

(b) Staff costs:

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits	52,082	56,600	56,031	21,778	23,137
Contributions to defined contribution retirement plans	7,384	8,302	7,746	3,732	590
	59,466	64,902	63,777	25,510	23,727

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.

(c) Other items:

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation					
– Property, plant and equipment *(Note 11)*	23,015	25,809	30,362	12,383	13,426
– Right-of-use assets *(Note 12)*	3,096	3,658	4,468	1,862	1,862
Impairment loss on property, plant and equipment	3,571	–	–	–	–
Impairment loss/(reversal of impairment loss) on trade receivables *(Note 26(a))*	497	(364)	595	119	1,902
Short-term lease charges with remaining lease term of not more than 12 months	280	844	208	27	141
Auditors' remuneration – statutory audit services	289	26	26	–	–
Listing expenses	–	2,601	13,466	4,164	4,841
Cost of inventories *(Note 15(b))*	28,153	36,816	30,265	14,322	11,696

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss represent:

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax *(Note 24(a))*					
Provision for the year/period	31,266	28,469	25,303	9,135	10,643
Deferred tax *(Note 24(b))*					
Origination and reversal of temporary differences	(4,038)	(678)	(548)	(491)	174
	27,228	27,791	24,755	8,644	10,817

(b) Reconciliations between tax expenses and accounting profits at applicable tax rates:

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	107,589	109,298	94,251	33,759	40,829
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	26,897	27,325	23,713	8,440	10,354
Tax effect of share of loss of an associate/ associates	15	58	47	18	79
Tax effect of non-deductible expenses	316	408	630	154	122
Tax effect of unused tax losses not recognised	–	–	365	32	262
Actual tax expense	27,228	27,791	24,755	8,644	10,817

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.

(ii) No provision for Hong Kong Profits Tax has been made, as the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the Track Record Period.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% during the Track Record Period.

8 Directors' emoluments

Details of the emoluments of the directors during the Track Record Period are as follows:

	Year ended December 31, 2017				
	Directors' fees	**Salaries, allowances and benefits in-kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Liu Yongliang	–	–	–	–	–
Mr. Yi Weiming	–	92	33	–	125
	–	92	33	–	125

	Year ended December 31, 2018				
	Directors' fees	**Salaries, allowances and benefits in-kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Liu Yongliang	–	–	–	–	–
Mr. Yi Weiming	–	96	35	–	131
	–	96	35	–	131

	Year ended December 31, 2019				
	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Liu Yongliang	–	–	–	–	–
Mr. Yi Weiming	–	94	21	–	115
Non-executive directors					
Mr. Xu Zhihua	–	13	21	–	34
Mr. Qin Shaobo	–	–	–	–	–
Independent non-executive directors					
Mr. Liu Changchun	–	–	–	–	–
Mr. Zhao Changsong	–	–	–	–	–
Ms. Lyu Qinghua	–	–	–	–	–
	–	107	42	–	149

	Five months ended May 31, 2020				
	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Liu Yongliang	–	–	–	–	–
Mr. Yi Weiming	–	54	–	–	54
Non-executive directors					
Mr. Xu Zhihua	–	31	–	–	31
Mr. Qin Shaobo	–	–	–	–	–
Independent non-executive directors					
Mr. Liu Changchun	–	–	–	–	–
Mr. Zhao Changsong	–	–	–	–	–
Ms. Lyu Qinghua	–	–	–	–	–
	–	85	–	–	85

	Five months ended May 31, 2019 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Liu Yongliang	–	–	–	–	–
Mr. Yi Weiming	–	39	–	–	39
	–	39	–	–	39

Mr. Liu Yongliang has been the chairman of the board of directors of Canggang Company since October 2009 and was redesignated as an executive director of the Company on September 20, 2019.

Mr. Yi Weiming has been a director and a general manager of Canggang Company since October 2009, and was redesignated as an executive director of the Company on September 20, 2019.

On September 20, 2019, Mr. Xu Zhihua and Mr. Qin Shaobo were appointed as non-executive directors of the Company.

On September 20, 2019, Mr. Liu Changchun, Mr. Zhao Changsong and Ms. Lyu Qinghua were appointed as independent non-executive directors of the Company.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. Mr. Liu Yongliang has waived the right to seek reimbursement from the Group during the Track Record Period.

9 Individuals with highest emoluments

During the Track Record Period, of the five individuals with the highest emoluments, 1, 1, Nil, 1 (unaudited) and 1 is director of the Company for the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2019 and 2020, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining 4, 4, 5, 4 (unaudited) and 4 individuals during the Track Record Period are as follows:

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	388	394	751	182	485
Discretionary bonuses	96	112	53	–	–
Retirement scheme contributions	56	60	81	34	11
	540	566	885	216	496

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
HK$ Nil to HK$1,000,000	4	4	5	4	4

During the Track Record Period, no emoluments were paid by the Group to the above individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Corporate Reorganization and the preparation of the results for the Track Record Period using the basis of preparation as disclosed in Note 1 above.

11 Property, plant and equipment

	Tracks, bridges and other railway assets	Buildings and other properties	Locomotives and rolling stock	Motor vehicles	Machinery and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At January 1, 2017	415,901	124,848	30,373	19,116	44,513	62,397	697,148
Additions	1,255	356	1,937	10,045	3,655	73,897	91,145
Transfer in/(out)	42,617	11,702	–	–	22,874	(77,193)	–
Disposals	(19,856)	(43)	–	(48)	(360)	–	(20,307)
At December 31, 2017	439,917	136,863	32,310	29,113	70,682	59,101	767,986
Accumulated depreciation and impairment losses:							
At January 1, 2017	(11,214)	(8,105)	(5,685)	(7,758)	(16,946)	–	(49,708)
Charge for the year	(5,853)	(4,335)	(2,112)	(3,313)	(7,402)	–	(23,015)
Impairment loss *(Note (ii))*	–	(625)	–	–	(2,946)	–	(3,571)
Written back on disposals	377	5	–	30	295	–	707
At December 31, 2017	(16,690)	(13,060)	(7,797)	(11,041)	(26,999)	–	(75,587)
Carrying amount:							
At December 31, 2017	423,227	123,803	24,513	18,072	43,683	59,101	692,399
Cost:							
At January 1, 2018	439,917	136,863	32,310	29,113	70,682	59,101	767,986
Additions	–	1,011	2,134	22,380	5,590	112,018	143,133
Transfer in/(out)	41,525	14,874	–	–	17,466	(73,865)	–
Disposals	(4,676)	–	–	(44)	(6)	–	(4,726)
At December 31, 2018	476,766	152,748	34,444	51,449	93,732	97,254	906,393
Accumulated depreciation and impairment losses:							
At January 1, 2018	(16,690)	(13,060)	(7,797)	(11,041)	(26,999)	–	(75,587)
Charge for the year	(5,979)	(4,813)	(2,554)	(4,603)	(7,860)	–	(25,809)
Written back on disposals	113	–	–	12	–	–	125
At December 31, 2018	(22,556)	(17,873)	(10,351)	(15,632)	(34,859)	–	(101,271)
Carrying amount:							
At December 31, 2018	454,210	134,875	24,093	35,817	58,873	97,254	805,122

	Tracks, bridges and other railway assets	Buildings and other properties	Locomotives and rolling stock	Motor vehicles	Machinery and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At January 1, 2019	476,766	152,748	34,444	51,449	93,732	97,254	906,393
Additions	–	3,063	–	1,315	1,238	12,165	17,781
Transfer in/(out)	50,465	30,843	–	176	26,924	(108,408)	–
Disposals	–	(2,980)	–	(491)	(10)	–	(3,481)
At December 31, 2019	527,231	183,674	34,444	52,449	121,884	1,011	920,693
Accumulated depreciation and impairment losses:							
At January 1, 2019	(22,556)	(17,873)	(10,351)	(15,632)	(34,859)	–	(101,271)
Charge for the year	(7,359)	(5,451)	(2,790)	(5,408)	(9,354)	–	(30,362)
Written back on disposals	–	44	–	457	9	–	510
At December 31, 2019	(29,915)	(23,280)	(13,141)	(20,583)	(44,204)	–	(131,123)
Carrying amount:							
At December 31, 2019	497,316	160,394	21,303	31,866	77,680	1,011	789,570
Cost:							
At January 1, 2020	527,231	183,674	34,444	52,449	121,884	1,011	920,693
Additions	–	–	–	27	–	1,196	1,223
Transfer in/(out)	–	–	–	–	437	(437)	–
Disposals	–	–	–	(38)	(84)	–	(122)
At May 31, 2020	527,231	183,674	34,444	52,438	122,237	1,770	921,794
Accumulated depreciation and impairment losses:							
At January 1, 2020	(29,915)	(23,280)	(13,141)	(20,583)	(44,204)	–	(131,123)
Charge for the period	(2,941)	(2,517)	(1,163)	(2,290)	(4,515)	–	(13,426)
Written back on disposals	–	–	–	14	62	–	76
At May 31, 2020	(32,856)	(25,797)	(14,304)	(22,859)	(48,657)	–	(144,473)
Carrying amount:							
At May 31, 2020	494,375	157,877	20,140	29,579	73,580	1,770	777,321

Notes:

(i) The Group's property, plant and equipment are all located in the PRC.

(ii) In 2017, certain filtering auxiliary service was suspended. The Group assessed the recoverable amounts of related properties and machinery and as a result the carrying amount of the properties and machinery were written down to their recoverable amount of RMB326,000. An impairment loss of RMB3,571,000 was recognized in "Other expenses" for the year ended December 31, 2017.

(iii) At December 31, 2017, 2018 and 2019 and May 31, 2020, property certificates of certain items of the Group's properties with carrying amounts of RMB57,042,000, RMB67,612,000, RMB70,896,000 and RMB69,221,000, respectively, 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.

(iv) At December 31, 2017, 2018 and 2019 and May 31, 2020, certain amount of the Group's bank loans (see Note 20) were secured by buildings of the Group with carrying amount of RMB9,221,000, RMB8,901,000, RMB8,581,000 and RMB8,446,000, respectively.

(v) At December 31, 2017, 2018 and 2019 and May 31, 2020, certain amount of the Group's other loans (see Note 20) were secured by following assets of the Group:

	At December 31,			At May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount:				
Tracks, bridges and other railway assets	84,437	99,607	98,457	97,978
Buildings and other properties	–	14,928	14,012	13,631
Locomotives and rolling stock	21,780	19,734	14,628	12,442
Motor vehicles	6,441	19,876	17,687	16,834
Machinery and equipment	7,136	5,021	3,967	3,526
	119,794	159,166	148,751	144,411

12 Right-of-use assets

	Years ended December 31,			Five months ended May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At January 1,	155,068	155,068	223,651	223,651
Additions	–	68,583	–	–
At December 31/May 31,	155,068	223,651	223,651	223,651
Accumulated depreciation:				
At January 1,	14,574	17,670	21,328	25,796
Charge for the year/period	3,096	3,658	4,468	1,862
At December 31/May 31,	17,670	21,328	25,796	27,658
Carrying amount:				
At December 31/May 31,	137,398	202,323	197,855	195,993

Notes:

(i) Right-of-use assets represents lump sum considerations paid or payable by the Group to acquire leasehold lands located in the PRC. These leasehold lands are with lease periods of 48–50 years and there are no ongoing payments to be made under the terms of the land leases.

(ii) At December 31, 2017, 2018 and 2019 and May 31, 2020, certain amount of the Group's bank loans (see Note 20) were secured by the Group's interests in leasehold land with carrying amount of RMB96,250,000, RMB103,185,000, RMB91,112,000 and RMB105,746,000, respectively. At December 31, 2018 and 2019 and May 31, 2020, one of the Group's other loans was secured by the Group's interests in leasehold land with carrying amount of RMB7,452,000, RMB7,290,000 and RMB7,223,000.

(iii) At December 31, 2017, 2018 and 2019 and May 31, 2020, land use right certificate of certain pieces of land of the Group with carrying amount of RMB24,178,000, RMB44,861,000, RMB33,209,000 and RMB32,926,000, respectively, were yet to be obtained. The directors of the Company consider that there is no legal restriction for the Group to access and use such land and it should not lead to any significant adverse impact on the operations of the Group.

13 Investments in a subsidiary/subsidiaries

The Group

The following table lists out the information relating to Jinghai International, the subsidiary of the Group which has a material non-controlling interest (NCI). The summarized financial information presented below represents the amounts before any inter-company elimination.

	At December 31,			At May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NCI percentage	49%	49%	49%	49%
Non-current assets	41,520	63,117	68,427	67,424
Current assets	13,925	3,936	4,769	5,395
Current liabilities	(5,604)	(7,618)	(15,186)	(13,624)
Net assets	49,841	59,435	58,010	59,195
Carrying amount of NCI	24,422	29,123	28,425	29,006

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	77	800	909	167	3,065
(Loss)/profit for the period/year	(160)	(407)	(1,425)	(494)	1,185
(Loss)/profit for the period/year attributable to NCI	(78)	(199)	(698)	(242)	581
Cash flows from operating activities	(282)	(801)	(508)	(1,270)	(774)
Cash flows from investing activities	(36,283)	(21,288)	(4,627)	(2,380)	(146)
Cash flows from financing activities	50,000	10,000	4,986	3,500	(121)

Notes:

(i) Jinghai International was established on July 20, 2017.

(ii) Further details of the subsidiaries of the Group are set out in Note 1.

The Company

	At December 31, 2018	At December 31, 2019	At May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*
Investments in unlisted shares, at cost	–*	–*	–*

The investments in unlisted shares at December 31, 2018 represented the Company's investment in Canggang BVI of US$1.

The investments in unlisted shares at December 31, 2019 and May 31, 2020 represented the Company's investments in Canggang BVI of US$1 and Puji Global of US$1.

* *Amounts less than RMB1,000.*

14 Interests in an associate/associates

The following list contains the particulars of the Group's associates, which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place and date of establishment and business	Particulars of issued and paid-in capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Cangzhou Bohai New Area Huanghua Port Railway Logistics Company Limited ("Huanghua Port Railway")* (滄州渤海新區黃驊港鐵路物流有限公司)	The PRC January 16, 2013	RMB10,000,000	40%	–	40%	Provision of railway logistics services
Cangzhou City Shangcheng Business Trading Co., Ltd. ("Shangcheng")* (滄州市尚誠商貿有限公司)	The PRC April 24, 2020	RMB 30,000,000 and RMB 5,000,000	40%	–	40%	Trading of construction materials

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

Huanghua Port Railway is a strategic partner for the Group in expanding railway logistics services in Hebei Province and Shandong Province of the PRC.

Shangcheng is a strategic partner for the Group in developing the market for construction materials logistics in Cangzhou.

The above associates are accounted for using the equity method in the consolidated financial statements.

Huanghua Port Railway was in preliminary operation throughout the Track Record Period and the losses mainly include expenditures incurred for launching its business. The directors have reviewed its business plan and financial budget, and have determined that no impairment loss is required to be recognised with respect to the Group's interest in the associate.

Summarized financial information of the associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Huanghua Port Railway				Shangcheng
	At December 31,			At May 31,	At May 31,
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts					
Non-current assets	489	5,476	6,379	6,548	–
Current assets	9,307	3,743	2,383	1,477	6,994
Current liabilities	–	(7)	(8)	(13)	(2,038)
Equity	9,796	9,212	8,754	8,012	4,956
Reconciled to the Group's interests in associates					
Gross amounts of net assets	9,796	9,212	8,754	8,012	4,956
The Group's effective interest	40%	40%	40%	40%	40%
The Group's share of net assets and the carrying amount in the consolidated statements of financial position	3,918	3,685	3,502	3,205	1,982

	Huanghua Port Railway					Shangcheng
	Years ended December 31,			Five months ended May 31,		Five months ended May 31,
	2017	2018	2019	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*
Gross amounts						
Revenue	–	–	–	–	–	675
Loss for the year/period	(149)	(584)	(458)	(183)	(742)	(44)
Reconciled to the Group's interests in associates						
Gross amounts of loss for the year/period	(149)	(584)	(458)	(183)	(742)	(44)
The Group's effective interest	40%	40%	40%	40%	40%	40%
The Group's share of loss	(60)	(233)	(183)	(73)	(297)	(18)

15 Inventories

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

	At December 31,			At May 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fuel	2,684	2,438	2,409	1,472
Materials and consumables	1,746	1,969	2,600	2,190
	4,430	4,407	5,009	3,662

(b) *The analyses of the amounts of inventories recognized as expenses and included in the consolidated statements of profit or loss are as follows:*

	Years ended December 31,			Five months ended May 31,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories used	28,153	36,816	30,265	14,322	11,696

16 Trade and bills receivables

	At December 31,			At May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	48,274	47,249	74,055	81,101
Bills receivables *(Notes (ii) and (iii))*	73,066	63,771	60,803	47,231
	121,340	111,020	134,858	128,332

Notes:

(i) At December 31, 2017, 2018 and 2019 and May 31, 2020, all of the trade and bills receivables, net of loss allowance, are expected to be recovered within one year.

(ii) At December 31, 2017, 2018 and 2019 and May 31, 2020, 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 Historical Financial Information were RMB27,313,000, RMB25,121,000, RMB10,302,000 and RMB6,950,000, respectively.

(iii) At December 31, 2017, 2018 and 2019 and May 31, 2020, the carrying amounts of the Group's bills receivables that have been factored to banks but have not been derecognized in the Historical Financial Information were RMB8,613,000, RMB3,750,000, RMB14,620,000 and RMB11,900,000, respectively.

Aging analyses

At December 31, 2017, 2018 and 2019 and May 31, 2020, the aging analyses of trade receivables, based on the invoice date and net of loss allowance, are as follows:

	At December 31,			At May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	27,947	32,737	39,887	40,829
1-6 months	19,053	14,194	30,437	32,526
6-12 months	55	252	3,731	7,746
more than 12 months	1,219	66	–	–
	48,274	47,249	74,055	81,101

Trade receivables are mainly due within 30 days from the date of billing. Bills receivables are with maturity of 180 to 360 days. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 26(a).

17 Prepayments and other receivables

	At December 31,			At May 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables relating to disposal of property, plant and equipment	15,323	8,651	11,451	11,536
Interest receivable	–	–	–	219
Financial assets measured at amortized cost	15,323	8,651	11,451	11,755
Value-added tax recoverable	–	4,616	2,208	2,059
Deposits	584	1,361	1,454	1,427
Prepayments for acquisitions of right-of-use assets	41,401	–	–	–
Prepayments for purchase of inventories and prepaid expenses	9,477	3,380	2,688	4,152
Prepayments in connection with the proposed initial listing of the Company's shares *(Note (ii))*	–	862	5,222	6,679
	66,785	18,870	23,023	26,072
Less: Non-current portion				
– Receivables relating to disposal of property, plant and equipment	(10,727)	(6,500)	(3,374)	(3,495)
– Prepayments for acquisitions of right-of-use assets	(41,401)	–	–	–
Current portion of prepayments and other receivables	14,657	12,370	19,649	22,577

Notes:

(i) Except for the non-current portion of receivables relating to disposal of property, plant and equipment, which are expected to be recovered in 3–5 years, and prepayments for acquisitions of right-of-use assets, other prepayments and other receivables, net of loss allowance, are expected to be recovered or recognized as expenses within one year.

(ii) The balance at May 31, 2020 will be transferred to the share premium account within equity upon the listing of the Company's shares on the Stock Exchange.

18 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss at December 31, 2018 represent the Group's wealth management products acquired from financial institutions, which were redeemable on demand.

19 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	At December 31,			At May 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank deposits	40,573	53,107	33,833	70,762
Cash on hand	6	12	33	29
Cash at bank and on hand in the consolidated statements of financial position and cash and cash equivalents in the consolidated cash flow statements	40,579	53,119	33,866	70,791

(b) Reconciliations of assets and liabilities arising from financing activities:

The tables below detail changes in the Group's assets and liabilities from financing activities, including both cash and non-cash changes. Assets and liabilities arising from financing activities are assets and liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statements as cash flows from financing activities.

	Liabilities			Assets	
	Bank and other loans	Amounts due to related parties	Distribution payables	Amounts due from related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 20)	*(Note 28(d))*	*(Note 25(c))*	*(Note 28(d))*	
At January 1, 2017	314,760	34,175	–	(167,981)	180,954
Changes from financing cash flows:					
Proceeds from new bank and other loans	324,513	–	–	–	324,513
Repayments of bank and other loans	(273,407)	–	–	–	(273,407)
Distribution paid	–	–	(75,000)	–	(75,000)
Decrease in amounts due from related parties	–	–	–	53,597	53,597
Decrease in amounts due to related parties	–	(22,637)	–	–	(22,637)
Borrowing costs paid	(25,581)	–	–	–	(25,581)
Total changes from financing cash flows	25,525	(22,637)	(75,000)	53,597	(18,515)
Other changes:					
Interest expenses on bank and other loans *(Note 6(a))*	23,920	–	–	–	23,920
Capitalized borrowing costs *(Note 6(a))*	1,683	–	–	–	1,683
Distributions	–	–	75,000	–	75,000
Total other changes	25,603	–	75,000	–	100,603
At December 31, 2017	365,888	11,538	–	(114,384)	263,042

	Liabilities			Assets	
	Bank and other loans	Amounts due to related parties	Distribution payables	Amounts due from related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 20)	*(Note 28(d))*	*(Note 25(c))*	*(Note 28(d))*	
At January 1, 2018	365,888	11,538	–	(114,384)	263,042
Changes from financing cash flows:					
Proceeds from new bank and other loans	182,800	–	–	–	182,800
Repayments of bank and other loans	(122,919)	–	–	–	(122,919)
Increase in amounts due from related parties	–	–	–	(17,892)	(17,892)
Decrease in amounts due to related parties	–	(11,228)	–	–	(11,228)
Borrowing costs paid	(26,790)	–	–	–	(26,790)
Total changes from financing cash flows	33,091	(11,228)	–	(17,892)	3,971
Other changes:					
Interest expenses on bank and other loans *(Note 6(a))*	21,820	–	–	–	21,820
Capitalized borrowing costs *(Note 6(a))*	4,992	–	–	–	4,992
Total other changes	26,812	–	–	–	26,812
At December 31, 2018	425,791	310	–	(132,276)	293,825

	Liabilities			Assets	
	Bank and other loans	Amounts due to related parties	Distribution payables	Amounts due from related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 20)	*(Note 28(d))*	*(Note 25(c))*	*(Note 28(d))*	
At January 1, 2019	425,791	310	–	(132,276)	293,825
Changes from financing cash flows:					
Proceeds from new bank and other loans	397,313	–	–	–	397,313
Repayments of bank and other loans	(262,943)	–	–	–	(262,943)
Payments to the then equity holder upon the group reorganization	–	(361,183)	–	–	(361,183)
Decrease in amounts due from related parties	–	–	–	132,276	132,276
Decrease in amounts due to related parties	–	(310)	–	–	(310)
Borrowing costs paid	(26,028)	–	–	–	(26,028)
Total changes from financing cash flows	108,342	(361,493)	–	132,276	(120,875)
Other changes:					
Interest expenses on bank and other loans *(Note 6(a))*	24,654	–	–	–	24,654
Capitalized borrowing costs *(Note 6(a))*	2,544	–	–	–	2,544
Acquisitions of equity interests of Canggang Company	–	361,183	–	–	361,183
Total other changes	27,198	361,183	–	–	388,381
At December 31, 2019	561,331	–	–	–	561,331

	Liabilities			Assets	
	Bank and other loans	Amounts due to related parties	Distribution payables	Amounts due from related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 20)	*(Note 28(d))*	*(Note 25(c))*	*(Note 28(d))*	
At January 1, 2020	561,331	–	–	–	561,331
Changes from financing cash flows:					
Proceeds from new bank and other loans	241,900	–	–	–	241,900
Repayments of bank and other loans	(230,479)	–	–	–	(230,479)
Borrowing costs paid	(9,637)	–	–	–	(9,637)
Total changes from financing cash flows	1,784	–	–	–	1,784
Other change:					
Interest expenses on bank and other loans *(Note 6(a))*	10,821	–	–	–	10,821
Total other change	10,821	–	–	–	10,821
At May 31, 2020	573,936	–	–	–	573,936

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following:

	Years ended December 31,			Five months ended May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within operating cash flows:				
– Lease rental paid	(280)	(844)	(80)	(191)

20 Bank and other loans

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

	At December 31, 2017	2018	2019	At May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans:				
– Secured	294,096	317,255	251,002	340,470
– Unsecured	–	–	60,094	–
	294,096	317,255	311,096	340,470
Other loans:				
– Secured	71,792	108,536	72,782	57,886
– Unsecured	–	–	177,453	175,580
	71,792	108,536	250,235	233,466
	365,888	425,791	561,331	573,936

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

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

	At December 31, 2017	2018	2019	At May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	93,726	168,008	290,999	127,551
After 1 year but within 2 years	129,300	191,704	57,147	42,245
After 2 years but within 5 years	142,862	66,079	213,185	404,140
	272,162	257,783	270,332	446,385
	365,888	425,791	561,331	573,936

(c) At December 31, 2017, 2018 and 2019 and May 31, 2020, the Group's secured bank loans of RMB243,010,000, RMB272,179,000, RMB251,002,000 and RMB340,470,000 were secured by the following assets and the future rail transportation revenue of the Group:

	At December 31, 2017	2018	2019	At May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount:				
Right-of-use assets	96,250	103,185	91,112	105,746
Property, plant and equipment	9,221	8,901	8,581	8,446
Bills receivables	8,613	3,750	14,620	11,900
	114,084	115,836	114,313	126,092

Included in the Group's secured bank loans as at December 31, 2019 and May 31, 2020, RMB34,054,000 and RMB84,125,000 were guaranteed by Cangzhou Logistics, respectively.

Included in the Group's secured bank loans as at December 31, 2018 and 2019 and May 31, 2020, RMB38,060,000, RMB34,054,000 and RMB34,054,000 were secured by the future rail transportation revenue of the Group, respectively.

At December 31, 2017 and 2018, certain secured bank loans of the Group were secured by Chengyu Company's property, plant and equipment and right-of-use assets, which were repaid in February and March 2019 (see Note 28(f)).

At December 31, 2017 and 2018, certain secured bank loans of the Group were also guaranteed by related parties, which were released from February to September 2019 (see Note 28(e)).

(d) The Group's unsecured bank loans were guaranteed by Cangzhou Logistics, which were repaid in May 2020.

(e) The Group's secured other loans as at December 31, 2017, 2018 and 2019 and May 31, 2020, were borrowed from financial leasing institutions and were secured by the following assets of the Group.

	At December 31,			At May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount:				
Property, plant and equipment *(Note 11(v))*	119,794	159,166	148,751	144,411
Right-of-use assets *(Note 12(ii))*	–	7,452	7,290	7,223
	119,794	166,618	156,041	151,634

At December 31, 2017 and 2018, certain secured other loans of the Group were also secured by equity interests of Chengyu Company held by companies controlled by the controlling shareholder of the Company, which were released in June 2019 (see Note 28(f)).

At December 31, 2017 and 2018, certain secured other loans of the Group were also guaranteed by related parties, which were released in June and September 2019 (see Note 28(e)).

Included in the Group's secured other loans at December 31, 2019 and May 31, 2020, other loans of RMB42,636,000 and RMB31,706,000 were also guaranteed by Cangzhou Logistics and secured by equity interests of Canggang Company held by Cangzhou Logistics.

(f) Included in the Group's unsecured other loans as at December 31, 2019 and May 31, 2020, RMB172,287,000 and RMB173,000,000 are unsecured, interest-bearing at 1% per annum, and repayable by installments in 2022 and 2024. In June 2020, RMB56,655,000 were repaid in advance. The remaining other loans are unsecured, interest-bearing at 4.75% per annum, and repayable by installments in 2020 and 2021.

21 Trade payables

At December 31, 2017, 2018 and 2019 and May 31, 2020, all of the trade payables are expected to be settled within one year or are repayable on demand.

At December 31, 2017, 2018 and 2019 and May 31, 2020, the aging analyses of trade payables, based on the invoice date, are as follows:

	At December 31,			At May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	10,842	8,909	10,189	6,780
1 to 3 months	11,695	4,646	5,323	4,356
3 to 6 months	7,655	7,037	5,451	5,272
6 to 12 months	983	3,556	2,886	1,434
Over 12 months	2,368	2,594	3,851	2,060
	33,543	26,742	27,700	19,902

22 Other payables

	At December 31, 2017	2018	2019	At May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for acquisitions of property, plant and equipment	22,403	18,868	14,057	12,920
Payables for acquisitions of right-of-use assets – related parties *(Note 28(d))*	25,767	11,957	8,032	–
Payables for acquisitions of right-of-use-assets – third parties	–	24,484	24,484	24,484
Payables for staff costs	10,414	15,418	15,861	13,851
Payables for other labor costs	1,207	2,004	2,411	2,958
Payables for expenditures incurred in connection with the proposed initial listing of the Company's shares	–	1,771	6,810	6,282
Others	1,646	4,099	4,090	3,249
Financial liabilities measured at amortized cost	61,437	78,601	75,745	63,744

At December 31, 2017, 2018 and 2019 and May 31, 2020, all of the other payables are expected to be settled within one year or are repayable on demand.

23 Contract liabilities

	At December 31, 2017	2018	2019	At May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments received from customers for rail freight transportation and related ancillary services	729	2,229	2,630	1,688

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

Movements in contract liabilities

	Years ended December 31, 2017	2018	2019	Five months ended May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1,	2,459	729	2,229	2,630
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(2,459)	(729)	(2,229)	(1,540)
Increase in contract liabilities as a result of billing in advance of performance at the end of the year/period	729	2,229	2,630	598
Balance at December 31/May 31,	729	2,229	2,630	1,688

At December 31, 2017, 2018 and 2019 and May 31, 2020, no contract liabilities are expected to be recognized as revenue after more than one year.

24 Income tax in the consolidated statements of financial position

(a) *Movements of current taxation in the consolidated statements of financial position are as follows:*

	Years ended December 31,			Five months ended May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Income tax payable at January 1,	4,435	1,619	5,941	8,501
Provision for the year/period *(Note 7(a))*	31,266	28,469	25,303	10,643
Income tax paid	(34,082)	(24,147)	(22,743)	(13,020)
Income tax payable at December 31/ May 31,	1,619	5,941	8,501	6,124

(b) *Deferred tax assets recognized*

The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

Deferred tax assets arising from:	Depreciation of property, plant and equipment	Impairment of property, plant and equipment	Depreciation of right-of-use assets	Credit loss allowance on trade receivables	Accrued expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2017	1,912	–	382	265	315	71	2,945
Credited to profit or loss	1,372	893	128	124	1,110	411	4,038
At December 31, 2017 and January 1, 2018	3,284	893	510	389	1,425	482	6,983
(Charged)/credited to profit or loss	(292)	(144)	62	(91)	1,045	98	678
At December 31, 2018 and January 1, 2019	2,992	749	572	298	2,470	580	7,661
(Charged)/credited to profit or loss	(379)	(143)	207	148	313	402	548
At December 31, 2019 and January 1, 2020	2,613	606	779	446	2,783	982	8,209
(Charged)/credited to profit or loss	(219)	(60)	70	476	–	(441)	(174)
At May 31, 2020	2,394	546	849	922	2,783	541	8,035

(c) *Deferred tax liabilities not recognized*

At December 31, 2017, 2018 and 2019 and May 31, 2020, taxable temporary differences relating to the undistributed profits of the Group's subsidiaries established in the PRC (excluding Hong Kong) amounted to RMB211,303,000, RMB285,336,000, RMB340,232,000 and RMB369,969,000, respectively, where deferred tax liabilities in respect of the PRC Withholding Tax that would be payable on the distribution of these profits, have not been recognized as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

25 Capital, reserves and distributions

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the period/year are set out below:

	Share capital	Exchange reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25(b))			
At October 19, 2018 (date of incorporation)	–	–	–	–
Changes in equity for the period from October 19, 2018 (date of incorporation) to December 31, 2018:				
Issuance of shares *(Note 25(b))*	–*	–	–	–*
At December 31, 2018 and January 1, 2019	–*	–	–	–*
Changes in equity for the year ended December 31, 2019:				
Loss for the year	–	–	(443)	(443)
Other comprehensive income	–	(5)	–	(5)
Total comprehensive income for the year	–	(5)	(443)	(448)
At December 31, 2019 and January 1, 2020	–*	(5)	(443)	(448)
Changes in equity for the period from January 1, 2020 to May 31, 2020:				
Loss for the period	–	–	(428)	(428)
Other comprehensive income	–	(18)	–	(18)
Total comprehensive income for the period	–	(18)	(428)	(446)
At May 31, 2020	–*	(23)	(871)	(894)

* *Amounts less than RMB1,000.*

(b) Paid-in/Share capital

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on October 19, 2018 with an authorized share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, 9,550 shares were allotted and issued at par by the Company. On December 21, 2018, 450 shares were further allotted and issued at par by the Company.

For the purpose of the Historical Financial Information, the paid-in/share capital of the Group as at January 1, 2017, December 31, 2017 and 2018 represents the share capital of the Company since its incorporation and the paid-in capital of Canggang Company, which was the parent company in the Group existed before 2019. The share capital of the Group as at December 31, 2019 and May 31, 2020 represents the share capital of the Company.

(c) Distributions

The Company was incorporated on October 19, 2018 and did not declare any dividends to the equity shareholders of the Company during the Track Record Period. Before the Corporate Reorganization, Canggang Company made the following distributions to the then equity shareholders for the year ended December 31, 2017:

	Years ended December 31,			Five months ended May 31,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Distributions	75,000	–	–	–

The directors of the Company consider that the distribution policy during the Track Record Period is not indicative of the future dividend policy of the Company and of the Group.

(d) Nature and purpose of reserves

(i) Other reserve

The balances of other reserve at January 1, 2017 and December 31, 2017 and 2018 represent the capital reserve of Canggang Company. The balances of other reserve at December 31, 2019 and May 31, 2020 represent the capital reserve of Canggang Company and Puji Global.

(ii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established and operated in Mainland China are required to transfer 10% of their net profit to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilized in setting off accumulated losses or increase capital of the subsidiaries and is non-distributable other than in liquidation.

(iii) Safety production fund reserve

The Group is engaged in freight transportation business. In accordance with the regulations issued by Ministry of Finance and State Administration of Work Safety of the PRC, the Group is required to establish a special reserve namely safety production fund reserve, which is calculated at 1% of the regular freight transportation revenue and 1.5% of the dangerous goods freight transportation revenue of the previous year.

The safety production fund reserve is mainly used for the acquisitions and maintenance of safety equipment and facilities. For the purpose of Historical Financial Information, such reserve is established through an appropriation from retained earnings based on the aforementioned method and is utilized when the related expenditures are incurred.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange difference arising from the translation of the financial statements of the companies comprising the Group into the Group's presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 2(s).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

26 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions with high credit ratings assigned by the management of the Group, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2017, 2018 and 2019 and May 31, 2020, 10%, 10%, 11% and 12% of the total trade receivables was due from the Group's largest customer and 28%, 29%, 19% and 32% of the total trade receivables was due from the five largest customers.

Individual credit valuations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at the end of each reporting period:

	At December 31, 2017		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Aging analyses of trade receivables			
Current and less than 6 months past due	0.02%	48,285	(11)
6 – 12 months past due	16.00%	–	–
Over 12 months past due	100.00%	1,548	(1,548)
		49,833	(1,559)

	At December 31, 2018		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current and less than 6 months past due	0.04%	47,267	(18)
6 – 12 months past due	16.00%	–	–
Over 12 months past due	100.00%	1,177	(1,177)
		48,444	(1,195)

	At December 31, 2019		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current and less than 6 months past due	0.06%	72,084	(46)
6 – 12 months past due	18.57%	2,477	(460)
Over 12 months past due	100.00%	1,284	(1,284)
		75,845	(1,790)

	At May 31, 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current and less than 6 months past due	0.24%	73,810	(180)
6 – 12 months past due	22.77%	9,674	(2,203)
Over 12 months past due	100.00%	1,309	(1,309)
		84,793	(3,692)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the year or period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables during the Track Record Period are as follows:

	At December 31,			At May 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/ period	1,062	1,559	1,195	1,790
Impairment loss/(reversal of impairment loss) recognized during the year/period	497	(364)	595	1,902
At the end of the year/period	1,559	1,195	1,790	3,692

The increase in the loss allowance at May 31, 2020 was mainly contributed by the increase of the gross carrying amounts of trade receivables in days past due over 6 months but within 12 months.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the respective reporting period) and the earliest dates the Group can be required to pay:

	At December 31, 2017 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	112,382	141,914	147,529	401,825	365,888
Trade payables measured at amortized cost	33,543	–	–	33,543	33,543
Other payables measured at amortized cost	61,437	–	–	61,437	61,437
Amounts due to related parties	11,538	–	–	11,538	11,538
	218,900	141,914	147,529	508,343	472,406

	At December 31, 2018 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	187,851	201,414	68,628	457,893	425,791
Trade payables measured at amortized cost	26,742	–	–	26,742	26,742
Other payables measured at amortized cost	78,601	–	–	78,601	78,601
Amounts due to related parties	310	–	–	310	310
	293,504	201,414	68,628	563,546	531,444

	At December 31, 2019 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	307,051	62,874	218,413	588,338	561,331
Trade payables measured at amortized cost	27,700	–	–	27,700	27,700
Other payables measured at amortized cost	75,745	–	–	75,745	75,745
	410,496	62,874	218,413	691,783	664,776

	At May 31, 2020 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	144,696	58,480	416,087	619,263	573,936
Trade payables measured at amortized cost	19,902	–	–	19,902	19,902
Other payables measured at amortized cost	63,744	–	–	63,744	63,744
	228,342	58,480	416,087	702,909	657,582

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

(i) Interest rate profile

The following tables detail the interest rate profile of the Group's borrowings at the end of each reporting period:

	At December 31,						At May 31,	
	2017		2018		2019		2020	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate borrowings								
Bank loans	4.25%–8.40%	249,025	4.00%–6.18%	277,192	3.00%-6.18%	311,096	3.00%-5.94%	340,470
Other loans	–	–	–	–	1.00%-4.75%	177,453	1.00%-4.75%	175,580
		249,025		277,192		488,549		516,050
Variable rate borrowings								
Bank loans	5.68%	45,071	5.68%	40,063	–	–	–	–
Other loans	6.92%–8.72%	71,792	6.01%–6.92%	108,536	6.01%-6.92%	72,782	6.01%-6.92%	57,886
		116,863		148,599		72,782		57,886
Total borrowings		365,888		425,791		561,331		573,936
Fixed rate borrowings as a percentage of total borrowings		68%		65%		87%		90%

(ii) Sensitivity analyses

At December 31, 2017, 2018 and 2019 and May 31, 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB876,000, RMB1,114,000, RMB546,000 and RMB434,000, respectively.

The sensitivity analyses above indicate the Group's exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at December 31, 2017, 2018 and 2019 and May 31, 2020. The impact on the Group's profit after tax (and retained profits) is estimated as an impact on interest expense or income of such a change in interest rates. The analyses are performed on the same basis during the Track Record Period.

(d) ***Fair value measurement***

(i) *Financial assets measured at fair value*

Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at December 31, 2018	**Fair value measurements at December 31, 2018 categorized into Level 2**
	RMB'000	*RMB'000*
Recurring fair value measurements		
Assets:		
Investments in wealth management products *(Note 18)*	1,000	1,000

The Group did not have financial assets or liabilities measured at fair value at December 31, 2017 and 2019 and May 31, 2020.

During the year ended December 31, 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investments in wealth management products in Level 2 is the estimated amounts that the Group would receive if the investments were redeemed at the end of the respective reporting period, taking into account current expected rates of return for similar investments and the current creditworthiness of the issuing financial institutions.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2017, 2018 and 2019 and May 31, 2020.

27 Commitments

Capital commitments outstanding at the end of each reporting period not provided for in the Historical Financial Information were as follows:

	At December 31, 2017	2018	2019	At May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of property, plant and equipment:				
– Contracted for	90,512	5,867	59	574

28 Material related party transactions and balances

The material related party transactions entered into by the Group during the Track Record Period 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 Track Record Period:

Name of related party	Relationship
Mr. Liu	The controlling shareholder of the Company
Chengyu Company* (滄州市騁宇鐵路有限責任公司)	The then equity holder of Canggang Company
Huanghua Port Railway* (滄州渤海新區黃驊港鐵路物流有限公司)	An associate of the Group
Shangcheng* (滄州市尚誠商貿有限公司)	An associate of the Group
Huanghua Port Xinghua Port Development Co., Ltd.* ("Huanghua Port Xinghua Company") (黃驊港興華港務開發有限公司)	A company controlled by the controlling shareholder
Huanghua Port Jinghai Energy Industry Co., Ltd.* ("Jinghai Energy") (黃驊港京海能源實業有限公司)	A company controlled by the controlling shareholder
Huanghua Railway Construction Engineering Co., Ltd.* ("Huanghua Railway Construction") (黃驊市鐵建工程有限公司)	A company controlled by a family member of the controlling shareholder
Cangzhou Lingang Mei Lu Garden Engineering Co., Ltd.* ("Mei Lu Garden") (滄州臨港美蘆園林工程有限公司)	A company controlled by the controlling shareholder
Beijing Shiji Jinding Investment Co., Ltd.* ("Shiji Jinding ") (北京世紀金鼎投資有限公司)	A company controlled by the controlling shareholder
Cangzhou Bohai New Area Zhongcheng Gangwu Development Co., Ltd.* ("Zhongcheng Gangwu") (滄洲渤海新區眾成港務開發有限公司)	A company controlled by family members of the controlling shareholder

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

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 during the Track Record Period, is as follows:

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	125	131	466	39	410

Total remuneration is included in "Staff costs" (see Note 6(b)).

(c) Transactions with related parties during the Track Record Period

	Years ended December 31,			Five months ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Provision of rail freight transportation and related ancillary services					
– Huanghua Railway Construction	1,185	938	–	–	–
– Jinghai Energy	569	566	–	–	–
– Huanghua Port Xinghua Company	–	892	135	45	–
– Shangcheng	–	–	–	–	119
Purchases of construction services					
– Huanghua Railway Construction	14,238	45,355	9	–	–
Purchases of loading and unloading services					
– Zhongcheng Gangwu	18,853	13,890	6,265	3,555	–
Short-term lease charges					
– Chengyu Company	–	–	8	2	4
Net decrease/(increase) in amounts due from related parties					
– Chengyu Company	45,188	(46,399)	132,276	132,276	–
– Huanghua Railway Construction	8,409	21,628	–	–	–
– Huanghua Port Xinghua Company	–	6,879	–	–	–
Net (decrease)/increase in amounts due to related parties					
– Chengyu Company	–	–	–	300	–
– Jinghai Energy	(22,637)	(9,511)	(310)	820	–
– Mei Lu Garden	–	(1,717)	–	–	–

(d) Balances with related parties

The Group's balances with related parties at the end of each reporting period are as follows:

	At December 31, 2017	At December 31, 2018	At December 31, 2019	At May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade related:				
Amounts due from related parties				
– Chengyu Company	85,877	132,276	–	–
– Huanghua Railway Construction	21,628	–	–	–
– Huanghua Port Xinghua Company	6,879	–	–	–
Amounts due to related parties				
– Jinghai Energy	9,821	310	–	–
– Mei Lu Garden	1,717	–	–	–
Payables for acquisitions of right-of-use assets *(Note (ii))*				
– Chengyu Company	25,767	11,957	8,032	–
Payables for short-term leases *(Note (ii))*				
– Chengyu Company	–	–	8	12
Payables for construction services *(Note (ii))*				
– Huanghua Railway Construction	–	1,200	1,200	1,200
Trade related:				
Trade receivables				
– Shangcheng	–	–	–	128
Trade payables for purchases of loading and uploading services				
– Zhongcheng Gangwu	9,262	8,104	2,322	–

Notes:

(i) All of the amounts due from and to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) The directors of the Company have undertaken that the Group would settle the non-trade related balances with related parties prior to the listing of the Company's shares on the Stock Exchange.

(e) Guarantees with related parties

	At December 31, 2017	At December 31, 2018	At December 31, 2019	At May 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees provided by Mr. Liu and his affiliates in respect of the Group's bank loans	234,398	268,431	–	–
Guarantees provided by Mr. Liu and his affiliates in respect of the Group's other loans	71,792	108,536	–	–

(f) Other related party transactions

(i) At December 31, 2017 and 2018, the Group's bank loans of RMB51,087,000 and RMB62,104,000 were secured by buildings and leasehold land of Chengyu Company, which were repaid in February and March 2019.

(ii) At December 31, 2017 and 2018, the Group's other loans of RMB52,008,000 and RMB68,869,000 were secured by the equity interests of Chengyu Company held by Huanghua Port Xinghua Company and Shiji Jinding which have been released in June 2019.

(iii) On August 12, 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 Track Record Period.

29 Immediate parent and ultimate controlling party

The directors of the Company consider the immediate parent and the ultimate controlling party of the Company at May 31, 2020 to be Jinghai Group Investment Limited and Mr. Liu, respectively.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2020

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on January 1, 2020 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendment to IFRS 16, *Covid-19-Related Rent Concession*	June 1, 2020
Amendments to IFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	January 1, 2022
Annual Improvements to IFRSs 2018–2020 Cycle	January 1, 2022
IFRS 17, *Insurance contracts*	January 1, 2023
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of these amendments, new standards and interpretations are unlikely to have a significant impact.

31 Subsequent events after the reporting period

The outbreak of respiratory illness caused by COVID-19 (the ''COVID-19 Outbreak'') since early 2020 has brought about additional uncertainties in the Group's operating environment. The Group has been closely monitoring the impact of the COVID-19 Outbreak on the Group's businesses. Up to the date of this report, the directors were not aware of any significant adverse impact on the Group's operating results and financial position as a result of the COVID-19 Outbreak. The Group will continue to pay close attention to the development of the COVID-19 Outbreak and evaluate its impact on the Group's operating results and financial position as it evolves.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to May 31, 2020.

The following information does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the historical financial information included in the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at May 31, 2020 as if the Global Offering had taken place on May 31, 2020.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at May 31, 2020 or at any future date.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as at May 31, 2020 (1)	**Estimated net proceeds from the Global Offering**(2)(4)	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*(4)
Based on an offer price of HK$0.77 per Share after a Downward Offer Price Adjustment of 10%	520,993	155,914	676,907	0.68	0.75
Based on an Offer Price of HK$0.85 per share	520,993	173,484	694,477	0.69	0.77
Based on an Offer Price of HK$1.10 per share	520,993	228,390	749,383	0.75	0.83

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at May 31, 2020 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the consolidated total equity attributable to the equity shareholders of the Company as at May 31, 2020 of RMB520,993,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$0.85 per Share (being the minimum Offer Price) and HK$1.10 per Share (being the maximum Offer Price) and also based on an offer price of HK$0.77 per Share after making a Downward Offer Price Adjustment of 10% and there are 250,000,000 Shares to be issued under the Global Offering, after deduction of the underwriting fees and other related expenses payable (excluding listing expenses of RMB20.9 million which have already been charged to consolidated statements of profit or loss during the Track Record Period) by the Group and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 1,000,000,000 Shares, being the number of shares expected to be in issue following the completion of the Capitalization Issue and the Global Offering and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme.

(4) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets per Share are converted from or to Hong Kong dollar at an exchange rate of RMB0.9047 to HK$1.0000. No representation is made that Renminbi amount have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate.

(5) No adjustment has been made to the pro forma adjusted net tangible assets to reflect any trading result or other transactions of the Group entered into subsequent to May 31, 2020.

(6) The Group's property interests as at August 31, 2020 have been valued by AVISTA Valuation Advisory Limited, an independent valuer. The relevant property valuation report is set out in Appendix III to this prospectus. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests. Revaluation surplus has not been recorded in the Historical Financial Information of the Group and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in the Group's financial statements, additional annual depreciation and amortisation of approximately RMB14 million would be charged against the profit in the future periods.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CANGGANG RAILWAY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Canggang Railway Limited (the ''Company'') and its subsidiaries (collectively the ''Group'') by the directors of the Company (the ''Directors'') for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at May 31, 2020 and related notes as set out in Part A of Appendix II to the prospectus dated October 12, 2020 (the ''Prospectus'') issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the ''Global Offering'') on the Group's financial position as at May 31, 2020 as if the Global Offering had taken place at May 31, 2020. As part of this process, information about the Group's financial position as at May 31, 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and with reference to Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars'' (''AG 7'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'').

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at May 31, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed ''Future Plans and Use of Proceeds'' in the Prospectus.

Opinion

In our opinion:

a. the pro forma financial information has been properly compiled on the basis stated;

b. such basis is consistent with the accounting policies of the Group, and

c. the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
October 12, 2020

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation of the property interests as at August 31, 2020.

AVISTA Valuation Advisory
艾 華 迪 評 估 咨 詢

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Wan Chai, Hong Kong

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October 12, 2020

The Board of Directors
Canggang Railway Limited
Yangzhuang Station
Yangerzhuang Town
Huanghua, Cangzhou
Hebei Province
China

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions for us to value the property interests held by Canggang Railway Limited (滄港鐵路有限公司) (the ''**Company**'') and its subsidiaries (hereinafter together referred to as the ''**Group**'') in the People's Republic of China (the ''**PRC**''), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at August 31, 2020 (the ''**Valuation Date**'').

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as ''the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion''.

BASIS OF VALUATION

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the ''**Listing Rules**''), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorized according firstly to type of interests held by the Company, which in turn being classified into the following groups:

Group I – Property interests held and occupied by the Group in the PRC

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as "continued uses").

Due to the specific nature and uses of the buildings and structures of the property interests that were designated and constructed and the particular location in which they are situated, there are unlikely relevant market comparable sales readily available. The property interests have been valued on the basis of depreciated replacement cost. Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business.

TITLE INVESTIGATION

We have been provided by the Company with copy of extract of the title documents relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser – Commerce & Finance Law Offices, concerning the validity of title of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the property being appraised. The inspection was carried out by Mr. Gerrard Zhao (Analyst of AVISTA Valuation Advisory Limited), during the date August 5, 2019 to August 8, 2019. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the property. We are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the property.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the property but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar property, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the property or on adjoining or neighboring land or that the property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the property which is held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the property is/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the property will be used for the purposes for which the property is designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realized from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilization of the land and improvements are within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the property was not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS (GP) AAPI MSc (RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years of property valuation experience in Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at August 31, 2020 *RMB*	Interest Attributable to the Group	Market Value Attributable to the Group as at August 31, 2020 *RMB*
1.	Thirty-three parcels of land with a railway located at Hebei Province, the PRC	734,980,000	100%	734,980,000
2.	A block of building and two parcels of land with structures located at South side of Shuohuang Railway, Yang Zhuang Village, Huanghua City, Hebei Province, the PRC	240,830,000	100%	240,830,000
3.	A railway located at Yangerzhuang County, Huanghua City, Hebei Province, the PRC	No commercial value	100%	No commercial value
4.	A parcel of land with a railway located at Yangerzhuang County, Huanghua City, Hebei Province, the PRC	67,970,000	51%	34,664,700
	Grand Total:	1,043,780,000		1,010,474,700

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at August 31, 2020** *RMB*
1.	Thirty-three parcels of land with a railway located at Hebei Province, the PRC	The property comprises 33 parcels of land with the total site area of approximately 2,173,103.19 sq.m. and there is a railway, various buildings & structures and construction work (CIP) erected thereon which was completed in between 1992 – 2017. The railway is between Cangzhou North Railway Station and Gangkou Railway Station in Hebei Province including the main track 87.405 km, 56.100 km station track which alongside as a part of the main track, the branch line track 7.080 km and 2.100 km respectively. There are 12 numbers of railway station and various ancillary structures include railway signaling, color light signal, bridge culvert and bridge. The land use right of the property has been granted and allocated for railway use. There are 30 parcels of land granted for a term expiring on April 11, 2069. For the remaining 3 parcels of land have been allocated for railway use.	As at the date of valuation, the property was occupied by the Group.	734,980,000 (100% interest attributable to the Company: RMB734,980,000)

Notes:

1. Pursuant to the State-owned Land Use Right Grant Contract dated March 21, 2016, the land use right with the site area of approximately 873,936.00 sq.m. have been contracted to be granted to Cangzhou Canggang Railway Co., Ltd. (滄州滄港鐵路有限公司) (hereinafter referred to as "**Canggang Company**"), a wholly owned subsidiary of the Company, for railway use at a land premium of RMB45,000,000.

2. Pursuant to the State-owned Land Use Right Grant Contract dated April 20, 2018, the land use right with the site area of approximately 25,165.00 sq.m. have been contracted to be granted to Canggang Company for railway use at a land premium of RMB1,300,000.

3. Pursuant to three Land Use Right Transfer Contracts entered into between Chengyu Railway Co., Ltd. (滄州市騁宇鐵路有限責任公司) (hereinafter referred to as "**Chengyu Company**") and Canggang Company, the land use right with the total site area of approximately 181,615.98 sq.m. have been contracted to be transferred to Canggang Company for railway use at a total land premium of RMB14,674,481. The details are tabulated as below:

No.	Address	Site Area *(sq.m.)*	Consideration *(RMB)*	Usage	Agreement Date
1)	Tangwa Village, Zhongjie Industrial Zone, Huanghua City, Hebei Province, the PRC	82,919.38	4,343,317.00	Railway	August 29, 2018
2)	Western side of Haifang West Road, Bohaixin District, Cangzhou City, Hebei Province, the PRC	69,978.30	7,550,659.00	Railway	March 21, 2016
3)	The junction of Weisan Road and Jingsi Road, Lingang Economic Technical Development Zone, Cangzhou City, Hebei Province, the PRC	28,718.30	2,780,505.00	Railway	March 21, 2016

4. Pursuant to the Land Use Right Transfer Contracts entered into between Chengyu Company and Canggang Company dated July 22, 2019, the land use rights with the total site area of approximately 66,410.04 sq.m. have been contracted to be transferred to Canggang Company for railway use at a total land premium of RMB7,920,000.

5. Pursuant to the Land Use Right Transfer Contracts entered into between Chengyu Company and Canggang Company dated August 22, 2019, the land use rights of three parcels of land with the total site area of approximately 19,480.26 sq.m. have been contracted to be transferred to Canggang Company for railway use at a total land premium of RMB4,612,000. The details are tabulated as below:

No.	Land Parcel	Consideration	Site Area *(sq.m.)*	Usage
1)	Cangzhan Lingang Economic Technological Development Area	RMB2,312,000	9,801.59	Railway
2)	Cangzhan Lingang Economic Technological Development Area	RMB1,230,000	5,190.00	Railway
3)	Cangzhan Lingang Economic Technological Development Area	RMB1,070,000	4,488.67	Railway

6. Pursuant to 30 numbers of State-owned Land Use Rights Certificates and/or Real Estate Ownership Certificates, the land use rights of 30 parcels of land with the total site area of approximately 1,166,606.89 sq.m, have been vested to Canggang Company. The details are tabulated as below:

No.	Certificates No.	Expiry Date	Nature	Site Area *(sq.m.)*	Issued Date	Usage
1)	Huang Guo Yong (2016) Di No. 00079	March 20, 2066	Granted	78,485.07	June 29, 2016	Railway
2)	Huang Guo Yong (2016) Di No. 00080	March 20, 2066	Granted	31,538.59	June 29, 2016	Railway
3)	Huang Guo Yong (2016) Di No. 00081	March 20, 2066	Granted	4,289.46	June 29, 2016	Railway
4)	Huang Guo Yong (2016) Di No. 00082	March 20, 2066	Granted	39,858.55	June 29, 2016	Railway
5)	Huang Guo Yong (2016) Di No. 00083	March 20, 2066	Granted	56,886.13	June 29, 2016	Railway
6)	Huang Guo Yong (2016) Di No. 00092	March 20, 2066	Granted	156,434.17	June 30, 2016	Railway
7)	Huang Guo Yong (2016) Di No. 00093	March 20, 2066	Granted	91,526.11	June 30, 2016	Railway
8)	Huang Guo Yong (2016) Di No. 00121	March 20, 2066	Granted	43,507.83	August 30, 2016	Railway
9)	Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0001827	March 20, 2066	Granted	81,079.90	November 1, 2017	Railway
10)	Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0001831	March 20, 2066	Granted	51,336.90	November 1, 2017	Railway
11)	Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0001830	March 20, 2066	Granted	4,908.10	November 1, 2017	Railway
12)	Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0001829	March 20, 2066	Granted	36,062.60	November 1, 2017	Railway
13)	Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0001828	March 20, 2066	Granted	12,509.00	November 1, 2017	Railway
14)	Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0001823	March 20, 2066	Granted	45,723.60	November 1, 2017	Railway
15)	Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0001822	March 20, 2066	Granted	105,531.80	November 1, 2017	Railway
16)	Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0002641	March 20, 2066	Granted	34,258.00	March 29, 2018	Railway
17)	Ji (2018) Huang Hua Shi Bu Dong Chan Quan Di No. 0005463	March 20, 2066	Granted	18,356.50	June 28, 2018	Railway
18)	Ji (2018) Huang Hua Shi Bu Dong Chan Quan Di No. 0005464	March 20, 2066	Granted	3,460.80	June 28, 2018	Railway
19)	Ji (2018) Huang Hua Shi Bu Dong Chan Quan Di No. 0005465	March 20, 2066	Granted	3,347.50	June 28, 2018	Railway
20)	Ji (2018) Cang Zhou Bo Hai Xin Qu Bu Dong Chan Quan Di No. 0002802	June 25, 2068	Granted	28,718.30	November 26, 2018	Railway
21)	Ji (2018) Huang Hua Shi Bu Dong Chan Quan Di No. 0002074	October 16, 2067	Granted	69,978.30	May 10, 2018	Railway
22)	Ji (2018) Cang Zhou Bo Hai Xin Qu Bu Dong Chan Quan Di No. 0002799	February 22, 2068	Granted	24,460.65	November 27, 2018	Railway
23)	Ji (2018) Cang Zhou Bo Hai Xin Qu Bu Dong Chan Quan Di No. 0002798	February 22, 2068	Granted	2,639.79	November 27, 2018	Railway
24)	Ji (2018) Cang Zhou Bo Hai Xin Qu Bu Dong Chan Quan Di No. 0002800	February 22, 2068	Granted	16,287.48	November 27, 2018	Railway
25)	Ji (2018) Cang Zhou Bo Hai Xin Qu Bu Dong Chan Quan Di No. 0002797	February 22, 2068	Granted	18,124.41	November 27, 2018	Railway
26)	Ji (2018) Cang Zhou Bo Hai Xin Qu Bu Dong Chan Quan Di No. 0002801	February 22, 2068	Granted	21,407.05	November 27, 2018	Railway
27)	Ji (2019) Cang Zhou Shi Bu Dong Chan Quan Di No. 0031023	April 11, 2069	Granted	66,410.04	September 11, 2019	Railway
28)	Ji (2020) Cang Zhou Shi Bu Dong Chan Quan Di No. 0001721	May 31, 2068	Granted	9,801.59	January 15, 2020	Railway
29)	Ji (2020) Cang Zhou Shi Bu Dong Chan Quan Di No. 0001727	May 31, 2068	Granted	5,190.00	January 15, 2020	Railway
30)	Ji (2020) Cang Zhou Shi Bu Dong Chan Quan Di No. 0001790	May 31, 2068	Granted	4,488.67	January 15, 2020	Railway

7. Pursuant to the Land Use Right Agreement entered into between Chengyu Company and Canggang Company dated August 12, 2019, the land use rights of 3 parcels allocated land with a total site area of approximately 1,006,496.30 sq.m. have been vested for a term either (i) 20 years commencing from the contract date or (ii) the date before Chengyu Company transfer the land parcel to Canggang Company for railway use without compensation. The details are set out as follows:

No.	Land Parcel	Site Area *(sq.m.)*	Usage
1)	Cang County, Cangzhou City	548,626.90	Railway
2)	Xinhua District, Cangzhou City	410,875.39	Railway
3)	Cang County, Cangzhou City	46,994.00	Railway

8. In valuation of the property, we have attributed no commercial value to the railway which have not obtained the land use right certificate mentioned in Notes No. 7 as at the Valuation Date. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the railway which is situated on the land parcels mentioned in Notes No. 7 as at the date of valuation would be RMB297,830,000 assuming all relevant title certificates have been obtained and the railway could be freely transferred.

9. In the valuation of the property, we have attributed no commercial value to the CIP which has not obtained any title certificate. However, for reference purpose, we are of the opinion that the reference value of the CIP as at the date of valuation would be RMB648,000 assuming all relevant title certificate have been obtained and could be freely transferred.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. The Company has legally obtained the State-owned Land Use Rights Certificates and/or Real Estate Ownership Certificates and has the legal right of the land use right of the land parcels mentioned in Notes No. 6; and

    b. According to the interviews with local authority on June 19, 2019, July 2, 2019 and February 24, 2020, the government approved Chengyu Company vested the land use right mentioned in Notes No. 7 to Canggang Company for railway use without compensation.

11. A summary of major certificates/licenses is shown as follow:

    a. State-owned Land Use Rights Certificate/Real Estate Ownership Certificates — Partial

12. In our valuation, we have made reference to some transaction price references of land comparables in the subject and nearby development. We have adopted the range of unit rates between RMB 330 to RMB 360 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at August 31, 2020 *RMB*
2.	A block of building and two parcels of land with structures located at South side of Shuohuang Railway, Yang Zhuang Village, Huanghua City, Hebei Province, the PRC	The property comprises two parcels of land with the total site area of approximately 515,271.40 sq.m. and a block of building erected thereon which was completed in about 2010. The building has a gross floor area of approximately 4,330.78 sq.m. which is an office building. The ancillary structures mainly include open coal storage yard, water tanks and car parking spaces. The land use rights of the property has been granted for a term commencing from January 27, 2010 and expiring on January 26, 2060 for storage use.	As at the date of valuation, the property was occupied by the Group.	240,830,000 (100% interest attributable to the Company: RMB240,830,000)

Notes:

1. Pursuant to two numbers of Real Estate Ownership Certificate – Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0000561 dated August 11, 2017 and Ji (2017) Huang Hua Shi Bu Dong Chan Quan Di No. 0000663 dated August 17, 2017, the land use rights of a parcel of land with the site area of approximately 515,271.40 sq.m. and the property with the gross floor area of approximately 4,330.78 sq.m., have been vested to Canggang Company for a term commencing from January 27, 2010 and expiring on January 26, 2060 for storage use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Company has legally obtained the Real Estate Ownership Certificate and has the legal right of the property.

3. A summary of major certificates/licenses is shown as follow:

   a. Real Estate Ownership Certificate — Yes

4. In our valuation, we have made reference to some transaction price references of land comparables in the subject and nearby development. We have adopted the range of unit rates between RMB180 to RMB240 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at August 31, 2020 *RMB*
3.	A railway located at Yangerzhuang County, Huanghua City, Hebei Province, the PRC	The property comprises a railway and structures in Hebei Province with the total length of approximately 7.147 km which completed in the third quarter of 2019.	As at the date of valuation, the property was occupied by the Group.	No Commercial Value

Notes:

1. As informed by the Company, this railway is the connecting line to Bohaixi Station and we noted that the Company has partially prepaid for the land parcel of the property. However, both of the State-owned Land Use Rights Certificate and the State-owned Land Use Right Grant Contract has not been obtained. See "Business – Legal Compliance and Proceedings – Non-compliance Incidents No.1" for details of the use of such land. We lack of information about the land parcel, therefore, we are unable to perform valuation of the land parcel of the property.

2. In the valuation of the property, we have attributed no commercial value to the property which has not obtained any title certificate. However, for reference purpose, we are of the opinion that the reference value of the property as at the date of valuation would be RMB134,660,000 assuming all relevant title certificate have been obtained and could be freely transferred.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. According to an interview conducted by the Ministry of Natural Resources of Huanghua City (黃驊市自然資源和規劃局) (the "**Ministry**") on July 2, 2019 and May 29, 2020, the Ministry is the competent authority about the land parcel of the property, the company has no substantial impediment to apply the State-Owned Land Use Right Certificate. The construction work on the land parcel has not contained a major violation. The Ministry will conduct any form of investigation, the responsibility punishment and/or order for demolition relatively low.

   b. According to an interview conducted by the Ministry on June 19, 2019 and May 29, 2020, the Ministry is the competent authority about the construction of the property, the construction planning permit of the property is under application and there is no legal impediment to obtain. The construction work has not contained major violation, the possibility of punishment by the government is relatively low. The construction work will not be subject to order for demolition.

4. A summary of major certificates/licenses is shown as follow:

   a. State-owned Land Use Rights Certificate — No

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at August 31, 2020 *RMB*
4.	A parcel of land with a railway located at Yangerzhuang County, Huanghua City, Hebei Province, the PRC	The property comprises a parcel of land with a site area of approximately 151,145.10 sq.m. and there is a railway which were being constructed thereon. The railway has the total length of approximately 1.036 km. The land use rights of the property has been granted for a term commencing from April 28, 2018 and expiring on April 27, 2068 for storage use.	At as the date of valuation, the property was occupied by the Group	67,970,000 (51% interest attributable to the Company: RMB34,664,700)

Notes:

1. Pursuant to the Real Estate Ownership Certificate – Ji (2018) Huang Hua Shi Bu Dong Chan Quan Di No. 0005180 dated June 21, 2018, the land use rights of a parcel of land with the site area of approximately 151,145.10 sq.m., have been vested to Hebei Jinghai International Logistics Development Co., Ltd. (河北京海國際物流發展有限公司) (hereinafter referred to as "**Jinghai Logistics**"), a 51% owned subsidiary of the Company, for a term commencing from April 28, 2018 and expiring on April 27, 2068 for storage use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Company has legally obtained the Real Estate Ownership Certificate and has the legal right of the property.

   b. According to an interview conducted by the Ministry on June 19, 2019, the Ministry is the competent authority about the construction of the property, the construction planning permit of the property is under application and there is no legal impediment to obtain. The construction work has not contained major violation, the possibility of punishment by the government is relatively low. The construction work will not be subject to order for demolition.

3. A summary of major certificates/licenses is shown as follow:

   a. State-owned Land Use Rights Certificate — Yes

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 19, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 16, 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from October 22, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (''ES Law'') that came into force on January 1, 2019, a ''relevant entity'' is required to satisfy the economic substance test set out in the ES Law. A ''relevant entity'' includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed ''Documents available for inspection'' in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on October 19, 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 29, 2020 and our Company's principal place of business in Hong Kong is at Room 09-10, 41/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong. Mr. Kwok Che Chung (郭芝聰) of Room 4, 13/F, Mai Hing House, No. 3-4 Hing Hon Road, Pokfulam, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

As of the date of the incorporation of our Company, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. At the time of incorporation, the issued share capital of our Company was HK$0.01, with one Share of HK$0.01 and held by Ms. Sharon Pierson, an Independent Third Party. On the same date, the said one Share was transferred to Jinghai BVI for a consideration at par value.

On the same date, our Company allotted and issued 9,071 Shares and 478 Shares to Jinghai BVI and Greenport BVI, respectively, for a consideration at par value. On December 21, 2018, our Company allotted and issued 450 Shares to Cornerstone BVI for a consideration at par value. On the same date, Greenport BVI transferred one share to Jinghai BVI at par. On June 17, 2019, Jinghai BVI transferred 300 Shares to Puji International in consideration of the transfer of one share of Puji Global by Puji International to the Company as part of the Corporate Reorganization.

Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 9,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further Information about our Company – 4. Written resolutions of the then Shareholders of our Company passed on June 16, 2020" in this Appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

Saved as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

Canggang BVI

On October 29, 2018, Canggang BVI was incorporated as a limited liability company under the laws of the BVI, with an authorized share capital of US$50,000, divided into 50,000 ordinary shares without par value. At the time of the incorporation, the issued share capital of Canggang BVI was US$1.00, with one ordinary share held by our Company.

Puji Global

On October 18, 2018, Puji Global was incorporated as a limited liability company under the laws of the BVI, with an authorized share capital of US$50,000, divided into 50,000 ordinary shares without par value. At the time of the incorporation, the issued share capital of Puji Global was US$1.00, with one ordinary share held by Puji International which was transferred to Canggang BVI on June 17, 2019 as part of the Corporate Reorganization.

Canggang HK

On December 5, 2018, Canggang HK was incorporated as a limited liability company under the laws of Hong Kong. At the time of the incorporation, one share was issued to and owned by Canggang BVI.

Puji HK

On December 18, 2018, Puji HK was incorporated as a limited liability company under the laws of Hong Kong. At the time of the incorporation, one share was issued to and owned by Puji Global.

WFOE

On February 14, 2019, WFOE was established in the PRC as a wholly-foreign owned enterprise with a registered capital of HK$10.00 million, which was wholly-owned by Canggang HK.

Save as disclosed above, there has been no alteration in the share capital or registered capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

4. Written resolutions of the then Shareholders of our Company passed on June 16, 2020

Pursuant to the written resolutions of the then Shareholders of our Company entitled to vote at general meetings of our Company, which were passed on June 16, 2020:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) the authorized share capital of our Company was increased 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 by the creation of 9,962,000,000 Shares of HK$0.01 each, which shall rank *pari passu* in all respects with the Shares in issue as of the date of the resolution;

(c) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Joint Global Coordinators (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

(i) our Company approved and adopted the Articles of Association;

(ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK$7,499,900 be capitalized and applied in paying up in full at par value 749,990,000 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the Global Offering and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares;

(iii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;

(iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options that may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, "rights issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

(vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate number of Shares not exceeding 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Article of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first;

(vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(v) above by the addition to the aggregate total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate total number of Shares repurchased by our Company pursuant to paragraph (c)(vi) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (c)(v), (c)(vi) and (c)(vii) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles of Association to hold our next annual general meeting; or

(3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of the then Shareholders of our Company passed on June 16, 2020, a general unconditional mandate (the ''Repurchase Mandate'') was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the total number of Shares in issue or to be issued immediately following completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed ''A. Further information about our Company – 4. Written resolutions of the then Shareholders of our Company passed on June 16, 2020'' in this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Ordinance. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. Please see the sub-section headed "History and Corporate Structure – Corporate Reorganization" in this prospectus for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(1) an equity purchase agreement (股權併購協議) dated January 10, 2019 and entered into by and among Chengyu Company, Puji HK, Cornerstone BJ and Mr. Yi, pursuant to which Puji HK agreed to acquire 3.00% equity interest in Canggang Company from Chengyu Company for a consideration of approximately RMB10.84 million;

(2) an equity transfer agreement (股權轉讓協議) dated March 31, 2019 and entered into by and among Chengyu Company, Cornerstone BJ, Mr. Yi, WFOE and Puji HK, pursuant to which each of Chengyu Company, Cornerstone BJ and Mr. Yi agreed to transfer 87.73%, 4.5% and 4.77% equity interest in Canggang Company to WFOE for a consideration of approximately RMB316.87 million, RMB16.25 million and RMB17.23 million, respectively;

(3) a share transfer agreement dated June 17, 2019 and entered into by among the Company, Jinghai BVI and Puji International, pursuant to which Jinghai BVI agreed to transfer to Puji International 300 Shares of the Company in consideration of the transfer of one share of Puji Global by Puji International to the Company;

(4) the Deed of Indemnity;

(5) the Deed of Non-competition; and

(6) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As of the Latest Practicable Date, we had registered five trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
1.	沧港铁路 CGTL	Canggang Company	PRC	37	33495677	May 20, 2029
2.	沧港铁路 CGTL	Canggang Company	PRC	38	33495811	June 6, 2029
3.	沧港铁路 CGTL	Canggang Company	PRC	35	33491721	January 6, 2030
4.	沧港铁路 CGTL	Canggang Company	PRC	42	33494939	December 20, 2029
5.	沧港铁路 CGTL	Canggang Company	PRC	39	33495822	February 6, 2030

Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

No.	Registrant	Domain name	Date of registration	Expiration date
1.	Canggang Company	czcgtl.cn	2018.8.27	August 27, 2028
2.	Canggang Company	czcgtl.com	2018.8.27	August 27, 2028
3.	Canggang Company	czcgtl.net	2018.8.27	August 27, 2028

3. Further information about our PRC establishments

Canggang Company

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	October 22, 2009
(iii)	term of business operation:	October 22, 2009 to October 21, 2049
(iv)	registered capital:	RMB347.88 million
(v)	attributable interest of the company:	100%
(vi)	scope of business:	railway cargo transportation, shipping agency services, delivery of goods, cargo handling, warehousing services, among others

Jinghai International

(i)	nature of the company:	limited liability company
(ii)	incorporation date:	July 20, 2017
(iii)	term of business operation:	July 20, 2017 to July 19, 2047
(iv)	registered capital:	RMB60 million
(v)	attributable interest of the company:	51.00%
(vi)	scope of business:	road cargo transportation, shipping agency services, delivery of goods, cargo handling, warehousing services, among others

WFOE

(i)	nature of the company:	limited liability company (wholly foreign owned enterprise)
(ii)	incorporation date:	February 14, 2019
(iii)	term of business operation:	February 14, 2019 to February 13, 2059
(iv)	registered capital:	HK$10 million
(v)	attributable interest of the company:	100%
(vi)	scope of business:	logistics services and general cargo agency services, among others

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term, or terminated by payment in lieu of notice.

Each of our non-executive Directors has entered into a letter of appointment with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by the non-executive Director to our Company, or with immediate effect following the notice in writing served by our Company to the non-executive Director or if there is any breach by the non-executive Director that has actual or existing impact on the Company.

Each of our independent non-executive Directors has entered into a letter of appointment with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by the independent non-executive Director to our Company, or with immediate effect following the notice in writing served by our Company to the independent non-executive Director or if there is any breach by the independent non-executive Director that has actual or existing impact on the Company.

The current basic annual salaries of our Directors are as follows:

Mr. Liu	RMB60,000
Mr. Yi	RMB60,000
Mr. Xu Zhihua	RMB50,000
Mr. Qin Shaobo	Nil
Mr. Liu Changchun	RMB100,000
Mr. Zhao Changsong	RMB100,000
Ms. Lyu Qinghua	RMB100,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For each of the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB125,000, RMB131,000, RMB149,000 and RMB85,000, respectively.

Save as disclosed above, no other emoluments have been paid or are payable, in respect of each of the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2020 would be approximately RMB266,500.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in our share capital and our associated corporations as of the Latest Practicable Date and following the Capitalization Issue and the Global Offering

As of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

(i) Long position in our Company

		As of the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Liu	Interest in a controlled corporation(2)	8,773	87.73%	657,975,000	65.80%
Mr. Yi	Interest in a controlled corporation(3)	477	4.77%	35,775,000	3.58%
Mr. Qin Shaobo	Interest in a controlled corporation(4)	450	4.50%	33,750,000	3.37%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

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

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

(4) Mr. Qin Shaobo is the sole shareholder of Cornerstone BVI and he is therefore deemed to be interested in the Shares held by Cornerstone BVI upon the Listing.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

(i) Interests and short positions in our Shares and underlying Shares of our Company:

Long position in our Company

		As of the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue[(1)]	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Jinghai BVI	Beneficial owner [(2)]	8,773	87.73%	657,975,000	65.80%
Greenport BVI	Beneficial owner [(3)]	477	4.77%	35,775,000	3.58%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

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

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

2. Disclaimers

Save as disclosed in this Appendix:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix:

    (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

    (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then Shareholders of our Company passed on June 16, 2020 and adopted by a resolution of the Board on June 16, 2020 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize 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 to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) 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");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) 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;

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

(h) 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 person referred above are the "Eligible Persons").

3. Maximum number of Shares

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 Group shall not in aggregate exceed 10% of the Shares in issue as of the Listing Date (such 10% limit representing 100,000,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company (the "Scheme Mandate Limit") provided that:

(a) our Company may at any time as our 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 approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting 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. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) 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.

4. Maximum entitlement of each participant

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. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.00 million, such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

7. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

9. Amount payable for Options and offer period

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 provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof 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, being a date no later than 28 days after the offer date (the ‘‘Acceptance Date’’). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Subscription price

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 (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Business Days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

(a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;

(ii) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

(1) the Option period;

(2) the period of two months from the date of such notice; or

(3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, 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.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the Option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme – 11. Exercise of Option" in this Appendix, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancelation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby canceled with effect from the date specified in such notice (the "Cancelation Date"):

(a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to the Board for the Option to be canceled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been canceled with effect from the Cancelation Date in respect of any part of the Option which has not been exercised as of the Cancelation Date. No compensation shall be payable upon any such cancelation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be 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 termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and

(d) any alteration to the aforesaid alteration provisions provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) the approval of our Shareholders for the adoption of the Share Option Scheme;

(b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 100,000,000 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;

(c) the commencement of dealing in our Shares on the Stock Exchange; and

(d) the obligations of the underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

(i) the Share Option Scheme will forthwith terminate;

(ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

(iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 100,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

(a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and

(b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

(a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix I to this prospectus or in the audited financial statements of the relevant members of our Group for each of the years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020 (the ''Accounts''); or

(b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after May 31, 2020 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or

(d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed "Business – Legal Compliance and Proceedings " in this prospectus.

2. Litigation

As of the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses are approximately US$5,257 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of HK$6.45 million to act as sponsor to our Company in the Global Offering.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since May 31, 2020 (being the date to which our latest audited consolidated financial statements were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

8. Miscellaneous

(1) Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we have no outstanding convertible debt securities.

(2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Innovax Capital Limited	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	PRC legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
AVISTA Valuation Advisory Limited	Independent valuer
China Railway Engineering Design Consulting Group Co., Ltd., Jinan Design Institution* (中鐵工程設計咨詢集團有限公司濟南設計院)	First Grade Comprehensive Qualification for Engineering Design

10. Consents of experts

Each of the experts named in paragraph 9 of part "G. Other Information" of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "G. Other Information – 10. Consents of experts" in Appendix V and copies of the material contracts referred to in the paragraph headed "C. Further Information about our business – 1. Summary of the material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Morgan, Lewis & Bockius at Suites 1902–09, 19th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this prospectus:

(1) our Memorandum and the Articles of Association;

(2) the Accountants' Report of our Group prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(3) the audited consolidated financial statements of our Group for each of the three years ended December 31, 2017, 2018 and 2019 and the five months ended May 31, 2020;

(4) the report received from KPMG on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(5) the valuation report (including a letter, a summary of valuation and the valuation certificate) prepared by AVISTA Valuation Advisory Limited relating to the property interests of our Group, the text of which is set out in Appendix III to this prospectus;

(6) the material contracts referred to in the paragraph headed "C. Further Information about our business – 1. Summary of the material contracts" in Appendix V to this prospectus;

(7) the service contracts and letters of appointment with Directors, referred to in the paragraph headed "D. Further Information about our Directors – 1. Directors' service contracts and letters of appointment" in Appendix V to this prospectus;

(8) the written consents referred to in the paragraph headed "G. Other Information – 10. Consents of experts" in Appendix V to this prospectus;

(9) the PRC legal opinions prepared by Commerce & Finance Law Offices, our legal advisors as to the PRC law, in respect of certain aspects of our Group and our property interests;

(10) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of the Cayman Islands Companies Law referred to in Appendix IV to this prospectus;

(11) the report prepared by China Railway Engineering Design Consulting Group Co., Ltd., Jinan Design Institution* (中鐵工程設計咨詢集團有限公司濟南設計院), our expert, relating to the railway capacity of our Group;

(12) the Frost & Sullivan Report issued by Frost & Sullivan;

(13) the Cayman Islands Companies Law; and

(14) the rules of the Share Option Scheme.

CANGGANG RAILWAY LIMITED
滄港鐵路有限公司