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## **Canggang Railway Limited**

**滄港鐵路有限公司**

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

**(Stock Code: 2169)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **INTERIM RESULTS**

The Board of Canggang Railway Limited is pleased to announce the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022.

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	<b>178,265</b>	155,998
Operating profit	<b>54,468</b>	45,125
Profit before taxation	<b>41,533</b>	34,540
Profit for the period	<b>30,991</b>	25,683
Earnings per share, basic and diluted (RMB)	<b>0.03</b>	0.03

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

(For the six months ended 30 June 2023)

	<i>Note</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Revenue</b>	4	<b>178,265</b>	155,998
<b>Operating expenses:</b>			
Staff costs	5(b)	<b>(33,192)</b>	(29,643)
Outsourcing service charges and other labor costs		<b>(21,002)</b>	(19,911)
Cargo logistics		<b>(14,858)</b>	(17,258)
Depreciation	5(c)	<b>(19,079)</b>	(17,903)
Fuel used		<b>(14,160)</b>	(12,736)
Repairs and maintenance		<b>(6,847)</b>	(5,059)
General and administration expenses		<b>(7,172)</b>	(5,943)
Reversal of impairment loss/(impairment loss) on trade receivables		<b>1,117</b>	(199)
Other expenses		<b>(13,471)</b>	(3,751)
<b>Total operating expenses</b>		<b>(128,664)</b>	(112,404)
<b>Other income</b>		<b>4,867</b>	1,530
<b>Operating profit</b>		<b>54,468</b>	45,124
Finance costs	5(a)	<b>(12,935)</b>	(10,509)
Share of loss of associates		<b>–</b>	(76)
<b>Profit before taxation</b>	5	<b>41,533</b>	34,539
Income tax	6	<b>(10,542)</b>	(8,857)
<b>Profit for the year</b>		<b>30,991</b>	25,682
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>31,144</b>	25,649
Non-controlling interests		<b>(153)</b>	33
<b>Profit for the year</b>		<b>30,991</b>	25,682
<b>Earnings per share (RMB)</b>			
– Basic and diluted	8	<b>0.03</b>	0.03

	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the period</b>	<b>30,991</b>	25,682
<b>Other comprehensive income for the period (after tax):</b>		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	<u>(975)</u>	<u>1,763</u>
<b>Total comprehensive income for the period</b>	<b><u>30,016</u></b>	<b><u>27,445</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>30,169</b>	27,412
Non-controlling interests	<u>(153)</u>	<u>33</u>
<b>Total comprehensive income for the period</b>	<b><u>30,016</u></b>	<b><u>27,445</u></b>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(As at 30 June 2023)

		As at <b>30 June 2023</b>	As at 31 December 2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	9	771,383	769,934
Right-of-use assets		186,336	188,534
Interests in associates		–	7,314
Deferred tax assets		5,527	5,793
Prepayments and other receivables		13,923	2,062
<b>Total non-current assets</b>		<b>977,169</b>	973,637
<b>Current assets</b>			
Inventories		56,832	47,941
Trade and bills receivables	10	75,438	83,345
Prepayments and other receivables		36,825	20,240
Cash and cash equivalents		202,898	193,802
<b>Total current assets</b>		<b>371,993</b>	345,328
<b>Current liabilities</b>			
Bank and other loans	12	153,035	184,773
Trade payables	11	22,756	27,589
Other payables		11,566	29,158
Contract liabilities		39,047	2,377
Current taxation		5,510	13,812
<b>Total current liabilities</b>		<b>231,914</b>	257,709
<b>Net current assets</b>		<b>140,079</b>	87,619
<b>Total assets less current liabilities</b>		<b>1,117,248</b>	1,061,256
<b>Non-current liabilities</b>			
Bank and other loans	12	343,241	272,639
<b>Total non-current liabilities</b>		<b>343,241</b>	272,639
<b>NET ASSETS</b>		<b>774,007</b>	788,617
<b>CAPITAL AND RESERVES</b>			
Share capital		8,607	8,607
Reserves		736,011	750,468
<b>Total equity attributable to equity shareholders of the Company</b>		<b>744,618</b>	759,075
<b>Non-controlling interests</b>		<b>29,389</b>	29,542
<b>TOTAL EQUITY</b>		<b>774,007</b>	788,617

## NOTES

### 1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 October 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Stock Exchange on 23 October 2020. The Company and its subsidiaries are principally engaged in the provision of rail freight transportation and related ancillary services by operating freight railway and railway yards in the PRC.

### 2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

The unaudited condensed consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The unaudited condensed consolidated interim financial information for the Reporting Period has not been reviewed by KPMG, the Company’s external auditor, but has been reviewed by the Audit Committee.

The financial information relating to the financial year ended 31 December 2022 that is included in the unaudited condensed consolidated interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

### 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to the IFRSs, issued by the IASB to this unaudited condensed consolidated interim financial information for the Reporting Period:

#### (a) New and amended IFRSs

The Group has applied the following new and amended IFRSs to this unaudited condensed consolidated interim financial information for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform - Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

#### *IFRS 17, Insurance contracts*

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

#### *Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

#### *Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The amendments do not have a material impact on these financial statements as the Group does not enter into any contract with material contingent arrangement.

#### 4 REVENUE

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Revenue from contracts with customers</b>		
Disaggregated by major service lines:		
– Rail freight transportation	144,758	117,440
– Ancillary services		
– Loading and unloading	16,851	19,768
– Road freight transportation	2,860	6,646
– Construction, maintenance and repair	11,619	1,036
– Others	2,177	11,108
	<hr/>	<hr/>
Subtotal	33,507	38,558
	<hr/>	<hr/>
	<b>178,265</b>	<b>155,998</b>
	<hr/> <hr/>	<hr/> <hr/>

- (ii) For the six months ended 30 June 2023 and 2022, the Group's customers with whom transactions exceeded 10% of the Group's revenue in the respective periods are set out below:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Customer A	*	32,416
Customer B	20,177	19,724
Customer C	*	17,646
Customer D	34,940	*

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

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

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Total interest expense on bank and other loans	<u>12,935</u>	<u>10,509</u>

### (b) Staff costs:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and other benefits	29,487	26,181
Contributions to defined contribution retirement plans	<u>3,705</u>	<u>3,462</u>
	<u>33,192</u>	<u>29,643</u>

### (c) Other items:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Depreciation		
– property, plant and equipment (Note 9)	16,844	15,668
– right-of-use assets	<u>2,235</u>	<u>2,235</u>
	<u>19,079</u>	<u>17,903</u>
Short-term lease charges with remaining lease term of not more than 12 months	134	126
Auditors' remuneration	650	630
Cost of inventories	<u>14,185</u>	<u>12,740</u>



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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Current tax</b>		
Provision for the period	10,808	5,592
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(266)	3,265
	<u>10,542</u>	<u>8,857</u>

## 7 DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2022: Nil).

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2023 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB31,144,000 (six months ended 30 June 2022: RMB25,649,000) and the weighted average of 974,658,000 ordinary shares, in issue during the six months ended 30 June 2023 (six months ended 30 June 2022: 1,000,000,000 ordinary shares in issue during the period).

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Issued ordinary shares at 1 January	977,200,000	1,000,000,000
Effect of shares purchased in respect of the Share Award Scheme	(2,542,000)	–
Weighted average number of ordinary shares at 30 June	<u>974,658,000</u>	<u>1,000,000,000</u>

### (b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2023 and 2022.

## 9 PROPERTY, PLANT AND EQUIPMENT

- (i) The Group's property, plant and equipment are all located in the PRC.
- (ii) During the six months ended 30 June 2023, the Group paid RMB18,302,000 for upgrading and renovating the basic infrastructure of the Canggang Railway Line to enhance the safety and increase the overall capacity of railway operation.
- (iii) At 30 June 2023, property certificates of certain items of the Group's properties with carrying amounts of RMB60,773,000 (31 December 2022: RMB61,468,000), were not obtained. The directors of the Company consider that there is no legal restriction for the Group to access and use such properties and it should not lead to any significant adverse impact on the operations of the Group.

## 10 TRADE AND BILLS RECEIVABLES

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Trade receivables	55,582	50,613
Bills receivables ( <i>Notes (ii)</i> )	<u>19,856</u>	<u>32,732</u>
	<u><u>75,438</u></u>	<u><u>83,345</u></u>

### *Notes:*

- (i) All of the trade and bills receivables, net of loss allowance, are expected to be recovered within one year.
- (ii) At 30 June 2023, the carrying amounts of the Group's bills receivables that had been endorsed to the Group's suppliers and other creditors to settle the Group's trade and other payables towards these suppliers but had not been derecognized in the consolidated financial statements were RMB5,950,000 (31 December 2022: RMB3,828,000).

### Aging Analysis

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

	At <b>30 June</b> <b>2023</b> <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 1 month	<b>43,020</b>	38,443
1 to 6 months	<b>11,468</b>	11,276
6 to 12 months	<b>802</b>	389
Over 12 months	<b>292</b>	505
	<hr/> <b>55,582</b> <hr/>	<hr/> 50,613 <hr/>

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

### 11 TRADE PAYABLES

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

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

	At <b>30 June</b> <b>2023</b> <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 1 month	<b>12,219</b>	20,733
1 to 3 months	<b>4,641</b>	3,382
3 to 6 months	<b>3,046</b>	1,421
6 to 12 months	<b>1,011</b>	1,463
Over 12 months	<b>1,839</b>	590
	<hr/> <b>22,756</b> <hr/>	<hr/> 27,589 <hr/>

## 12 BANK AND OTHER LOANS

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

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Bank loans:		
– Secured	376,646	331,516
– Unsecured	48,000	49,074
	<u>424,646</u>	<u>380,590</u>
Other loans:		
– Secured	71,630	74,732
– Unsecured	–	2,480
	<u>71,630</u>	<u>76,822</u>
	<u><u>496,276</u></u>	<u><u>457,412</u></u>

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

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

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 1 year or on demand	<u>153,035</u>	<u>184,773</u>
After 1 year but within 2 years	63,495	141,616
After 2 years but within 5 years	279,746	131,023
	<u>343,241</u>	<u>272,639</u>
	<u><u>496,276</u></u>	<u><u>457,412</u></u>

- (c) At 30 June 2023, the Group's secured bank loans of RMB376,646,000 (31 December 2022: RMB331,516,000) were secured by the following assets of the Group:

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Carrying amount:		
Right-of-use assets	113,419	114,926
Property, plant and equipment	7,457	7,618
	<u>120,876</u>	<u>122,544</u>

Included in the Group's secured bank loans as at 30 June 2023, RMB94,500,000 were also guaranteed by Cangzhou Railway Logistics Services Company Limited ("Cangzhou Logistics") (31 December 2022: RMB20,039,000).

- (d) At 30 June 2023, the Group's secured other loans of RMB71,630,000 (31 December 2022: RMB74,732,000) were secured by the following assets of the Group:

	As at 30 June 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
Carrying amount:		
Property, plant and equipment	172,969	177,593
Right-of-use assets	6,722	6,803
	<u>179,691</u>	<u>184,396</u>

Included in the Group's secured other loans as at 30 June 2023, RMB71,630,000 (31 December 2022: RMB72,755,000) were also guaranteed by Cangzhou Logistics and secured by equity interests of Cangzhou Canggang Railway Company Limited held by Cangzhou Logistics.

- (e) As at 30 June 2023, the unsecured other loans were fully settled (31 December 2022: RMB2,480,000 are unsecured, interest-bearing at 4.75% per annum).

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

	As at 30 June 2023		As at 31 December 2022	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
<b>Fixed rate borrowings</b>				
Bank loans	3.0%-5.5%	424,646	5.0%-5.5%	380,591
Other loans	4.0%-4.75%	71,630	4.0%-4.75%	75,234
		<u>496,276</u>		<u>455,825</u>
<b>Variable rate borrowings</b>				
Other loans	Nil	–	5.29%	1,587
Total borrowings		<u>496,276</u>		<u>457,412</u>
Fixed rate borrowings as a percentage of total borrowings		<u>100%</u>		<u>99%</u>

### 13 COMMITMENTS

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Commitments in respect of property, plant and equipment:		
– contracted for	<u>8,299</u>	<u>3,751</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

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

The rampant spreading of COVID-19 worsened China's economy and caused unprecedented challenges to the development, especially in Hebei Province. Although the China government has lifted the COVID policy in December 2022, China's energy and manufacturing industry has been hit hard by COVID-19 since 2020. Many of our customers have suffered severe disruptions in their operations and a significant cut in their revenue due to the market sentiment. Centered on customers, the Company is striving by quality, and propelled by innovation and development and it overcame various unfavorable factors, such as the COVID-19 outbreak, actively expanded its market, strictly monitored production safety, optimized its management system, tapped into potential and enhanced efficiency, scientifically deployed its development, as well as cultivated and promoted its corporate culture. The Company has maintained a stable level of freight transportation volume and achieved a new leap in management standards.

All employees of the Company worked together to achieve the Company's business objectives and responded effectively to various risks and challenges. In the first half of 2023, following the reopening of the market and the successful on the continuous hard work of our marketing leadership team to shift the focus to the upstream of the logistics chain, with the responsible leaders travelling to Shaanxi, Inner Mongolia and other regions to meet with customers, our rail freight transportation completed 5.9 million tonnes of coal during the six months ended 30 June 2023, representing an increase of 14.6% or 0.8 million tonnes. During the Reporting Period, our rail freight transportation of other products is relatively stable at 2.4 and 2.3 million tonnes for the six months ended 30 June 2023 and 30 June 2022. Rail freight transportation as our core business has recorded a decent performance during the six months ended 30 June 2023. We completed a total transportation of 8.3 million tonnes of cargo during the Reporting Period, representing an increase of 11.2% or 0.8 million tonnes as compared to 7.5 million tonnes for the six months ended 30 June 2022.

Accompanied by our freight transportation service, the decrease in revenue from our ancillary services by 13.1% during the six months ended 30 June 2023 as compared with the corresponding period in 2022, was mainly due to the drop in our road freight transportation services because more customers are carrying out transportation into Port Huanghua directly by rail via our Han-Huang connecting line.

As a result of the above, although our auxiliary business has experienced a decline, our core business in rail freight transportation has performed well with a slightly increase. Therefore, our overall businesses have achieved commendable results.

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

## FINANCIAL REVIEW

### Revenue

	Six months ended 30 June			
	2023		2022	
	<i>RMB in thousands, other than percentages</i>			
Rail freight transportation	144,758	81.2%	117,440	75.3%
Ancillary services				
Loading and unloading	16,851	9.5%	19,768	12.7%
Road freight transportation	2,860	1.6%	6,646	4.3%
Construction, maintenance and repair	11,619	6.5%	1,036	0.7%
Others	2,177	1.2%	11,108	7.1%
Subtotal	33,507	18.8%	38,558	24.7%
Total	178,265	100.0%	155,998	100.0%

Our revenue increased by 14.3% or RMB22.3 million from RMB156.0 million for the six months ended 30 June 2022 to RMB178.3 million for the six months ended 30 June 2023, primarily due to the increase in revenue from our core rail freight transportation business of RMB27.3 million relating to the significant increase in the transportation of coal by 21.4% or RMB19.1 million from RMB89.7 million for the six months ended 30 June 2022 to RMB108.8 million for the six months ended 30 June 2023 after the ease of the COVID policy executed by the local government following the reopening of China and the hard work from our marketing leadership team.

Our revenue from ancillary businesses decreased from RMB38.6 million for the six months ended 30 June 2022 to RMB33.5 million for the six months ended 30 June 2023. Such decrease was mainly due to the reduction of our loading and unloading, road freight transportation and other business because more customers carry out transportation into Port Huanghua directly by rail via our Han-Huang connecting line.

### Operating expenses

Our operating expenses include staff costs, outsourcing service charges and other labor costs, cargo logistics, depreciation, fuel used, repair and maintenance, general and administration expenses, impairment loss on trade receivables and other expenses. The operating expenses increased by 14.5% or RMB16.3 million from RMB112.4 million for the six months ended 30 June 2022 to RMB128.7 million for the six months ended 30 June 2023. The increase was primarily due to the increase in our staff cost by 12.0% or RMB3.5 million following the significant increase of our core rail freight transportation business and the increase in our other expenses by 259.1% or RMB9.7 million related to our construction service such as material and labour cost as a result of the growth in the construction services business during the six months ended 30 June 2023.



Due to the disruption to the PRC economy caused by the COVID-19 outbreak, to improve the Company's liquidity, we seek to maintain strict control over outstanding receivables and our senior management regularly reviews overdue balances to mitigate our credit risk. As a result of our efforts, the recovery of our trade receivables was improved as compared to the previous year and hence we have reversed the impairment loss on trade receivables of RMB1.1 million during the six months period ended 30 June 2023. Our trade and bills receivables decreased by 9.5% or RMB7.9 million from RMB83.3 million for the year ended 31 December 2022 to RMB75.4 million for the six months ended 30 June 2023. Our prepayment and other receivables increased by 81.9%, or RMB16.6 million from RMB20.2 million for the year ended 31 December 2022 to RMB36.8 million for the six months ended 30 June 2023 was mainly driven by the prepayment paid to our supplier for the materials and equipments for our construction service.

### **Segment result and segment margin**

For our rail freight transportation, the segment result was RMB60.0 million and RMB48.4 million and the segment margin was 41.5% and 41.2%, for the six months ended 30 June 2023 and 2022, respectively. Segment result increased by 24.0% or RMB11.6 million as compared to the same period in 2022.

For our ancillary businesses, the segment result was loss of RMB4.4 million and profit of RMB1.3 million for the six months ended 30 June 2023 and 2022, respectively. The decrease in segment result was primarily due to less revenue was generated from our road transportation business which possesses of high fixed cost because of the depreciation of vehicles and the fall of our loading and unloading operation.

Although there has been a decline in the performance of our auxiliary business, the rail freight transportation business has shown growth. Therefore, as of 30 June 2023, our profit before taxation has increased by RMB7.0 million.

### **Other income**

Our other income increased by 218.1% or RMB3.3 million from RMB1.5 million for the six months ended 30 June 2022 to RMB4.9 million for the six months ended 30 June 2023, primarily due to the government grants received in related to the global offering of the Shares and the interest income generated during the six months period ended 30 June 2023.

### **Finance costs**

Our finance costs increased by 23.1% or RMB2.4 million from RMB10.5 million for the six months ended 30 June 2022 to RMB12.9 million for the six months ended 30 June 2023, primarily due to the growth of the average loan balance.

### **Income tax expense**

Our income tax expense increased by 19.0% or RMB1.7 million from RMB8.9 million for the six months ended 30 June 2022 to RMB10.5 million for the six months ended 30 June 2023 mainly due to the increase in profit contributed from the rail freight transportation. Our effective tax rate remains relatively stable at 25.6% and 25.4% for the six months ended 30 June 2022 and 30 June 2023.

### **Profit for the period and net profit margin**

As a result of the foregoing, our profit for the period increased by 20.7% or RMB5.3 million from RMB25.7 million for the six months ended 30 June 2022 to RMB31.0 million for the six months ended 30 June 2023. Our net profit margin increased from 16.5% for the six months ended 30 June 2022 to 17.4% for the six months ended 30 June 2023. The increase in our profit and net profit margin for the six months ended 30 June 2023 as compared to the same period in 2022 was mainly due to the growth in our performance from our core rail transportation business.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2023, the Group had net current assets of approximately RMB140.1 million (31 December 2022: RMB87.6 million). The Group continued to maintain a strong financial position. During the Reporting Period, our cash and cash equivalent increased by RMB9.1 million to RMB202.9 million as at 30 June 2023 from RMB193.8 million as at 31 December 2022, which was mainly due to the cash generated from our operation. With our steady cash generated from operations and the banking facilities available to the Group, we have adequate financial resources to meet our working capital needs as well as to fund our budgeted construction and upgrade plans in 2023 and 2024.

As at 30 June 2023, our interest-bearing borrowings were RMB496.3 million, of which RMB343.2 million was long-term borrowing. We had unutilized and unrestricted banking facilities of RMB44.5 million, none of which were guaranteed or secured by our related parties.

The gearing ratio, which is calculated by total debt (being bank and other loans) divided by total equity then multiplied by 100%, was approximately 64.1% as at 30 June 2023 (31 December 2022: approximately 58.0%). The increase was mainly attributed to the increase in the ending balance of our bank and other loans. Despite the increase in the gearing ratio, our net current assets, and cash and cash equivalents have all shown growth.

### **Pledge of assets**

As at 30 June 2023, certain of our property, plant and equipment with carrying amount of approximately RMB7.5 million (31 December 2022: RMB7.6 million), were secured for our bank loans. Also, our property, plant and equipment with carrying amount of approximately RMB173.0 million (31 December 2022: RMB177.6 million) were pledged for our other loans.

As at 30 June 2023, a certain portion of our right-of-use assets with carrying amount of approximately RMB113.4 million (31 December 2022: RMB114.9 million) were pledged for our bank loans and our right-of-use assets with carrying amount of approximately RMB6.7 million (31 December 2022: RMB6.8 million) secured for our other loans.

### **Contingent liabilities**

As at 30 June 2023, the Group did not have any contingent liabilities (31 December 2022: nil).

### **Foreign exchange risk**

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

## **CAPITAL EXPENDITURE AND COMMITMENTS**

### **Capital Expenditure**

During the Reporting Period, we have invested RMB18.4 million for our capital expenditure which was mainly related to the upgrading and renovating of the basic infrastructure of our Canggang Railway Line. We financed our capital expenditure through the proceed from the IPO, cash generated from operations and banking facilities.

### **Capital Commitments**

As at 30 June 2023, our outstanding capital commitments in respect of property, plant and equipment amounted to approximately RMB8.3 million (31 December 2022: RMB3.8 million). Save as disclosed in this announcement, we did not have any other material capital commitment.

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

Save as disclosed in this announcement and the Prospectus, there were no significant investments held by the Group during the Reporting Period, nor was there any material acquisition or disposal of subsidiaries, associates and joint venture during the Reporting Period. Save as disclosed in this announcement and the Prospectus, there was no other plan for significant investments or additions of capital assets as at 30 June 2023.

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

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

## SUPPLEMENTARY INFORMATION TO 2022 ANNUAL REPORT

### Use of net proceeds from the Listing

The net proceeds from the global offering of the Company were approximately HK\$206.4 million (equivalent to approximately RMB173.7 million), after deducting the underwriting fees and commission and other related listing expenses paid and payable by us, which was intended to be applied in the manner as set out in the section headed “Future Plan and Use of Proceeds” of the Prospectus. An analysis of the utilization of the net proceeds from the Listing Date up to 30 June 2023 is set out below:

	Revised percentage	Revised allocation of net proceeds <i>RMB million</i>	Utilized		Unutilized		Expected timeline for full utilization <sup>(1)</sup>
			At 30 June 2023		At 31 December 2022		
			<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	
To construct of our branch line connecting the Northern Shandong Industrial Park	-	-	-	-	-	-	-
To construct of our branch line connecting the Comprehensive Industrial Park	40.5%	70.4	-	70.4	-	70.4	2025
To upgrade and renovating infrastructure for our Canggang Railway Line	36.5%	63.4	61.2	2.2	23.2	40.2	2023
To purchase one new locomotive	5.0%	8.6	-	8.6	-	8.6	2026 <sup>(2)</sup>
To upgrade our communications, signal automation, and remote monitoring systems	2.5%	4.4	4.4	-	4.4	-	-
To repay of our bank loan	3.2%	5.5	5.5	-	5.5	-	-
To settle amounts payable in connection with our purchase of land use rights	12.3%	21.4	21.4	-	21.4	-	-
<b>Total</b>	<b>100%</b>	<b>173.7</b>	<b>92.5</b>	<b>81.2</b>	<b>54.5</b>	<b>119.2</b>	

#### Notes:

- The expected timeline for the application of the unutilized net proceeds is based on the best estimation of the future market conditions made by the Group. It is subject to uncertainties brought by the international macro-environment and future market conditions and business developments and in need. In particular, the schedule of obtaining the necessary administrative approval from the government for construction of our branch line connecting the Comprehensive Industrial Park is still remained unclear as at the date of this announcement and beyond the control of the Company. In view of the significant effects to the economy and business environment, we shall update and re-visit our plan continuously. If there is any further change to the proposed usage of the net proceeds and/or expected timelines, the Company will make a further announcement in full compliance with the Listing Rules as and when appropriate.
- We continue to innovate and actively improve our company’s responsibility to the society. After we compared the classic diesel locomotive with the new energy locomotive and in view of the environmental impact of the classic diesel locomotives, in 2022, our management re-evaluated our plans to purchase a new locomotive using new energy to ensure that we can improve our operational efficiency while also making a greater contribution to society. We are currently in the market research phase, and we plan to order the new locomotive by the end of 2024. However, due to the long manufacturing cycle of locomotives (about one year), the use of net proceeds from the Listing for the purchase of locomotive equipment will be fully utilized in 2026.

## **2022 Share Award Scheme**

The Company adopted the 2022 Share Award Scheme (the “**2022 Share Award Scheme**”) on 28 September 2022 (the “**Adoption Date**”). The purposes of the 2022 Share Award Scheme are to recognize the contributions of certain directors and employees of the Group, certain directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company, certain service providers or other eligible participant(s) and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. The terms of the 2022 Share Award Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules effective as of the Adoption Date. Please refer to the Company’s announcement dated 28 September 2022 for further details of the 2022 Share Award Scheme.

As at the 30 June 2023 and 31 December 2022, the total number of Shares available for granting under the 2022 Share Award Scheme was 100,000,000 Shares, representing 10% of the entire issued share capital of the Company as at the Adoption Date. The maximum number of Shares which may be issued upon exercise of all awards and options to be granted under the 2022 Share Award Scheme and any other scheme of our Group shall not in aggregate exceed 10% of the Shares in issue as the Listing date (such 10% limit representing 100,000,000 Shares).

Pursuant to the 2022 Share Award Scheme, no award may be granted to (i) any one person such that the total number of Shares issued and to be issued upon exercise of award 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; and (ii) any independent non-executive Director of the Company whose aggregate interest in the Company reaches 1% or above of the Shares in issue.

Regarding the vesting period, the Board may from time to time, during the granting of award, or at its discretion, determine the earliest vesting date and other subsequent date(s), if any.

No awards or Shares had been granted, exercised, cancelled, lapsed or subject to any vesting conditions under the 2022 Share Award Scheme since the Adoption Date.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group did not have any material subsequent event after the Reporting Period and up to the date of this announcement.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had 750 employees (31 December 2022: 759 employees) (including two executive Directors but excluding three independent non-executive Directors).

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

## **CORPORATE GOVERNANCE CULTURE AND STRATEGY**

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

The Group is an established and expanding local railway operator based in Hebei Province. With our Canggang Railway Line, we continue to provide our customers with comprehensive services and one-stop solutions of our freight transportation. As a listed company, we are committed to providing high-quality and reliable services, creating value through sustainable growth and development.

The Group has set out the following values to provide guidance on employees' conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company's vision, mission, and business strategies:

- (a) Objective – Serving local economy, building a century-old railway
- (b) Vision – Creating value for customers, fostering well-being for employees, generating benefits for the Company, creating wealth for society
- (c) Philosophy – Operating in compliance with laws, upholding integrity, prioritising safety, putting service first
- (d) Spirit – Pursuing truth, pragmatism, and excellence, working together for development
- (e) Core value – Rooted in safety, people-oriented, integrity first, virtuous conduct and professionalism



The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

## **CORPORATE GOVERNANCE PRACTICES**

This announcement possesses the corporate governance best practices that the Company has adopted and highlights how the Company has applied the principles of the code provisions set out in the CG Code to the Listing Rules.

During the Reporting Period, the Company has complied with all the applicable code provisions under the CG Code as set out in Appendix 14 to the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **AUDIT COMMITTEE**

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

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the Company's website at [www.czcgtl.com](http://www.czcgtl.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report for the six months ended 30 June 2023 will be dispatched to the Shareholders and made available on the above websites in due course.

## **APPRECIATION**

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

## DEFINITIONS

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

“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“Canggang Railway Line”	a local freight railway line in Cangzhou, Hebei Province, which connects Cangzhou and Bohai New Area which contains Port Huanghua, from Cangzhou Station* (滄州站) to Gangkou Station* (港口站)
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China excluding for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	Canggang Railway Limited (滄港鐵路有限公司) (stock code: 2169), an exempted company incorporated in the Cayman Islands with limited liability on 19 October 2018.
“Director(s)”	the director(s) of the Company
“Group”, “us” or “we”	the Company and its subsidiaries from time to time, or where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange



“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“Prospectus”	the prospectus of the Company dated 12 October 2020
“Reporting Period”	the six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“%”	per cent

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

Hong Kong, 29 August 2023

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

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