

CANGGANG RAILWAY LIMITED

滄港鐵路有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2169



Interim
Report
2022

Corporate Information	2-3
Definitions and Glossary	4-6
Management Discussion and Analysis	7-14
Other Information	15-28
Unaudited Consolidated Statement of Profit or Loss	29
Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income	30
Unaudited Consolidated Statement of Financial Position	31-32
Consolidated Statement of Changes in Equity	33-34
Consolidated Cash Flow Statement	35-36
Notes to the Financial Statements	37-60



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Yongliang (劉永亮) (*Chairman*)

Mr. Yi Weiming (衣維明)

(*Chief Executive Officer*)

Non-executive Directors

Mr. Xu Zhihua (徐志華)

Mr. Qin Shaobo (秦少博)

Independent non-executive Directors

Mr. Liu Changchun (劉長春)

Mr. Zhao Changsong (趙長松)

Ms. Lyu Qinghua (呂清華)

AUDIT COMMITTEE

Ms. Lyu Qinghua (呂清華) (*Chairlady*)

Mr. Xu Zhihua (徐志華)

Mr. Liu Changchun (劉長春)

REMUNERATION COMMITTEE

Mr. Liu Changchun (劉長春)

(*Chairman*)

Mr. Xu Zhihua (徐志華)

Ms. Lyu Qinghua (呂清華)

NOMINATION COMMITTEE

Mr. Liu Yongliang (劉永亮) (*Chairman*)

Mr. Xu Zhihua (徐志華)

Mr. Liu Changchun (劉長春)

JOINT COMPANY SECRETARIES

Mr. Li Juncheng (李俊呈)

Ms. Lam Wing Chi (林穎芝)

AUTHORISED REPRESENTATIVES

Mr. Yi Weiming (衣維明)

Ms. Lam Wing Chi (林穎芝)

AUDITOR

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered

in accordance with the

Financial Reporting Council Ordinance

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Morgan, Lewis & Bockius

Suites 1902–09, 19/F

Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong



CORPORATE INFORMATION

PRINCIPAL BANKS

Hong Kong

Bank of China (Hong Kong) Limited

The PRC

Bank of Cangzhou, Station Branch

Agricultural Bank of China,

Cangzhou Yunhe Branch

Cangzhou Rural Commercial Bank

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong

Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN PRC

Yangzhuang Station

Yangerzhuang Town, Huanghua

Cangzhou, Hebei Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

COMPANY'S WEBSITE

<http://www.czcgtl.com>

STOCK CODE

2169



DEFINITIONS AND GLOSSARY

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Canggang Company”	Cangzhou Canggang Railway Co., Ltd.* (滄州滄港鐵路有限公司) (previously known as Huanghua Jinghai Logistics Co., Ltd.* (黃驊京海物流有限公司), a limited liability company established under the laws of the PRC on 22 October 2009 and a wholly-owned subsidiary of our Company
“Canggang Railway Line”	a local freight railway line in Cangzhou, Hebei Province, which connects Cangzhou and Bohai New Area which contains Port Huanghua, from Cangzhou Station* (滄州站) to Gangkou Station* (港口站)
“CG Code”	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 interim report only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	Canggang Railway Limited (滄港鐵路有限公司) (stock code: 2169), an exempted company incorporated in the Cayman Islands with limited liability on 19 October 2018



“Director(s)”	the director(s) of the Company
“Greenport BVI”	Greenport Railway Limited, a limited liability company incorporated under the laws of the BVI on 12 October 2018 and wholly owned by Mr. Yi Weiming
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries from time to time, or where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jinghai BVI”	Jinghai Group Investment Limited (京海集團投資有限公司), a limited liability company incorporated under the laws of the BVI on 12 October 2018 and wholly owned by Mr. Liu Yongliang
“Listing”	the Shares were listed on the Main Board of the Stock Exchange
“Listing Date”	23 October 2020, since which the Shares of the Company have been listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange



DEFINITIONS AND GLOSSARY

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“Prospectus”	the prospectus of the Company dated 12 October 2020
“Reporting Period”	the six months ended 30 June 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“%”	per cent

* *The 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.*

The Board of Canggang Railway Limited is pleased to present the unaudited consolidated interim results of the Group for six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021.

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 first half year of 2022 was an extremely difficult six-month period. The rampant and spreading of COVID-19 worsened the China's economy and caused unprecedented challenges to the development especially in Hebei Province. Our Group had been striving to maintain overall stability in our operation while using all endeavours to fight against the difficulties under the pandemic.

In the first half of 2022, there was an increase in COVID-19 cases in Inner Mongolia, Hebei and Shandong, where the local government imposed strict control measures throughout the regions, which greatly affected the dispatch, transportation and arrival of goods. As a result, some of our clients' operations were forced to suspend temporarily and it significantly changed their business model. We endeavoured to make up our new customers to recover from our losses under the lock down. Our rail freight transportation as the core business has recorded a decrease in performance during the Reporting Period. We have completed transportation of 7.5 million tonnes of cargo for the six months ended 30 June 2022 compare to 9.7 million tonnes of cargo for the six months ended 30 June 2021 with a decrease of 22.8% or 2.2 million tonnes.

Accompanied with our freight transportation service, the decrease in revenue from our ancillary services by 18.9% in 2022 as compared with the corresponding period in 2021, was mainly due to the significant drop in our loading and unloading services because one of our key customers was temporary suspended its operation under the outbreak of COVID-19 in Shandong.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Directors are of the view that the hygiene measures adopted by our Group can effectively prevent and control the COVID-19 infections, and safeguard the occupational health and safety of our employees. To the best of our Directors' knowledge, during the Reporting Period and up to the date of this interim report, none of our employees had been infected with COVID-19. Our Directors will continue closely monitor the effect of the outbreak and evaluate the impact to our business.

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

FINANCIAL REVIEW

Revenue

	Six months ended 30 June			
	2022		2021	
	<i>RMB in thousands, other than percentages</i>			
Rail freight transportation	117,440	75.3%	141,007	74.8%
Ancillary services				
Loading and unloading	19,768	12.7%	32,024	17.0%
Road freight transportation	6,646	4.3%	9,530	5.1%
Construction, maintenance and repair	1,036	0.7%	1,010	0.5%
Others	11,108	7.1%	4,959	2.6%
Subtotal	<u>38,558</u>	<u>24.7%</u>	<u>47,523</u>	<u>25.2%</u>
Total	<u>155,998</u>	<u>100.0%</u>	<u>188,530</u>	<u>100.0%</u>



Our revenue decreased by 17.3% or RMB32.5 million from RMB188.5 million for the six months ended 30 June 2021 to RMB156.0 million for the six months ended 30 June 2022, primarily due to the decrease in revenue from our core rail freight transportation business of RMB23.6 million relating to the decrease in transportation of coal by 10.3% or RMB10.3 million and decrease in transportation of asphalt and gravel by 54.6% or RMB5.5 million; which was partially offset by the increase in transportation of ore by 51.0% or RMB3.9 million. The decrease in transportation of coal was mainly driven by the drop in our customers result from the local government imposed stringent prevent measures throughout the region and temporary lockdown parts of the province neighboring Beijing.

Revenue from our loading and unloading ancillary service decreased by 38.3% or RMB12.3 million. The decrease was primarily accompanied to the drop of our freight transportation services provided to one of our key customer, who reduced the use of our loading and unloading service at the Port Huanghua, an important and busy port located on the east coast of Hebei Province and on the southside of the Bohai Bay.

Operating expenses

Our operating expenses include staff costs, outsourcing service charges and other labor costs, cargo logistics, depreciation, fuel used, repair and maintenance, general and administration expenses, impairment loss on trade receivables and other expenses. The operating expenses decreased by 10.3% or RMB12.9 million from RMB125.3 million for the six months ended 30 June 2021 to RMB112.4 million for the six months ended 30 June 2022. The decrease was primarily due to the decrease from our outsourcing service charges and other labor cost by 14.8% or RMB3.5 million and decrease from our staff cost by 14.5% or RMB5.0 million following the drop of our performance during the six months ended 30 June 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

During the COVID-19, in order to improve the stability with our customers, we continue to accept a longer settlement period requested from some of our customers. We have received notification of requests for delay in settlement of trade receivables from some of our major customers as a result of the COVID-19 outbreak. Due to the disruption to the PRC economy caused by the COVID-19 outbreak, as to improve our liquidity, we seek to maintain strict control over outstanding receivables and our senior management regularly reviews overdue balance to reduce our credit risk. Our trade and bills receivables decreased by 2.5% or RMB2.4 million from RMB98.7 million for the year ended 31 December 2021 to RMB96.3 million for the six months ended 30 June 2022. Nevertheless, the impairment loss on trade receivables decreased by 83.2% or RMB1.0 million from RMB1.2 million for the six months ended 30 June 2021 to RMB0.2 million for the six months ended 30 June 2022 as the trade receivables as at 30 June 2022 were mainly generated from our services rendered in the six months ended 30 June 2022. Our prepayment and other receivable increased by 289.0%, or RMB74.4 million from RMB25.8 million for the year ended 31 December 2021 to RMB100.2 million for the six months ended 30 June 2022 was mainly driven by the prepayment paid to our supplier for the preparation of our new trading business.

Segment result and segment margin

For our rail freight transportation, the segment result was RMB69.4 million and RMB48.4 million and the segment margin was 49.2% and 41.2%, for the six months ended 30 June 2021 and 2022, respectively. The decrease in segment margin was primarily due to high fixed costs, including staff costs and depreciation, incurred during the six months ended 30 June 2022 with lower revenue generated compare to the corresponding period in 2021.

For our ancillary businesses, the segment result was RMB3.8 million and RMB1.3 million and the segment margin was 8.0% and 3.4%, for the six months ended 30 June 2021 and 2022, respectively. The decrease in segment margin was primarily due to less revenue was generated from our road transportation business which possess of high fixed cost because of the depreciation of vehicles and the decrease in loading and unloading service following the drop in our core freight transportation services.



Other income

Our other income decreased by 73.7%, or RMB4.3 million from RMB5.8 million for the six months ended 30 June 2021 to RMB1.5 million for the six months ended 30 June 2022, primarily due to no government grants received in related to the global offering of the Shares.

Finance costs

Our finance costs decreased by 11.5%, or RMB1.4 million from RMB11.9 million for the six months ended 30 June 2021 to RMB10.5 million for the six months ended 30 June 2022, primarily due to the decrease in the interest rate after the Group restructured the loans with our major bank.

Income tax expense

Our income tax expense decreased by 39.4%, or RMB5.8 million from RMB14.6 million for the six months ended 30 June 2021 to RMB8.9 million for the six months ended 30 June 2022 mainly due to the decline in profit contributed from the rail freight transportation. Our effective tax rate remained relatively stable at 25.6% for the six months ended 30 June 2021 and 30 June 2022.

Profit for the period and net profit margin

As a result of the foregoing, our profit for the period decreased by 39.4% or RMB16.7 million from RMB42.4 million for the six months ended 30 June 2021 to RMB25.7 million for the six months ended 30 June 2022. Our net profit margin decreased from 22.5% for the six months ended 30 June 2021 to 16.5% for the six months ended 30 June 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group continued to maintain a strong financial position. The Group had net current assets of approximately RMB185.7 million and the current ratio, representing current assets divided by current liabilities, was 1.88 (31 December 2021: RMB26.5 million and 1.10). During the Reporting Period, our cash and cash equivalent increased by 15.2% or RMB24.5 million to RMB185.3 million as at 30 June 2022 from RMB160.8 million as at 31 December 2021. It was mainly due to cash generated from our new loans obtained, which was partially offset by our prepayment made for our trading business.

As at 30 June 2022, our interest-bearing borrowings were RMB494.5 million, of which RMB338.4 million was long-term borrowing. We had unutilized and unrestricted banking facilities of RMB21.1 million, none of which were guaranteed or secured by our related parties.

The gearing ratio, which is calculated by total debt (being bank and other loans) divided by total equity then multiplied by 100%, was approximately 59.4% as at 30 June 2022 (31 December 2021: approximately 46.4%). The increase was mainly attributed to the increase in loan balance.

After considering our cash and cash equivalent level, which representing approximately 13.4% (31 December 2021: approximately 12.5%) of the total assets, together with our steady cash generated from operations as well as the banking facilities available to the Group, we have adequate financial resources to meet our working capital needs as well as to fund our budgeted construction and upgrade plans in 2021 and 2022.

Pledge of assets

As at 30 June 2022, certain of our property, plant and equipment with carrying amount of approximately RMB7.8 million (31 December 2021: RMB7.9 million), were secured for our bank loans. Also, our property, plant and equipment with carrying amount of approximately RMB123.8 million (31 December 2021: RMB109.0 million) secured for our other loans.

As at 30 June 2022, a certain portion of our right-of-use assets with carrying amount of approximately RMB100.4 million (31 December 2021: RMB117.5 million) were pledged for our bank loans and our right-of-use assets with carrying amount of approximately RMB6.9 million (31 December 2021: RMB7.0 million) secured for our other loans.

Contingent liabilities

As at 30 June 2022, the Group did not have any contingent liabilities (31 December 2021: 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 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 RMB17.9 million for our capital expenditure which were 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 2022, our outstanding capital commitments in respect of property, plant and equipment amounted to approximately RMB9.3 million (31 December 2021: RMB7.2 million). Save as disclosed in this interim report, we did not have any other material capital commitment.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Save as disclosed in this interim report and the Prospectus, there were no significant investments held by the Group during the Reporting Period, nor was there any material acquisition or disposal of subsidiaries, associates and joint venture during the Reporting Period. Save as disclosed in this interim report and the Prospectus, there was no other plan for significant investments or additions of capital assets as at 30 June 2022.

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

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

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 767 employees (31 December 2021: 778 employees) (including two executive Directors but excluding three independent non-executive Directors).

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

SHARE OPTION SCHEME

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

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

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

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



OTHER INFORMATION

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

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

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

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

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional on the Listing Date, i.e. 23 October 2020, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around eight years and one month.

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

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

Besides the Share Option Scheme discussed in the above paragraphs, no equity-linked agreements were entered into during the Reporting Period or subsisting at the Reporting Period.

OTHER INFORMATION

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the global offering of the Shares were approximately HK\$206.4 million (equivalent to approximately RMB173.7 million), after deducting the underwriting fees and commission and other related listing expenses paid and payable by us, which was intended to be applied in the manner as set out in the section headed “Future Plan and Use of Proceeds” of the Prospectus. An analysis of the utilisation of the net proceeds from the Listing Date up to 30 June 2022 is set out below:

	Net proceeds RMB million	Amount unutilised as at 31 December 2021/ 1 January 2022 RMB million	Amount utilised during the six months ended 30 June 2022 RMB million	Amount unutilised as at 30 June 2022 ⁽¹⁾ RMB million	Expected timeframe for full utilisation ⁽²⁾
To construct our branch line connecting the Northern Shandong Industrial Park	67.3	67.3	–	67.3	2024
To construct our branch line connecting the Comprehensive Industrial Park	43.3	43.3	–	43.3	2024
To upgrade and renovating basic infrastructure for our Canggang Railway Line	23.2	–	–	–	N/A
To purchase one new locomotive	8.6	8.6	–	8.6	2022
To upgrade our communications, signal automation, and remote monitoring systems	4.4	–	–	–	N/A
To repay our bank loan	5.5	–	–	–	N/A
To settle amounts payable in connection with our purchase of land use rights	21.4	21.4	–	21.4	2022
Total	173.7	140.6	–	140.6	

⁽¹⁾ As at 30 June 2022, net proceeds not yet utilized were deposited with certain licensed banks in the PRC.

- ⁽²⁾ The expected timeline for the application of the unutilised 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 the unprecedented COVID-19 pandemic on the prevailing 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 Northern Shandong Industrial Park was delayed due to the COVID-19 pandemic, which is still remained unclear as at the date of this interim report 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. The Company remains committed to the original allocation of the net proceeds from the global offering as disclosed in the Prospectus. 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.

OTHER INFORMATION

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

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

Interest in the Company (long position)

Name of Director/ Chief Executive	Capacity/ Nature of interest	Number of Shares interested	Percentage of shareholding
Mr. Liu Yongliang	Interest in a controlled corporation ⁽¹⁾	657,975,000	65.80%
Mr. Yi Weiming	Interest in a controlled corporation ⁽²⁾	35,775,000	3.58%

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

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

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



INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

Set out below is the name of the party whose interests and short positions in the shares and underlying shares of the Company (pursuant to part XV of the SFO) as at the end of the Reporting Period as recorded in the register kept by the Company under section 336 of the SFO:

Interest in the Company (long position)

Name	Nature of interest	Number of Shares	Approximate % of shareholding
Jinghai BVI	Beneficial owner	657,975,000	65.80%
Mr. Liu Yongliang ⁽¹⁾	Interest in a controlled corporation	657,975,000	65.80%
China Life Insurance (Group) Company ⁽²⁾	Interest in a controlled corporation	143,618,000	14.36%
China Life Insurance Overseas No.8 Single Asset Management Plan ⁽³⁾	Others	56,600,000	5.66%
China Life Insurance Overseas No.7 Single Asset Management Plan ⁽⁴⁾	Others	61,780,000	6.18%
Mr. Zhang Chao ⁽⁵⁾	Interest in a controlled corporation	55,472,000	5.55%
	Beneficial owner	4,688,000	0.47%
Ms. Zhang Weihuan ⁽⁶⁾	Interest of spouse	60,160,000	6.02%
Mr. Wu Jinyu ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Zhang Xiaoxia ⁽⁷⁾	Interest of spouse	61,780,000	6.18%
Mr. Zhang Haijun ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Zhou Qiuju ⁽⁸⁾	Interest of spouse	61,780,000	6.18%

OTHER INFORMATION

Name	Nature of interest	Number of Shares	Approximate % of shareholding
Ms. Zhang Hong ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Mr. Liu Chaohui ⁽⁹⁾	Interest of spouse	61,780,000	6.18%
Ms. Zhang Junxia ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Mr. Zhang Libin ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Liu Jiao ⁽¹⁰⁾	Interest of spouse	61,780,000	6.18%
Mr. Zhang Lifeng ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Yang Yunjuan ⁽¹¹⁾	Interest of spouse	61,780,000	6.18%
Mr. Zhang Ligang ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Zhai Junping ⁽¹²⁾	Interest of spouse	61,780,000	6.18%
Mr. Zhang Lihuan ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Yin Yanping ⁽¹³⁾	Interest of spouse	61,780,000	6.18%
Mr. Zhang Lijie ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Liu Lixia ⁽¹⁴⁾	Interest of spouse	61,780,000	6.18%
Mr. Zhang Ning ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Huang Li ⁽¹⁵⁾	Interest of spouse	61,780,000	6.18%
Mr. Zhang Ruiqiu ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Gao Xiangrong ⁽¹⁶⁾	Interest of spouse	61,780,000	6.18%

Name	Nature of interest	Number of Shares	Approximate % of shareholding
Mr. Zhang Xiaogeng ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Sun Shujing ⁽¹⁷⁾	Interest of spouse	61,780,000	6.18%
Mr. Zhang Xiaosuo ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Ms. Zhang Yanfeng ⁽⁵⁾	Interest in a controlled corporation	61,780,000	6.18%
Mr. Zhang Weiwei ⁽¹⁸⁾	Interest of spouse	61,780,000	6.18%
Mr. Jia Shusen ⁽¹⁹⁾	Interest in a controlled corporation	56,600,000	5.66%
Ms. Zhang Xiaoxia ⁽²⁰⁾	Interest of spouse	61,780,000	6.18%

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

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

⁽³⁾ Beijing Tianrun Weiye Investment Management Co., Ltd.* (北京天潤偉業投資管理有限公司) exercises more than 50% of voting right of Beijing Tianrun Botian Investment Management Co., Ltd.* (北京天潤博天投資管理有限公司) (“Beijing Tianrun”). Beijing Tianrun invested in the Shares of the Company as an asset principal through China Life Insurance Overseas No.8 Single Asset Management Plan.

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

⁽⁵⁾ Mr. Zhang Haijun, Ms. Zhang Junxia, Mr. Zhang Xiaogeng, Mr. Zhang Xiaosuo, Mr. Zhang Ligang, Mr. Wu Jinyu, Mr. Zhang Chao, Mr. Zhang Lijie, Mr. Zhang Lifeng, Ms. Zhang Yanfeng, Mr. Zhang Libin, Mr. Zhang Lihuan, Mr. Zhang Ning, Ms. Zhang Hong and Mr. Zhang Ruiqiu (“Jichen CSH”) are parties acting in concert pursuant to the concert party confirmation entered into on 17 December 2020. They are therefore deemed to be interested in the interest of the ordinary shares of the Company held by Hebei Jichen.



OTHER INFORMATION

- (6) Ms. Zhang Weihuan is the spouse of Mr. Zhang Chao. She is therefore deemed to be interested in the Shares in which Mr. Zhang Chao is interested.
- (7) Ms. Zhang Xiaoxia is the spouse of Mr. Wu Jinyu. She is therefore deemed to be interested in the Shares in which Mr. Wu Jinyu is interested.
- (8) Ms. Zhou Qiuju is the spouse of Mr. Zhang Haijun. She is therefore deemed to be interested in the Shares in which Mr. Zhang Haijun is interested.
- (9) Mr. Liu Chaohui is the spouse of Ms. Zhang Hong. He is therefore deemed to be interested in the Shares in which Ms. Zhang Hong is interested.
- (10) Ms. Liu Jiao is the spouse of Mr. Zhang Libin. She is therefore deemed to be interested in the Shares in which Mr. Zhang Libin is interested.
- (11) Ms. Yang Yunjuan is the spouse of Mr. Zhang Lifeng. She is therefore deemed to be interested in the Shares in which Mr. Zhang Lifeng is interested.
- (12) Ms. Zhai Junping is the spouse of Mr. Zhang Ligang. She is therefore deemed to be interested in the Shares in which Mr. Zhang Ligang is interested.
- (13) Ms. Yin Yanping is the spouse of Mr. Zhang Lihuan. She is therefore deemed to be interested in the Shares in which Mr. Zhang Lihuan is interested.
- (14) Ms. Liu Lixia is the spouse of Mr. Zhang Lijie. She is therefore deemed to be interested in the Shares in which Mr. Zhang Lijie is interested.
- (15) Ms. Huang Li is the spouse of Mr. Zhang Ning. She is therefore deemed to be interested in the Shares in which Mr. Zhang Ning is interested.
- (16) Ms. Gao Xiangrong is the spouse of Mr. Zhang Ruiqiu. She is therefore deemed to be interested in the Shares in which Mr. Zhang Ruiqiu is interested.
- (17) Ms. Sun Shujing is the spouse of Mr. Zhang Xiaogeng. She is therefore deemed to be interested in the Shares in which Mr. Zhang Xiaogeng is interested.
- (18) Mr. Zhang Weiwei is the spouse of Ms. Zhang Yanfeng. He is therefore deemed to be interested in the Shares in which Ms. Zhang Yanfeng is interested.
- (19) Mr. Jia Shusen exercises more than 50% of voting power at general meetings of Beijing Tianrun and Beijing Tianrun Weiye Investment Management Co., Ltd.* (北京天潤偉業投資管理有限公司) and he is therefore deemed to be interested in the Shares held by these companies.
- (20) Ms. Zhang Xiaoxia is the spouse of Mr. Zhang Xiaosuo. She is therefore deemed to be interested in the Shares in which Mr. Zhang Xiaosuo is interested.

Save as disclosed above, as at the end of the Reporting Period, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or which would fall to be disclosed under Part XV of the SFO.

CORPORATE GOVERNANCE

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

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has applied the provisions in the CG Code, and has complied with all the code provisions as set out in the CG Code during the Reporting Period.

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



OTHER INFORMATION

DIRECTORS

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

Executive Directors

Mr. Liu Yongliang (*Chairman*)

Mr. Yi Weiming (*Chief executive officer*)

Non-executive Directors

Mr. Xu Zhihua

Mr. Qin Shaobo

Independent Non-executive Directors

Mr. Liu Changchun

Mr. Zhao Changsong

Ms. Lyu Qinghua

MODEL CODE FOR SECURITIES TRANSACTIONS

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

NON-COMPETITION UNDERTAKING

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at all times from the date of Listing to 30 June 2022.

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.



OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HK4.83 cents (equivalent to approximately RMB0.04) per ordinary share).

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.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022

(Expressed in Renminbi (“RMB”))

	Note	2022 RMB'000	2021 RMB'000
Revenue	4	155,998	188,530
Operating expenses:			
Staff costs	6(b)	(29,643)	(34,689)
Outsourcing service charges and other labor costs		(19,911)	(23,380)
Cargo logistics		(17,258)	(16,161)
Depreciation	6(c)	(17,903)	(17,710)
Fuel used		(12,736)	(11,849)
Repairs and maintenance		(5,059)	(6,942)
General and administration expenses		(5,943)	(8,785)
Impairment loss on trade receivables		(199)	(1,184)
Other expenses		(3,751)	(4,638)
Total operating expenses		(112,404)	(125,338)
Other income	5	1,530	5,823
Operating profit		45,124	69,015
Finance costs	6(a)	(10,509)	(11,878)
Share of loss of associates		(76)	(103)
Profit before taxation	6	34,539	57,034
Income tax	7	(8,857)	(14,620)
Profit for the year		25,682	42,414
Attributable to:			
Equity shareholders of the Company		25,649	42,304
Non-controlling interests		33	110
Profit for the year		25,682	42,414
Earnings per share (RMB)			
– Basic and diluted	9	0.03	0.04

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022

(Expressed in RMB)

	2022 RMB'000	2021 RMB'000
Profit for the period	25,682	42,414
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	<u>1,763</u>	<u>(1,997)</u>
Total comprehensive income for the period	<u>27,445</u>	<u>40,417</u>
Attributable to:		
Equity shareholders of the Company	27,412	40,307
Non-controlling interests	<u>33</u>	<u>110</u>
Total comprehensive income for the period	<u>27,445</u>	<u>40,417</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022
(Expressed in RMB)

	Note	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	10	782,115	783,638
Right-of-use assets		186,793	188,919
Interests in associates		8,134	10,523
Deferred tax assets		2,251	5,516
Prepayments and other receivables	13	5,339	2,457
Total non-current assets		984,632	991,053
Current assets			
Inventories	11	14,951	5,585
Trade and bills receivables	12	96,274	98,720
Prepayments and other receivables	13	100,199	25,760
Cash and cash equivalents	14	185,266	160,794
Total current assets		396,690	290,859
Current liabilities			
Bank and other loans	18	156,098	160,525
Trade payables	15	25,713	27,757
Other payables	16	17,193	61,936
Contract liabilities	17	3,072	2,501
Current taxation		8,931	11,673
Total current liabilities		211,007	264,392
Net current assets		185,683	26,467
Total assets less current liabilities		1,170,315	1,017,520

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

(Expressed in RMB)

	Note	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Non-current liabilities			
Bank and other loans	18	338,437	213,087
Total non-current liabilities		<u>338,437</u>	<u>213,087</u>
NET ASSETS		<u>831,878</u>	<u>804,433</u>
CAPITAL AND RESERVES	19		
Share capital		8,607	8,607
Reserves		793,543	766,131
Total equity attributable to equity shareholders of the Company		<u>802,150</u>	<u>774,738</u>
Non-controlling interests		<u>29,728</u>	<u>29,695</u>
TOTAL EQUITY		<u>831,878</u>	<u>804,433</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022
(Expressed in RMB)

	Attributable to equity shareholders of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 19(b))	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Safety production fund reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000		
At 1 January 2021	8,607	180,450	97,830	58,013	-	(4,281)	399,638	740,257	29,331	769,588
Changes in equity for the six months ended 30 June 2021:										
Profit for the period	-	-	-	-	-	-	42,304	42,304	110	42,414
Other comprehensive income	-	-	-	-	-	(1,997)	-	(1,997)	-	(1,997)
Total comprehensive income	-	-	-	-	-	(1,997)	42,304	40,307	110	40,417
Appropriation to reserves	-	-	-	4,362	-	-	(4,362)	-	-	-
Safety production fund reserve										
- Appropriation	-	-	-	-	1,558	-	1,558	-	-	-
- Utilisation	-	-	-	-	(1,558)	-	(1,558)	-	-	-
At 30 June 2021	8,607	180,480	97,830	62,375	-	(6,278)	437,580	780,564	29,441	810,005
At 1 July 2021	8,607	180,480	97,830	62,375	-	(6,278)	437,580	780,564	29,441	810,005
Changes in equity for the six months ended 31 December 2021:										
Profit for the period	-	-	-	-	-	-	35,090	35,090	254	35,344
Other comprehensive income	-	-	-	-	-	(823)	-	(823)	-	(823)
Total comprehensive income	-	-	-	-	-	(823)	35,090	34,267	254	34,521
Appropriation to reserves	-	-	-	3,585	-	-	(3,585)	-	-	-
Safety production fund reserve										
- Appropriation	-	-	-	-	1,460	-	1,460	-	-	-
- Utilisation	-	-	-	-	(1,460)	-	(1,460)	-	-	-
Dividend declared in respect of the current year	-	(40,093)	-	-	-	-	-	(40,093)	-	(40,093)
At 31 December 2021	8,607	140,357	97,830	65,960	-	(7,101)	469,085	774,738	29,695	804,433

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022
(Expressed in RMB)

	Attributable to equity shareholders of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 19(b))	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Safety production fund reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000		
At 1 January 2022	8,607	140,357	97,830	65,960	-	(7,101)	469,085	774,738	29,695	804,433
Changes in equity for the six months ended 30 June 2022:										
Profit for the period	-	-	-	-	-	-	25,649	25,649	33	25,682
Other comprehensive income	-	-	-	-	-	1,763	-	1,763	-	1,763
Total comprehensive income	-	-	-	-	-	1,763	25,649	27,412	33	27,445
Appropriation to reserves	-	-	-	2,649	-	-	(2,649)	-	-	-
Safety production fund reserve	-	-	-	-	-	-	-	-	-	-
- Appropriation	-	-	-	-	1,273	-	1,273	-	-	-
- Utilisation	-	-	-	-	(1,273)	-	(1,273)	-	-	-
At 30 June 2022	<u>8,607</u>	<u>140,357</u>	<u>97,830</u>	<u>68,609</u>	<u>-</u>	<u>(5,338)</u>	<u>492,085</u>	<u>802,150</u>	<u>29,728</u>	<u>831,878</u>

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

CONSOLIDATED CASH FLOW STATEMENT



for the six months ended 30 June 2022
(Expressed in RMB)

		Six months ended 30 June	
		2022	2021
Note		RMB'000	RMB'000
Operating activities			
	Profit before taxation	34,539	57,034
	Adjustments for:		
	Depreciation	17,903	17,710
	Impairment loss on trade receivables	199	1,184
	Finance costs	10,509	11,878
	Interest income	(614)	(730)
	Net gains on disposal of property, plant and equipment	(164)	(26)
	Share of loss of associates	76	103
	Changes in working capital:		
	Increase in inventories	(9,366)	(37)
	Increase in trade and bills receivables, prepayments and other receivables	(75,824)	(22,520)
	(Decrease)/increase in trade payables and other payables	(46,787)	4,365
	Increase in contract liabilities	571	595
	Cash (used in)/generated from operations	(68,958)	69,556
	Income tax paid	(8,334)	(12,075)
	Net cash (used in)/generated from operating activities	(77,292)	57,481

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022
(Expressed in RMB)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Investing activities		
Payments for purchase of property, plant and equipment and right-of-use assets	(15,469)	(28,927)
Proceeds from disposal of property, plant and equipment	2,129	2,516
Investment in an associate	–	(4,120)
Disposal of an associate	2,313	–
Interest received	614	730
Net cash used in investing activities	(10,413)	(29,801)
Financing activities		
Proceeds from new bank and other loans	193,631	–
Repayments of bank and other loans	(73,233)	(73,967)
Borrowing costs paid	(9,984)	(11,952)
Net cash generated from/(used in) financing activities	110,414	(85,919)
Net increase/(decrease) in cash and cash equivalents	22,709	(58,239)
Cash and cash equivalents at 1 January	160,794	227,143
Effect of foreign exchange rate changes	1,763	(1,997)
Cash and cash equivalents at 30 June	185,266	166,907



I 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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

The unaudited condensed consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 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 have not been reviewed by KPMG, the Company’s external auditor, but have been reviewed by the Audit Committee.

The financial information relating to the financial year ended 31 December 2021 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.



NOTES TO THE 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:

- Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous Contracts-Cost of fulfilling a contract.

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

Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an equity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

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	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers		
Disaggregated by major service lines:		
– Rail freight transportation	117,440	141,007
– Ancillary services		
– Loading and unloading	19,768	32,024
– Road freight transportation	6,646	9,530
– Construction, maintenance and repair	1,036	1,010
– Others	11,108	4,959
	<hr/>	<hr/>
Subtotal	38,558	47,523
	<hr/>	<hr/>
	155,998	188,530
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE (Continued)

- (ii) For the six months ended 30 June 2022 and 2021, 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	
	2022 RMB'000	2021 RMB'000
Customer A	32,416	*
Customer B	19,724	*
Customer C	17,646	*
Customer D	*	24,356
Customer E	*	22,236
Customer F	*	21,268

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

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

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

The aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing contracts as at 30 June 2022 and 31 December 2021 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 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	1,028	1,100
Over 1 year	6,541	7,308
	7,569	8,408



4 REVENUE *(Continued)*

(b) Segment reporting

The Group manages its businesses by provision of services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is "adjusted operating profit". To arrive at adjusted operating profit, the Group's operating profit is adjusted for items not specifically attributed to individual segments, such as general and administration expenses and other income. No inter-segment revenue has occurred during the six months ended 30 June 2022 and 2021. 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.

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue from external customers		
– Rail freight transportation	117,441	141,007
– Ancillary services	38,558	47,523
	<u>155,998</u>	<u>188,530</u>
Segment result		
– Rail freight transportation	48,434	69,354
– Ancillary services	1,302	3,807
	<u>49,736</u>	<u>73,161</u>

(ii) Reconciliation of segment results

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Segment result	49,736	73,161
General and administration expenses	(6,142)	(9,969)
Other income	1,530	5,823
Finance costs	(10,509)	(11,878)
Share of loss of associates	(76)	(103)
	<u>34,539</u>	<u>57,034</u>
Consolidated profit before taxation		



4 REVENUE (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information

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

(c) Seasonality of operations

The Group's core rail freight transportation segment does not possess of material seasonality effect because our customers usually maintain a stable inventory level for their business. The Group anticipates the transportation demand remain relatively stable throughout the year.

5 OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Government grants	752	5,000
Interest income	614	730
Net gains on disposal of property, plant and equipment	164	26
Others	—	67
	<u>1,530</u>	<u>5,823</u>

NOTES TO THE FINANCIAL STATEMENTS

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Total interest expense on bank and other loans	<u>10,509</u>	<u>11,878</u>

(b) Staff costs:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	26,181	31,206
Contributions to defined contribution retirement plans	<u>3,462</u>	<u>3,483</u>
	<u>29,643</u>	<u>34,689</u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS



6 PROFIT BEFORE TAXATION (Continued)

(c) Other items:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation		
– property, plant and equipment (Note 10)	15,668	15,475
– right-of-use assets	2,235	2,235
	17,903	17,710
Short-term lease charges with remaining lease term of not more than 12 months	126	156
Auditors' remuneration	630	630
Cost of inventories	12,740	11,859

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current tax		
Provision for the period	5,592	14,252
Deferred tax		
Origination and reversal of temporary differences	3,265	368
	8,857	14,620

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.
- (ii) The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2022 (2021: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the six months ended 30 June 2022 (2021: RMB Nil).
- (iii) The Group's PRC subsidiaries (excluding Hong Kong) are subject to PRC Corporate Income Tax at a rate of 25% during the six months ended 30 June 2022 (2021: 25%).



NOTES TO THE FINANCIAL STATEMENTS

8 DIVIDEND

During the six months ended 30 June 2022, no dividends were declared to the Shareholders (2021: HK\$4.83 cents (equivalent to approximately RMB0.04) per ordinary share).

9 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2022 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB22,994,000 (2021: RMB42,304,000) and the weighted average of 1,000,000,000 ordinary shares, in issue during the six months ended 30 June 2022 (2021: 1,000,000,000 ordinary shares in issue during the period).

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2022 and 2021.

10 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 2022, the Group paid RMB13,597,000 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 2022, property certificates of certain items of the Group's properties with carrying amounts of RMB60,479,000 (31 December 2021: RMB62,859,000), 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.



II INVENTORIES

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Fuel	2,594	1,725
Materials and consumables	12,357	3,860
	14,951	5,585

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

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Carrying amount of inventories used	12,740	11,859

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND BILLS RECEIVABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade receivables	66,127	55,569
Bills receivables (Notes (ii) and (iii))	30,147	43,151
	<u>96,274</u>	<u>98,720</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 2022, 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 RMB24,793,000 (31 December 2021: RMB15,500,000).
- (iii) At 30 June 2022, the Group had no bills receivables that had been factored to banks but had not been derecognized in the consolidated financial statements (31 December 2021: RMB2,000,000).

Aging Analysis

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month	37,048	32,637
1 to 6 months	19,014	18,373
6 to 12 months	4,975	4,142
Over 12 months	5,090	417
	<u>66,127</u>	<u>55,569</u>

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



13 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Receivables relating to disposal of property, plant and equipment	6,877	9,644
Receivables relating to government grants	–	2,000
	<hr/>	<hr/>
Financial assets measured at amortised cost	6,877	11,644
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Value-added tax recoverable	537	2,350
Deposits for loans	–	3,675
Deposits for trading business	66,596	–
Deposits for other purpose	14,848	1,998
Prepayments for purchase of inventories and prepaid expenses	16,680	8,550
	<hr/>	<hr/>
	105,538	28,217
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Less: Non-current portion		
– Receivables relating to disposal of property, plant and equipment	(5,339)	(2,457)
	<hr/>	<hr/>
Current portion of prepayments and other receivables	100,199	25,760
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank deposits	185,265	160,794
Cash on hand	1	—
	<hr/>	<hr/>
Cash at bank and on hand in the consolidated statement of financial position and cash and cash equivalents in the consolidated cash flow statement	185,266	160,794

15 TRADE PAYABLES

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

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month	16,470	12,773
1 to 3 months	1,365	6,837
3 to 6 months	2,388	4,486
6 to 12 months	4,040	1,233
Over 12 months	1,450	2,428
	<hr/>	<hr/>
	25,713	27,757

NOTES TO THE FINANCIAL STATEMENTS



16 OTHER PAYABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Payables for acquisitions of property, plant and equipment	500	21,196
Payables for acquisitions of right-of-use assets – third parties	9,608	29,484
Payables for staff costs	3,614	5,253
Payables for other labour costs	–	1,923
Dividends payable	–	889
Others	3,471	3,191
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	17,193	61,936

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

17 CONTRACT LIABILITIES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Prepayments received from customers for rail freight transportation and related ancillary services	3,072	2,501

NOTES TO THE FINANCIAL STATEMENTS

17 CONTRACT LIABILITIES (Continued)

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

Movements in contract liabilities

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Balance at 1 January	2,501	2,524
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(2,501)	(2,524)
Increase in contract liabilities as a result of billing in advance of performance at the end of the year	3,072	2,501
Balance at 30 June/31 December	<u>3,072</u>	<u>2,501</u>

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



18 BANK AND OTHER LOANS

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank loans:		
– Secured	353,977	360,025
– Unsecured	50,048	–
	404,025	360,025
Other loans:		
– Secured	90,510	11,107
– Unsecured	–	2,480
	90,510	13,587
	494,535	373,612

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 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year or on demand	156,098	160,525
After 1 year but within 2 years	232,766	175,087
After 2 years but within 5 years	105,671	38,000
	338,437	213,087
	494,535	373,612

NOTES TO THE FINANCIAL STATEMENTS

18 BANK AND OTHER LOANS (Continued)

- (c) At 30 June 2022, the Group's secured bank loans of RMB353,977,000 (31 December 2021: RMB360,025,000) were secured by the following assets of the Group:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Carrying amount:		
Right-of-use assets	100,422	117,466
Property, plant and equipment	7,778	7,938
Bills receivables (Note 12)	-	2,000
	<u>108,200</u>	<u>127,404</u>

Included in the Group's secured bank loans as at 30 June 2022, RMB70,105,000 were also guaranteed by Cangzhou Railway Logistics Services Company Limited ("Cangzhou Logistics") (31 December 2021: RMB75,104,000).

- (d) At 30 June 2022, the Group's secured other loans of RMB90,510,000 (31 December 2021: RMB11,107,000) were secured by the following assets of the Group:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Carrying amount:		
Property, plant and equipment	123,838	109,008
Right-of-use assets	6,885	6,966
	<u>130,723</u>	<u>115,974</u>

Included in the Group's secured other loans as at 30 June 2022, RMB98,574,000 (31 December 2021: RMB Nil) were also guaranteed by Cangzhou Logistics and secured by equity interests of Cangzhou Canggang Railway Company Limited held by Cangzhou Logistics.

- (e) Included in the Group's unsecured other loans as at 30 June 2022, RMB Nil (31 December 2021: RMB2,480,000) are unsecured, interest-bearing at 4.75% per annum and repayable in 2022.

NOTES TO THE FINANCIAL STATEMENTS

18 BANK AND OTHER LOANS (Continued)

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

	As at 30 June 2022		As at 31 December 2021	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
	%		%	
Fixed rate borrowings				
Bank loans	5.00%-5.50%	404,025	1.60%-5.94%	360,025
Other loans	N/A	—	4.75%	2,480
		<u>404,025</u>		<u>362,505</u>
Variable rate borrowings				
Other loans	6.01%	<u>90,510</u>	6.01%	<u>11,107</u>
Total borrowings		<u><u>494,535</u></u>		<u><u>373,612</u></u>
Fixed rate borrowings as a percentage of total borrowings		<u><u>82%</u></u>		<u><u>97%</u></u>

NOTES TO THE FINANCIAL STATEMENTS

19 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Dividends

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

	2022 RMB'000	2021 RMB'000
Interim dividend declared and paid after the interim period of HK\$Nil cents per ordinary share (2021: HK\$4.83 cents (equivalent to approximately RMB0.04) per ordinary share)	<u>–</u>	<u>40,093</u>

(ii) *Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period*

	2022 RMB'000	2021 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the Reporting Period, of HK\$3.8 cents per ordinary share (six months ended 30 June 2021: Nil)	<u>30,000</u>	<u>–</u>

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

(b) Share capital

(i) *Authorised share capital*

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

(ii) *Issue of shares*

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

(iii) *Capitalisation issue*

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

NOTES TO THE FINANCIAL STATEMENTS

20 COMMITMENTS

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Commitments in respect of property, plant and equipment: – contracted for	9,278	7,242

21 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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



21 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Transactions with related parties during the period

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Provision of rail freight transportation and related ancillary services – Shangcheng	3	197
Short-term lease charges – Chengyu Company	5	5

(c) Balances with related party

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Payables for short-term leases – Chengyu Company	1	1

(d) Other related party transactions

On 12 August 2019, Chengyu Company has granted the Group a gratuitous right to use its leasehold land for operating the Group's railway and rail yards for a period of 20 years. No rental was charged during the six months ended 30 June 2022 and 2020.

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

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



NOTES TO THE FINANCIAL STATEMENTS

22 THE IMPACT OF COVID-19 PANDEMIC

The COVID-19 outbreak since early 2020 has significantly affected entities and economic activities globally and brought additional uncertainty to the Group's operating. The Group had been closely monitoring the impact on the developments on the Group's businesses and had put in place contingency measures, which includes assessing the impact on customers and liaising with key customers, and developing more sales channels. Beside the effect discussed in "Management discussion and analysis", up to the date of this report, management has not identified any areas that could have a material impact on the financial performance or position of the Group as at 30 June 2022.

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