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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS

The Board of Canggang Railway Limited is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	349,048	333,430
Operating profit	109,546	116,384
Profit before taxation	84,678	91,132
Profit for the year	58,566	67,923
Earnings per share, basic and diluted(RMB)	0.06	0.07

The Board recommended the payment of a final dividend of RMB0.6 cent per share for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(For the year ended 31 December 2023)

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Revenue	3	349,048	333,430
Operating expenses:			
Staff costs	5(b)	(57,106)	(67,599)
Outsourcing service charges and other labor costs		(56,207)	(36,362)
Cargo logistics		(26,080)	(30,785)
Depreciation	5(c)	(36,494)	(38,063)
Fuel used		(25,536)	(32,832)
Repairs and maintenance		(11,586)	(13,581)
General and administration expenses		(11,496)	(11,698)
Impairment (loss)/reversal of trade receivables		(292)	272
Other expenses		(19,503)	(8,297)
Total operating expenses		(244,300)	(238,945)
Other income	4	4,798	21,899
Operating profit		109,546	116,384
Finance costs	5(a)	(24,868)	(24,407)
Share of loss of an associate		–	(845)
Profit before taxation	5	84,678	91,132
Income tax	6	(26,112)	(23,209)
Profit for the year		58,566	67,923
Attributable to:			
Equity shareholders of the Company		58,978	68,076
Non-controlling interests		(412)	(153)
Profit for the year		58,566	67,923
Earnings per share (RMB)			
– Basic and diluted	8	0.06	0.07

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(For the year ended 31 December 2023)

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	58,566	67,923
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	524	(1,337)
Total comprehensive income for the year	59,090	66,586
Attributable to:		
Equity shareholders of the Company	59,502	66,739
Non-controlling interests	(412)	(153)
Total comprehensive income for the year	59,090	66,586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(At 31 December 2023)

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	9	787,164	769,934
Right-of-use assets	10	184,204	188,534
Interests in an associate		–	7,314
Deferred tax assets		6,381	5,793
Prepayments and other receivables	13	5,671	2,062
		<u>983,420</u>	<u>973,637</u>
Current assets			
Inventories	11	56,096	47,941
Trade and bills receivables	12	71,356	83,345
Prepayments and other receivables	13	102,719	20,240
Cash and cash equivalents		112,392	193,802
		<u>342,563</u>	<u>345,328</u>
Current liabilities			
Bank and other loans	17	202,073	184,773
Trade payables	14	19,498	27,589
Other payables	15	23,903	29,158
Contract liabilities	16	7,113	2,377
Current taxation		7,632	13,812
		<u>260,219</u>	<u>257,709</u>
Net current assets		<u>82,344</u>	<u>87,619</u>
Total assets less current liabilities		<u>1,065,764</u>	<u>1,061,256</u>
Non-current liabilities			
Bank and other loans	17	290,683	272,639
		<u>290,683</u>	<u>272,639</u>
NET ASSETS		<u>775,081</u>	<u>788,617</u>
CAPITAL AND RESERVES			
Share capital		8,607	8,607
Reserves		737,344	750,468
Total equity attributable to equity shareholders of the Company		<u>745,951</u>	<u>759,075</u>
Non-controlling interests		<u>29,130</u>	<u>29,542</u>
TOTAL EQUITY		<u>775,081</u>	<u>788,617</u>

NOTES

1 CORPORATE INFORMATION

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

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs, issued by the IASB to these financial statements for the current accounting period:

- *IFRS 17, Insurance Contracts*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*
- *Definition of Accounting Estimates – Amendments to IAS 8*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*
- *International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12*

None of these developments have had a material effect on the Group's financial performance and financial position for current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers		
Disaggregated by major service lines:		
– Rail freight transportation	<u>243,523</u>	<u>268,754</u>
– Ancillary services		
– Loading and unloading	25,748	41,098
– Road freight transportation	5,462	11,464
– Construction, maintenance and repair	70,209	9,343
– Others	<u>4,106</u>	<u>2,771</u>
Subtotal	<u>105,525</u>	<u>64,676</u>
	<u><u>349,048</u></u>	<u><u>333,430</u></u>

- (ii) For the years ended 31 December 2023 and 2022, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years are set out below:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A	90,828	92,625
Customer B	45,030	41,552
Customer C	62,385	*

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

4 OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net (loss)/income on trading business	(3,807)	14,046
Government grants	3,291	3,761
Interest income	3,489	2,673
Compensation income (<i>Note(i)</i>)	492	2,452
Net gains/(losses) on disposal of property, plant and equipment	902	(1,544)
Net losses on liquidation of an associate / net gains on disposal of an associate	(167)	75
Interest income from a loan to a third party	299	–
Others	299	436
	<u>4,798</u>	<u>21,899</u>

Note:

- (i) This income was received from a third party to compensate the Group's loss incurred by the third party's construction work.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) **Finance costs:**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Total interest expense on bank and other loans	<u>24,868</u>	<u>24,407</u>

(b) **Staff costs:**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages and other benefits	49,264	59,605
Contributions to defined contribution retirement plans	<u>7,842</u>	<u>7,994</u>
	<u>57,106</u>	<u>67,599</u>

(c) **Other items:**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Depreciation		
– property, plant and equipment (<i>Note 9</i>)	31,904	33,591
– right-of-use assets (<i>Note 10</i>)	4,590	4,472
	<u>36,494</u>	<u>38,063</u>
Short-term lease charges with remaining lease term of not more than 12 months	247	535
Auditors' remuneration		
– annual audit services	1,300	1,300
Cost of inventories (<i>Note 11(b)</i>)	31,673	35,648
	<u>31,673</u>	<u>35,648</u>

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
Provision for the year	26,700	23,486
Deferred tax		
Origination and reversal of temporary differences	(588)	(277)
	<u>26,112</u>	<u>23,209</u>

7 DIVIDENDS

(i) Dividends payable to equity shareholders of the company attributable to the year

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of RMB0.6 cent per ordinary share (2022: RMB2.80 cents)	<u>24,000</u>	<u>28,000</u>
	<u><u>24,000</u></u>	<u><u>28,000</u></u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous year, approved and paid during the year

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Final dividend in respect of the previous year, approved and paid during the year, of RMB2.80 cents per ordinary share (2022: HK3.80 cents)	<u>28,000</u>	<u>32,486</u>

8 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2023 is calculated based on the profit attributable to equity shareholders of the Company of RMB58,978,000 (2022: RMB68,076,000) and the weighted average of 967,668,648 ordinary shares in issue during the year (2022: 995,686,597 ordinary shares in issue during the year), calculated as follows:

	2023	2022
Issued ordinary shares at 1 January	977,200,000	1,000,000,000
Effect of shares purchased in respect of the share award scheme	<u>(9,531,352)</u>	<u>(4,313,403)</u>
Weighted average number of ordinary shares at 31 December	<u><u>967,668,648</u></u>	<u><u>995,686,597</u></u>

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2023 and 2022.

9 PROPERTY, PLANT AND EQUIPMENT

	Tracks, bridges and other railway assets <i>RMB'000</i>	Buildings and other properties <i>RMB'000</i>	Locomotives and rolling stock <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:							
At 1 January 2022	523,773	183,674	40,313	46,789	129,634	43,772	967,955
Additions	–	–	–	264	7,025	16,034	23,323
Transfer in/(out)	31,633	2,039	2,494	–	6,243	(42,409)	–
Disposals	–	–	–	(6,721)	(3,282)	(218)	(10,221)
At 31 December 2022	555,406	185,713	42,807	40,332	139,620	17,179	981,057
Additions	–	–	–	3,553	8,160	41,710	53,423
Transfer in/(out)	25,897	2,482	–	–	1,987	(30,366)	–
Disposals	–	–	(139)	(2,335)	(3,790)	(2,041)	(8,305)
At 31 December 2023	581,303	188,195	42,668	41,550	145,977	26,482	1,026,175
Accumulated depreciation and impairment losses:							
At 1 January 2022	(42,799)	(35,352)	(19,559)	(21,358)	(65,249)	–	(184,317)
Charge for the year	(7,710)	(6,056)	(3,803)	(5,394)	(10,628)	–	(33,591)
Written back on disposals	–	–	–	3,694	3,091	–	6,785
At 31 December 2022	(50,509)	(41,408)	(23,362)	(23,058)	(72,786)	–	(211,123)
Charge for the year	(8,362)	(5,874)	(4,146)	(4,818)	(10,448)	–	(33,648)
Written back on disposals	–	–	3	2,178	3,579	–	5,760
At 31 December 2023	(58,871)	(47,282)	(27,505)	(25,698)	(79,655)	–	(239,011)
Carrying amount:							
At 31 December 2023	<u>522,432</u>	<u>140,913</u>	<u>15,163</u>	<u>15,852</u>	<u>66,322</u>	<u>26,482</u>	<u>787,164</u>
At 31 December 2022	<u>504,897</u>	<u>144,305</u>	<u>19,445</u>	<u>17,274</u>	<u>66,834</u>	<u>17,179</u>	<u>769,934</u>

Notes:

- (i) The Group's property, plant and equipment are all located in the PRC.
- (ii) At 31 December 2023, property certificates of certain items of the Group's properties with carrying amounts of RMB57,649,000 (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.

- (iii) At 31 December 2023, certain amount of the Group's bank loans (see Note 17) were secured by buildings of the Group with carrying amount of RMB7,297,000 (2022: RMB7,618,000).
- (iv) At 31 December 2023, certain amount of the Group's other loans were secured by other property, plant and equipment of the Group with carrying amount of RMB127,860,000 (2022: RMB177,593,000).

10 RIGHT-OF-USE ASSETS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost:		
At 1 January	227,738	223,651
Additions	<u>260</u>	<u>4,087</u>
At 31 December	<u>227,998</u>	<u>227,738</u>
Accumulated depreciation:		
At 1 January	39,204	34,732
Charge for the year	<u>4,590</u>	<u>4,472</u>
At 31 December	<u>43,794</u>	<u>39,204</u>
Carrying amount:		
At 31 December	<u><u>184,204</u></u>	<u><u>188,534</u></u>

Notes:

- (i) Right-of-use assets represents lump sum considerations paid or payable by the Group to acquire leasehold lands located in the PRC. These leasehold lands are with lease periods of 48–50 years and there are no ongoing payments to be made under the terms of the land leases.
- (ii) At 31 December 2023, certain amount of the Group's bank loans (see Note 17) were secured by the Group's interests in leasehold land with carrying amount of RMB112,385,000 (2022: RMB114,926,000). At 31 December 2023, one of the Group's other loans was secured by the Group's interests in leasehold land with carrying amount of RMB Nil (2022: RMB6,803,000).
- (iii) At 31 December 2023, land use right certificate of certain pieces of land of the Group with carrying amount of RMB6,307,000 (2022: RMB35,253,000), were yet to be obtained. The directors of the Company consider that there is no legal restriction for the Group to access and use such land and it should not lead to any significant adverse impact on the operations of the Group.

11 INVENTORIES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Fuel	2,425	3,324
Coal held for trading	27,406	39,837
Gravel held for trading	18,954	–
Materials and consumables	7,311	4,780
	<u>56,096</u>	<u>47,941</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Carrying amount of inventories used	31,673	35,648
Write down of inventories	3,000	–
	<u>34,673</u>	<u>35,648</u>

12 TRADE AND BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	47,370	50,613
Bills receivables (<i>Notes (ii) and (iii)</i>)	23,986	32,732
	<u>71,356</u>	<u>83,345</u>

Notes:

- (i) All of the trade and bills receivables, net of loss allowance, are expected to be recovered within one year.
- (ii) At 31 December 2023, the carrying amounts of the Group's bills receivables that have been endorsed to the Group's suppliers and other creditors for the settlement of the Group's trade and other payables but have not been derecognized in the consolidated financial statements were RMB2,200,000 (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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	32,643	38,443
1-6 months	11,270	11,276
6-12 months	3,383	389
More than 12 months	74	505
	<u>47,370</u>	<u>50,613</u>

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

13 PREPAYMENTS AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Receivables relating to disposal of property, plant and equipment	5,635	5,893
Receivables relating to liquidation of an associate	3,281	–
Receivables relating to disposal of an associate	1,139	2,439
A loan to a third party	29,000	–
	<u>39,055</u>	<u>8,332</u>
Financial assets measured at amortized cost	39,055	8,332
Value-added tax recoverable	1,636	1,371
Prepayments for constructions	3,780	–
Deposits for other purpose	2,912	2,059
Prepayments for purchase of inventories held for trading and prepaid expenses	61,007	10,540
	<u>108,390</u>	<u>22,302</u>
Less: Non-current portion		
– Prepayments for constructions	(3,780)	–
– Receivables relating to disposal of property, plant and equipment	(1,891)	(2,062)
	<u>(5,671)</u>	<u>(2,062)</u>
Current portion of prepayments and other receivables	<u>102,719</u>	<u>20,240</u>

14 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	11,831	20,733
1 to 3 months	2,906	3,382
3 to 6 months	3,515	1,421
6 to 12 months	349	1,463
Over 12 months	897	590
	<u>19,498</u>	<u>27,589</u>

15 OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Payables for acquisitions of property, plant and equipment	7,449	9,878
Payables for acquisitions of right-of-use assets	5,530	3,701
Payables for staff costs and other labor costs	5,052	10,652
Dividends payable	2,380	1,735
Others	3,492	3,192
	<u>23,903</u>	<u>29,158</u>

16 CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Prepayments received from customers for rail freight transportation and related ancillary services	4,084	2,377
Prepayments received from customers for trading business	3,029	—
	<u>7,113</u>	<u>2,377</u>

17 BANK AND OTHER LOANS

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank loans:		
– Secured	383,526	331,516
– Unsecured	<u>47,071</u>	<u>49,074</u>
	----- 430,597	----- 380,590
Other loans:		
– Secured	60,659	74,342
– Unsecured	<u>1,500</u>	<u>2,480</u>
	----- 62,159	----- 76,822
	<u><u>492,756</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year or on demand	<u>202,073</u>	<u>184,773</u>
After 1 year but within 2 years	128,266	141,616
After 2 years but within 5 years	<u>162,417</u>	<u>131,023</u>
	----- 290,683	----- 272,639
	<u><u>492,756</u></u>	<u><u>457,412</u></u>

- (c) **At 31 December 2023, the Group’s secured bank loans of RMB383,526,000 (2022: RMB331,516,000) were secured by the following assets of the Group:**

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Carrying amount:		
Right-of-use assets (<i>Note 10(ii)</i>)	112,385	114,926
Property, plant and equipment (<i>Note 9(iii)</i>)	<u>7,297</u>	<u>7,618</u>
	<u>119,682</u>	<u>122,544</u>

Included in the Group’s secured bank loans as at 31 December 2023, RMB50,041,000 were also guaranteed by Cangzhou Railway Logistics Company Limited, a subsidiary of the Company (2022: RMB20,039,000).

- (d) **At 31 December 2023, the Group’s secured other loans of RMB60,659,000 (2022: RMB74,342,000) were secured by the following assets of the Group:**

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Carrying amount:		
Property, plant and equipment (<i>Note 9(iv)</i>)	127,860	177,593
Right-of-use assets (<i>Note 10(ii)</i>)	<u>–</u>	<u>6,803</u>
	<u>127,860</u>	<u>184,396</u>

Included in the Group’s secured other loans as at 31 December 2023, RMB51,639,000(2022: RMB72,755,000) were also guaranteed by Cangzhou Railway Logistics Company Limited and secured by equity interests of Cangzhou Canggang Company Limited held by Cangzhou Railway Logistics Company Limited.

- (e) As at 31 December 2023, the Group's unsecured bank loans amounting to RMB47,071,000 (2022: RMB49,074,000), guaranteed by Cangzhou Railway Logistics Company Limited, are interest-bearing at 5.50% per annum.

As at 31 December 2023, the Group's unsecured other loans amounting to RMB1,500,000 (2022: RMB2,480,000) are 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:

	2023		2022	
	Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000
Fixed rate borrowings				
Bank loans	3.0%-5.5%	430,597	5.0%-5.50%	380,590
Other loans	4.0%-4.75%	62,159	4.0%-4.75%	75,235
		<u>492,756</u>		<u>455,825</u>
Variable rate borrowings				
Other loans	–	–	5.29%	1,587
Total borrowings		<u>492,756</u>		<u>457,412</u>
Fixed rate borrowings as a percentage of total borrowings		<u>100%</u>		<u>99%</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 have 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 year of 2023 was a challenging year for the Group. Railway operation was negatively affected by the severe economic downturn of certain industries both at home and abroad in the post-pandemic era, and by a diminishing demand for coal as a result of a cyclical fluctuation of market demand for conventional energy sources.

The year of 2023 was an important year for the Group to start a new journey after its Listing and stride towards its objectives. Throughout the year, the management of the Company adhered to a market-oriented approach with efficiency as the core, deepening reforms as the means, and innovative development as the driving force. It adopted a three-pronged approach that centred on market development, deepening reforms, and strategic development. It held fast to the principle of overseas expansion, conducted extensive investigation and research, and vigorously implemented the “Railway+” strategy. It actively expanded its markets, strictly monitored safety management, implemented contracting system reforms, tapped into potential and enhanced efficiency, and actively promoted project construction. As such, a generally stable level of rail freight transportation volume was maintained despite difficult market conditions.

During the course of 2023, all employees of the Company worked together to achieve the Company’s business objectives and responded effectively to various risks and challenges. The Company’s marketing team paid multiple visits to upstream markets such as Inner Mongolia and Shaanxi to reach out to key customers, listen to their opinion, and attend to their needs to secure supply of goods. We strengthened our service awareness by implementing a customer manager system, through which specific personnel were assigned to key customers with a view to attracting and securing customers by the provision of high quality services. Through our efforts, we completed rail freight transportation of 1.6 million tonnes of gravel during the Reporting Period, representing a year-on-year increase of 233.6% or 1.1 million tonnes; completed rail

freight transportation of 1.9 million tonnes of coke during the Reporting Period, representing a year-on-year increase of 23.8% or 0.4 million tonnes; and completed rail freight transportation of a total of 1.5 million tonnes of oil products and chemicals during the Reporting Period, representing a year-on-year increase of 63.2% or 0.6 million tonnes. During the Reporting Period, we completed rail freight transportation of 7.0 million tonnes of coal, representing a year-on-year decrease of 25.5% or 2.4 million tonnes. Such decrease in the transportation volume of coal was substantially offset by the increase in the transportation volume of gravel, coke, oil products and chemicals. During the Reporting Period, we completed rail freight transportation of cargo of 15.9 million tonnes, representing a decrease of 7.4% or 1.3 million tonnes from 17.2 million tonnes for the year ended 31 December 2022.

FUTURE DEVELOPMENT

As at 31 December 2023, we operated one local railway, the Canggang Railway Line. One of our business strategies is to construct an additional branch line to expand our business scale, including the expansion of our geographic presence and business to the Comprehensive Industrial Park in Bohai New Area. The new branch line has obtained the approval from the Development and Reform Commission of Hebei Province on 18 January 2024, and the application for land acquisition and related procedures are currently in progress. The Directors are expecting to begin the construction of the new branch line in the second half of 2024.

We are also in the process of upgrading and renovating the relevant infrastructure of our Canggang Railway Line to enhance the safety and increase the overall capacity of our railway operation.

FINANCIAL REVIEW

Revenue

	For the year ended 31 December			
	2023		2022	
	<i>RMB in thousands, other than percentages</i>			
Rail freight transportation	243,523	69.8%	268,754	80.6%
Ancillary services				
Loading and unloading	25,748	7.4%	41,098	12.3%
Road freight transportation	5,462	1.5%	11,464	3.5%
Construction, maintenance and repair	70,209	20.1%	9,343	2.8%
Others	4,106	1.2%	2,771	0.8%
Subtotal	105,525	30.2%	64,676	19.4%
Total	349,048	100%	333,430	100%

Our revenue increased by 4.7% or RMB15.6 million from RMB333.4 million for the year ended 31 December 2022 to RMB349.0 million for the Reporting Period. The increase was primarily due to the increase in revenue from ancillary businesses of RMB40.8 million, which not only offset the impact of the decrease in revenue from rail freight transportation of RMB25.2 million, but also resulted in an increase in total revenue of RMB15.6 million as compared with the corresponding period last year.

Our revenue from rail freight transportation decreased by 9.4% or RMB25.2 million from RMB268.8 million for the year ended 31 December 2022 to RMB243.5 million for the Reporting Period, mainly due to the reduction in the transportation of coal resulting from a decrease in market demand for coal in 2023, but the impact of the reduction in the transportation of coal was partially offset by the higher degree of growth of the transportation of gravel, coke, oil products and chemicals.

Our revenue from ancillary businesses increased by 63.2% or RMB40.8 million from RMB64.7 million for the year ended 31 December 2022 to RMB105.5 million for the Reporting Period. Such increase in the revenue from ancillary businesses was primarily attributable to a higher year-on-year increase in the revenue from construction, maintenance and repair during the Reporting Period, which was mainly because we undertook the construction of a new special railway line for our customer during the Reporting Period.

Operating expenses

Our operating expenses include staff costs, outsourcing service charges and other labor costs, cargo logistics, depreciation, fuel used, repairs and maintenance, general and administration expenses, impairment loss on trade receivables and other expenses. The operating expenses increased by 2.2% or RMB5.4 million from RMB238.9 million for the year ended 31 December 2022 to RMB244.3 million for the Reporting Period. The increase in operating expenses was primarily because we undertook the construction of a special railway line for our customers during the Reporting Period, which resulted in an increase in other expenses and outsourcing service charges and other labor costs of RMB31.1 million. However, during the Reporting Period, our total expenses, excluding such other expenses and outsourcing service charges and other labor costs, decreased by RMB25.7 million, which was attributable to the reduction in rail freight transportation and the implementation of initiatives to reduce manpower, expenditure and consumption and enhance efficiency by the Company, and such impacts were offset accordingly.

In order to improve the Company's liquidity, we seek to maintain strict control over outstanding receivables and our senior management regularly reviews overdue balance to mitigate our credit risk. As a result of our efforts, the recovery of our trade receivables was satisfactory. Our trade and bills receivables decreased by 14.4% or RMB12.0 million from RMB83.3 million for the year ended 31 December 2022 to RMB71.4 million for the Reporting Period.

Other income

Our other income decreased by 78.1% or RMB17.1 million from RMB21.9 million for the year ended 31 December 2022 to RMB4.8 million for the Reporting Period, primarily due to the reduction in revenue generated from trading business and decrease in compensation income during the Reporting Period as compared with the corresponding period last year.

Segment result and segment margin

For our rail freight transportation, the segment result was RMB116.6 million and RMB105.7 million and the segment margin was 43.4% and 43.4%, for the years ended 31 December 2022 and 2023, respectively. The decrease in segment result was primarily due to the reduction in rail freight transportation.

For our ancillary businesses, the segment result amounted to RMB-10.7 million and RMB10.9 million and the segment margin amounted to -16.5% and 10.3%, for the years ended 31 December 2022 and 2023, respectively. The increase in segment result and segment margin was primarily because we undertook the construction of a new special railway line for our customers during the Reporting Period.

Finance costs

Our finance costs increased by 1.9% or RMB0.5 million from RMB24.4 million for the year ended 31 December 2022 to RMB24.9 million for the Reporting Period, which remained relatively stable.

Income tax expense

Our income tax expense increased by 12.5% or RMB2.9 million from RMB23.2 million for the year ended 31 December 2022 to RMB26.1 million for the Reporting Period. Our effective tax rate increased by 5.3% from 25.5% for the year ended 31 December 2022 to 30.8% for the Reporting Period, which was mainly because the dividends received by overseas enterprises from domestic enterprises were subject to a 10% withholding income tax rate in accordance with the provisions of the relevant laws in China during the Reporting Period.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year decreased by 13.8% or RMB9.3 million from RMB67.9 million for year ended 31 December 2022 to RMB58.6 million for the Reporting Period. Our net profit margin decreased from 20.4% for the year ended 31 December 2022 to 16.8% for the Reporting Period. The decrease in our profit for the year and net profit margin for 2023 as compared to 2022 was mainly due to the lower profit of rail freight transportation for the year and a 10% withholding income tax rate applicable to the dividends received by overseas enterprises from domestic enterprises in accordance with the provisions of the relevant laws in China for 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group had net current assets of approximately RMB82.3 million (2022: net current assets of approximately RMB87.6 million). The Group continued to maintain a strong financial position. During the Reporting Period, our cash and cash equivalent decreased by RMB81.4 million to RMB112.4 million as at 31 December 2023 from RMB193.8 million as at 31 December 2022, which was mainly due to our investment in upgrading and renovating the relevant infrastructure of our Canggang Railway Line in accordance with our expansion plan as stated in the Prospectus to enhance the safety and increase the overall capacity of railway 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 2024 and 2025.

As at 31 December 2023, our interest-bearing borrowings amounted to RMB492.8 million, of which RMB290.7 million was long-term borrowing. We had unutilized and unrestricted banking facilities of RMB3.0 million.

The gearing ratio, which is calculated by dividing total debt (being bank and other loans) by total equity as at the end date of the respective year and multiplying the result by 100%, was approximately 63.6% as at 31 December 2023 (2022: 58.0%). The increase was mainly attributable to the increase in the closing balance of bank and other loans.

Pledge of assets

As at 31 December 2023, RMB7.3 million property, plant and equipment (2022: RMB7.6 million) were pledged for our bank deposits. Also, our property, plant and equipment with carrying amount of approximately RMB127.9 million (2022: RMB177.6 million) were pledged for our other loans.

As at 31 December 2023, a certain portion of our right-of-use assets with carrying amount of approximately RMB112.4 million (2022: RMB114.9 million) were pledged for our bank loans, and no right-of-use assets (2022: RMB6.8 million) were pledged for our other loans.

Contingent liabilities

As at 31 December 2023, the Group did not have any contingent liabilities.

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 subject 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 RMB56.0 million for our capital expenditure which were mainly related to upgrading and renovating the relevant infrastructure of our Canggang Railway Line. We financed our capital expenditure through the proceeds from the global offering of the Company, cash generated from operations and banking facilities.

Capital Commitments

As at 31 December 2023, our outstanding capital commitments in respect of property, plant and equipment amounted to approximately RMB2.1 million (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 VENTURE, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

Save as disclosed in this announcement and the Prospectus, there were no significant investments held by the Group during the Reporting Period, nor was there any material acquisition or disposal of subsidiaries, associates and joint venture during the Reporting Period. Save as disclosed in this announcement and the Prospectus, there was no other plan for significant investments or additions of capital assets as at 31 December 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.

EVENTS AFTER THE REPORTING PERIOD

Share Subdivision

On 19 January 2024, the Shareholders at the EGM have approved the proposed Share Subdivision, in which each issued and unissued Share with a par value of HK\$0.01 each be subdivided into four (4) Subdivided Shares with a par value of HK\$0.0025 each and such Share Subdivision was effective on 23 January 2024. Upon the Share Subdivision becoming effective, 4,000,000,000 Subdivided Shares are in issue and fully paid or credited as fully paid. The authorised share capital of the Company has become HK\$100,000,000 divided into 40,000,000,000 Subdivided Shares of par value of HK\$0.0025 each. Details are set out in the Company's circular dated 3 January 2024 (the "**Circular**"). Capitalized terms shall have the meanings ascribed to them in the Circular.

Save as disclosed above, the Group did not have any other material subsequent event after the Reporting Period and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 666 employees (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 staff 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, is reviewed annually according to employee individual performance. We are also committed to provide a caring environment to retain our staff and to enable better performance. We provided sufficient trainings and persuaded our staffs to attend other courses to maintain their professionalism and qualifications.

CORPORATE GOVERNANCE

Since the Listing of our shares on the Stock Exchange on 23 October 2020, the Company has been committed to maintaining high standards 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 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 disclosure quality to the 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 complied with all the applicable code provisions under the CG Code as set out in Appendix C1 to the Listing Rules during the Reporting Period.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securitized transactions by the Directors. Specific enquiry has been made to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in 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 consolidated 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 consolidated financial statements comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF KPMG

The financial figures in respect of Group's consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

ANNUAL GENERAL MEETING

The AGM will be held on 18 June 2024. A notice convening the AGM will be published and despatched to the Shareholders in accordance with the requirements under the Articles of Association and the Listing Rules in due course.

FINAL DIVIDEND

As a token of the Group's gratitude for the support of our Shareholders, the Board recommended the payment of a final dividend of RMB0.6 cent per share for the year ended 31 December 2023 (2022: RMB2.8 cents per share). Subject to the approval of the Shareholders in the AGM, the final dividend will be payable on or around Tuesday, 9 July 2024 to Shareholders whose names appear on the register of members of the Company on Thursday, 27 June 2024.

CLOSURES OF REGISTER OF MEMBERS

For Determining the Eligibility to Attend and Vote at the AGM

To determine the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 13 June 2024 to Tuesday, 18 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12 June 2024.

For Determining the Eligibility to the Proposed Final Dividend

To determine the entitlement of the Shareholders to receive the proposed final dividend, subject to the Shareholders' approval on the proposed final dividend at the AGM, the register of members of the Company will also be closed from Monday, 24 June 2024 to Thursday, 27 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to receive the proposed final dividend, all transfer share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 June 2024.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.czcgtl.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report for the year ended 31 December 2023 will be dispatched to the Shareholders (upon requests from 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:

“AGM”	the forthcoming annual general meeting of the Company to be held on 18 June 2024
“Articles of Association”	the amended and restated articles of association of the Company adopted on 16 June 2023 and as amended, supplemented and otherwise modified from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“Canggang Railway Line”	a local freight railway line in Cangzhou, Hebei Province, which connects Cangzhou and Bohai New Area which contains Port Huanghua, from Cangzhou Station* (滄州站) to Gangkou Station* (港口站)
“CG Code”	corporate governance code contained in Appendix C1 to the Listing Rules

“China” or “PRC”	the People’s Republic of China excluding for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	Canggang Railway Limited (滄港鐵路有限公司) (stock code: 2169), an exempted company incorporated in the Cayman Islands with limited liability on 19 October 2018
“Director(s)”	the director(s) of the Company
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries from time to time, or where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix C3 of the Listing Rules
“Prospectus”	the prospectus of the Company dated 12 October 2020
“Reporting Period”	the year ended 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“share(s)”	ordinary share(s) of HK\$0.0025 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, 27 March 2024

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.*