# Canggang Railway Limited
# 滄港鐵路有限公司

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

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

## INTERIM RESULTS

The Board of Canggang Railway Limited is pleased to announce the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023.

**FINANCIAL HIGHLIGHTS**

| | **Six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| Revenue | **132,051** | 178,265 |
| Operating profit | **49,554** | 54,468 |
| Profit before taxation | **33,617** | 41,533 |
| Profit for the period | **25,902** | 30,991 |
| Earnings per share, basic and diluted (RMB) | **0.03** | 0.03 |

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

*(For the six months ended 30 June 2024)*

| | Note | **2024** | 2023 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Revenue** | 5 | **132,051** | 178,265 |
| **Operating expenses:** | | | |
| Staff costs | 7(b) | **(28,192)** | (33,192) |
| Outsourcing service charges and other labor costs | | **(9,208)** | (21,002) |
| Cargo logistics | | **(12,849)** | (14,858) |
| Depreciation | 7(c) | **(17,493)** | (19,079) |
| Fuel used | | **(11,832)** | (14,160) |
| Repairs and maintenance | | **(5,937)** | (6,847) |
| General and administration expenses | | **(4,236)** | (7,172) |
| Reversal of impairment loss/(impairment loss) on trade receivables | | **751** | 1,117 |
| Other expenses | | **(2,722)** | (13,471) |
| Total operating expenses | | **(91,718)** | (128,664) |
| Other income | 6 | **9,221** | 4,867 |
| **Operating profit** | | **49,554** | 54,468 |
| Finance costs | 7(a) | **(15,937)** | (12,935) |
| **Profit before taxation** | 7 | **33,617** | 41,533 |
| Income tax | 8 | **(7,715)** | (10,542) |
| **Profit for the period** | | **25,902** | 30,991 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **26,351** | 31,144 |
| Non-controlling interests | | **(449)** | (153) |
| **Profit for the period** | | **25,902** | 30,991 |
| **Earnings per share (RMB)** | | | |
| – Basic and diluted | 10 | **0.03** | 0.03 |

| | 2024 | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit for the period** | **25,902** | 30,991 |
| **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 | **345** | (975) |
| **Total comprehensive income for the period** | **26,247** | 30,016 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **26,696** | 30,169 |
| Non-controlling interests | **(449)** | (153) |
| **Total comprehensive income for the period** | **26,247** | 30,016 |

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(As at 30 June 2024)*

| | Note | As at 30 June 2024 RMB'000 | As at 31 December 2023 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **792,682** | 787,164 |
| Right-of-use assets | | **182,017** | 184,204 |
| Deferred tax assets | | **6,205** | 6,381 |
| Prepayments and other receivables | | **3,054** | 5,671 |
| **Total non-current assets** | | **983,958** | 983,420 |
| **Current assets** | | | |
| Inventories | | **60,746** | 56,096 |
| Trade and bills receivables | 12 | **82,668** | 71,356 |
| Prepayments and other receivables | | **33,909** | 102,719 |
| Financial assets at fair value through profit and loss ("**FVTPL**") | 13 | **20,503** | – |
| Cash and cash equivalents | | **213,004** | 112,392 |
| **Total current assets** | | **410,830** | 342,563 |
| **Current liabilities** | | | |
| Bank and other loans | 15 | **87,822** | 202,073 |
| Trade payables | 14 | **20,063** | 19,498 |
| Other payables | | **14,006** | 23,903 |
| Contract liabilities | | **2,281** | 7,113 |
| Current taxation | | **8,466** | 7,630 |
| **Total current liabilities** | | **132,638** | 260,219 |
| **Net current assets** | | **278,192** | 82,344 |
| **Total assets less current liabilities** | | **1,262,150** | 1,065,764 |
| **Non-current liabilities** | | | |
| Bank and other loans | 15 | **460,822** | 290,683 |
| **Total non-current liabilities** | | **460,822** | 290,683 |
| **NET ASSETS** | | **801,328** | 775,081 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **8,607** | 8,607 |
| Reserves | | **764,040** | 737,344 |
| **Total equity attributable to equity shareholders of the Company** | | **772,647** | 745,951 |
| **Non-controlling interests** | | **28,681** | 29,130 |
| **TOTAL EQUITY** | | **801,328** | 775,081 |

# NOTES

## 1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 October 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The 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 2023 annual financial statements, except for the accounting policy changes that are set out in Note 4 below.

These condensed consolidated interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

The financial information relating to the financial year ended 31 December 2023 that is included in the unaudited condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

## 3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates about the future, including climate-related risks and opportunities, that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

**Measurement of fair values**

A number of the Group's accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a investment team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The investment team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Accounting Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset of liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair vale measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

## 4 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's interim financial information.

- Amendments to HKAS 1 — *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
- Amendments to HKAS 1 — *Non-current Liabilities with Covenants (the "2022 Amendments")*
- Amendments to HKAS 7 and HKFRS 7 — *Supplier Finance Arrangements*
- Amendments to HKFRS 16 — *Lease Liability in a Sale and Leaseback*

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

**Amendments to HKAS 1 – *Classification of Liabilities as Current or Non-current (the "2020 Amendments")* and Amendments to HKAS 1 – *Non-current Liabilities with Covenants (the "2022 Amendments")***

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 1 January 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

**Amendments to HKAS 7 and HKFRS 7 – *Supplier Finance Arrangements***

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information of the Group.

**Amendments to HKFRS 16 – *Lease Liability in a Sale and Leaseback***

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position of performance of the Group.

## 5 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** | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers** | | |
| Disaggregated by major service lines: | | |
| – Rail freight transportation | **112,722** | 144,758 |
| – Ancillary services | | |
| – Loading and unloading | **8,786** | 16,851 |
| – Road freight transportation | **459** | 2,860 |
| – Construction, maintenance and repair | **4,978** | 11,619 |
| – Others | **5,106** | 2,177 |
| Subtotal | **19,329** | 33,507 |
| | **132,051** | 178,265 |

(ii) For the six months ended 30 June 2024 and 2023, 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** | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| Customer A | **24,215** | 20,177 |
| Customer B | **13,390** | * |
| Customer C | **19,304** | 34,940 |
| Customer D | **21,191** | * |

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

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

## 6 OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| Government grants | **282** | 1,785 |
| Interest income | **810** | 2,432 |
| Net gains on disposal of property, plant and equipment | **38** | 365 |
| Gain on fair value on financial assets measures at FVTPL | **5,538** | – |
| Net trading profit | **1,957** | – |
| Others | **596** | 285 |
| | **9,221** | 4,867 |

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs:

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| Total interest expense on bank and other loans | **15,937** | 12,935 |

### (b) Staff costs:

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| Salaries, wages and other benefits | **25,244** | 29,487 |
| Contributions to defined contribution retirement plans | **2,948** | 3,705 |
| | **28,192** | 33,192 |

**(c) Other items:**

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| Depreciation | | |
| – property, plant and equipment *(Note 11)* | **15,306** | 16,844 |
| – right-of-use assets | **2,187** | 2,235 |
| | **17,493** | 19,079 |
| Short-term lease charges with remaining lease term of not more than 12 months | **180** | 134 |
| Auditors' remuneration | **500** | 650 |
| Cost of inventories | **11,850** | 14,185 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| Provision for the period | **7,891** | 10,808 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(176)** | (266) |
| | **7,715** | 10,542 |

## 9 DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2023: Nil).

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2024 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB26,351,000 (six months ended 30 June 2023: RMB31,144,000) and the weighted average number of ordinary share, in issue of 961,948,000 shares (six months ended 30 June 2023: 974,658,000 shares) during the period.

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| Issued ordinary shares at 1 January | **961,948,000** | 977,200,000 |
| Effect of shares purchased in respect of the Share Award Scheme | **–** | (2,542,000) |
| Weighted average number of ordinary shares at 30 June | **961,948,000** | 974,658,000 |

### (b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2024 and 2023.

## 11 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 2024, the Group paid RMB20,096,000 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 2024, property certificates of certain items of the Group's properties with carrying amounts of RMB55,740,000 (31 December 2023: RMB57,649,000), were not obtained. The Directors 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.

## 12 TRADE AND BILLS RECEIVABLES

| | At 30 June 2024 *RMB'000* | At 31 December 2023 *RMB'000* |
|---|---|---|
| Trade receivables | **62,646** | 47,370 |
| Bills receivables *(Notes (ii))* | **20,022** | 23,986 |
| | **82,668** | 71,356 |

*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 2024, 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 RMB2,674,000 (31 December 2023: RMB2,200,000).

**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 2024 *RMB'000* | At 31 December 2023 *RMB'000* |
|---|---|---|
| Within 1 month | **49,546** | 32,643 |
| 1 to 6 months | **6,055** | 11,270 |
| 6 to 12 months | **3,711** | 3,383 |
| Over 12 months | **3,334** | 74 |
| | **62,646** | 47,370 |

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

## 13 FINANCIAL ASSETS AT FVTPL

| | At 30 June 2024 *RMB'000* | At 31 December 2023 *RMB'000* |
|---|---|---|
| Listed equity securities, at fair value | **20,503** | – |

The equity securities listed in Hong Kong is denominated in Hong Kong dollar. It is classified as FVTPL as they were held for trading and the carrying amounts is mandatorily measured at FVTPL in accordance with HKFRS 9. The fair value of listed securities are based on quoted market prices listed in Hong Kong.

## 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:

| | At 30 June 2024 *RMB'000* | At 31 December 2023 *RMB'000* |
|---|---|---|
| Within 1 month | **9,481** | 11,831 |
| 1 to 3 months | **2,808** | 2,906 |
| 3 to 6 months | **3,450** | 3,515 |
| 6 to 12 months | **2,066** | 349 |
| Over 12 months | **2,258** | 897 |
| | **20,063** | 19,498 |

## 15 BANK AND OTHER LOANS

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

| | At 30 June 2024 RMB'000 | At 31 December 2023 RMB'000 |
|---|---|---|
| Bank loans: | | |
| – Secured | **380,106** | 383,526 |
| – Unsecured | **49,000** | 47,071 |
| | **429,106** | 430,597 |
| Other loans: | | |
| – Secured | **118,038** | 60,659 |
| – Unsecured | **1,500** | 1,500 |
| | **119,538** | 62,159 |
| | **548,644** | 492,756 |

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 2024 RMB'000 | At 31 December 2023 RMB'000 |
|---|---|---|
| Within 1 year or on demand | **87,822** | 202,073 |
| After 1 year but within 2 years | **298,681** | 128,266 |
| After 2 years but within 5 years | **162,141** | 162,417 |
| | **460,822** | 290,683 |
| | **548,644** | 492,756 |

**(c) At 30 June 2024, the Group's secured bank loans of RMB380,106,000 (31 December 2023: RMB383,526,000) were secured by the following assets of the Group:**

| | **At 30 June 2024** | At 31 December 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Carrying amount: | | |
| Right-of-use assets | **111,115** | 112,385 |
| Property, plant and equipment | **7,136** | 7,297 |
| | **118,251** | 119,682 |

Included in the Group's secured bank loans as at 30 June 2024, RMB98,000,000 were also guaranteed by Cangzhou Railway Logistics Services Company Limited ("Cangzhou Logistics") (31 December 2023: RMB50,041,000).

**(d) At 30 June 2024, the Group's secured other loans of RMB118,038,000 (31 December 2023: RMB60,659,000) were secured by the following assets of the Group:**

| | **As at 30 June 2024** | As at 31 December 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Carrying amount: | | |
| Property, plant and equipment | **120,998** | 127,860 |

Included in the Group's secured other loans as at 30 June 2024, RMB109,978,000 (31 December 2023: RMB51,639,000) were also guaranteed by Cangzhou Logistics and secured by equity interests of Cangzhou Canggang Railway Company Limited held by Cangzhou Logistics.

**(e)** As at 30 June 2024, the Group's unsecured other loans amounting to RMB1,500,000 (2023: RMB1,500,000) 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:

| | **As at 30 June 2024** | | As at 31 December 2023 | |
|---|---|---|---|---|
| | **Effective interest rate** | ***RMB'000*** | Effective interest rate | *RMB'000* |
| **Fixed rate borrowings** | | | | |
| Bank loans | **3.7%-5.5%** | **429,106** | 3.0%-5.5% | 430,597 |
| Other loans | **3.4%-6.6%** | **119,538** | 4.0%-4.75% | 62,139 |
| | | **548,644** | | 492,756 |
| Total borrowings | | **548,644** | | 492,756 |
| Fixed rate borrowings as a percentage of total borrowings | | **100%** | | 100% |

## 16 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 2024** ***RMB'000*** | At 31 December 2023 *RMB'000* |
|---|---|---|
| Commitments in respect of property, plant and equipment: | | |
| – contracted for | **6,126** | 2,082 |

## 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.

In the first half of 2024, the Chinese railway market faced a mixed picture. On the positive side, the "Railway+" strategy, which aims to integrate rail transport with other logistics solutions, started to gain some traction, with a few high-profile pilot projects launched in key regions. However, the market also encountered some headwinds. The pace of infrastructure investment by the government remained cautious, as concerns over debt levels led to more selective project approvals. This impacted the Group's ability to expand the networks and upgrade aging assets as quickly as desired. Furthermore, competition from other modes of freight transport, such as road and air, also remained intense, as supply chain shifts and evolving customer preferences put pressure on rail's market share in certain segments. We have been working hard to differentiate our services and improve efficiency to stay competitive. Last but not least, the continuing environmental challenges, including extreme weather events and emissions reduction targets, added complexity to railway operations and investment planning. Adapting to these sustainability imperatives became an increasing priority for the Group. Overall, in the first half of 2024, the Chinese railway market navigating a mix of opportunities and constraints, requiring the Group to demonstrate agility, innovation and a keen focus on customer needs to succeed in this evolving landscape.

All employees of the Company worked together to achieve the Company's business objectives and responded effectively to various risks and challenges. In the first half of 2024. We completed a total transportation of 6.9 million tonnes of cargo during the Reporting Period, representing a decrease of 16.6% or 1.4 million tonnes as compared to 8.3 million tonnes for the six months ended 30 June 2023. The decrease was mainly attributable to the deterioration of the market.

Accompanied by our freight transportation service, the decrease in revenue from our ancillary services by 42.3% during the six months ended 30 June 2024 as compared with the corresponding period in 2023, was mainly due to the drop in our loading and unloading services because the fall of our core rail freight transportation and the reduction in our construction services.

On 18 January 2024, we obtained the approval from the Development and Reform Commission of Hebei Province in related to the expansion of our geographic presence and business to the Comprehensive Industrial Park in Bohai New Area. We are in the application for land acquisition and related procedures are currently in progress and The Directors are expecting to begin the construction of the new branch line in the second half of 2024.

## FINANCIAL REVIEW

### Revenue

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| | *RMB in thousands, other than percentages* | | | |
| Rail freight transportation | **112,722** | **85.4%** | 144,758 | 81.2% |
| Ancillary services | | | | |
| Loading and unloading | **8,786** | **6.7%** | 16,851 | 9.5% |
| Road freight transportation | **459** | **0.3%** | 2,860 | 1.6% |
| Construction, maintenance and repair | **4,978** | **3.8%** | 11,619 | 6.5% |
| Others | **5,106** | **3.8%** | 2,177 | 1.2% |
| Subtotal | **19,329** | **14.6%** | 33,507 | 18.8% |
| Total | **132,051** | **100.0%** | 178,265 | 100.0% |

Our revenue decreased by 25.9% or RMB46.2 million from RMB178.3 million for the six months ended 30 June 2023 to RMB132.1 million for the six months ended 30 June 2024, primarily due to the decrease in revenue from our core rail freight transportation business of RMB32.0 million relating to the deterioration of the market.

Our revenue from ancillary businesses decreased from RMB33.5 million for the six months ended 30 June 2023 to RMB19.3 million for the six months ended 30 June 2024. Such decrease was mainly due to the fall of our core rail freight transportation and the reduction in our construction services.

**Operating expenses**

Our operating expenses include staff costs, outsourcing service charges and other labor costs, cargo logistics, depreciation, fuel used, repair and maintenance, general and administration expenses, impairment loss on trade receivables and other expenses. The operating expenses decreased by 28.7% or RMB36.9 million from RMB128.7 million for the six months ended 30 June 2023 to RMB91.7 million for the six months ended 30 June 2024. The decrease was primarily due to the decrease in our outsourcing service charges and other labor costs by 56.2% or RMB11.8 million following the significant decrease of our ancillary services and the decrease in our other expenses by 79.8% or RMB10.7 million related to our construction service such as material and labour cost as a result of the drop in the construction services business during the six months ended 30 June 2024.

Due to the disruption to the PRC economy, to improve the Company's liquidity, we seek to maintain strict control over outstanding receivables and our senior management regularly reviews overdue balances to mitigate our credit risk. As a result of our efforts, the recovery of our trade receivables was improved as compared to the previous year and hence we have reversed the impairment loss on trade receivables of RMB0.8 million during the six months period ended 30 June 2024. Our trade and bills receivables increased by 15.9% or RMB11.3 million from RMB71.4 million for the year ended 31 December 2023 to RMB82.7 million for the six months ended 30 June 2024. Our prepayment and other receivables decreased by 67.0%, or RMB68.8 million from RMB102.7 million for the year ended 31 December 2023 to RMB33.9 million for the six months ended 30 June 2024 was mainly driven by the settlement of a short-term loan of RMB29.0 million with Beijing Tianrun Botian Investment Management Co., Ltd. (北京天潤博天投資管理有限公司) on 22 January 2024 and, the utilization of deposits paid to the suppliers for our trading business.

**Segment result and segment margin**

For our rail freight transportation, the segment result was RMB46.1 million and RMB60.0 million and the segment margin was 40.9% and 41.5%, for the six months ended 30 June 2024 and 2023, respectively. Segment result decreased by 23.3% or RMB13.9 million as compared to the same period in 2023.

For our ancillary businesses, the segment result was loss of RMB2.2 million and RMB4.4 million for the six months ended 30 June 2024 and 2023, respectively. The decrease in segment result was primarily due to less revenue was generated from our road transportation business which possesses of high fixed cost because of the depreciation of vehicles and the fall of our loading and unloading operation.

Due to the market downturn, as of 30 June 2024, our profit before taxation has decreased by RMB7.9 million.

### Other income

Our other income increased by 89.5% or RMB4.4 million from RMB4.9 million for the six months ended 30 June 2023 to RMB9.2 million for the six months ended 30 June 2024, primarily due to the fair value gain on the financial assets measures at fair value through profit and loss ("**FVTPL**") and the trading income generated during the six months period ended 30 June 2024.

### Finance costs

Our finance costs increased by 23.2% or RMB3.0 million from RMB12.9 million for the six months ended 30 June 2023 to RMB15.9 million for the six months ended 30 June 2024, primarily due to the growth of the average loan balance.

### Income tax expense

Our income tax expense decreased by 26.8% or RMB2.8 million from RMB10.5 million for the six months ended 30 June 2023 to RMB7.7 million for the six months ended 30 June 2024 mainly due to the decrease in profit contributed from the rail freight transportation. Our effective tax rate dropped from 25.4% for the six months ended 30 June 2023 to 22.9% for the six months ended 30 June 2024 mainly due to non-taxable fair value gain on the financial assets measured at FVTPL.

### Profit for the period and net profit margin

As a result of the foregoing, our profit for the period decreased by 16.4% or RMB5.1 million from RMB31.0 million for the six months ended 30 June 2023 to RMB25.9 million for the six months ended 30 June 2024. Our net profit margin increased from 17.4% for the six months ended 30 June 2023 to 19.6% for the six months ended 30 June 2024. The increase in our net profit margin for the six months ended 30 June 2024 as compared to the same period in 2023 was mainly due to the fair value gain on the financial assets measures at FVTPL.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2024, the Group had net current assets of approximately RMB278.6 million (31 December 2023: RMB82.3 million). The Group continued to maintain a strong financial position. During the Reporting Period, our cash and cash equivalent increased by RMB100.6 million to RMB213.0 million as at 30 June 2024 from RMB112.4 million as at 31 December 2023, which was mainly due to the fund raised from our debt financing and the increase in financing of our loan. 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 30 June 2024, our interest-bearing borrowings were RMB548.6 million, of which RMB460.8 million was long-term borrowing. We had unutilized and unrestricted banking facilities of RMB10.9 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 68.5% as at 30 June 2024 (31 December 2023: approximately 64.1%). The increase was mainly attributed to the increase in the ending balance of our bank and other loans. Despite the increase in the gearing ratio, our net current assets, and cash and cash equivalents have all shown growth.

**Pledge of assets**

As at 30 June 2024, certain of our property, plant and equipment with carrying amount of approximately RMB7.1 million (31 December 2023: RMB7.3 million), were secured for our bank loans. Also, our property, plant and equipment with carrying amount of approximately RMB121.0 million (31 December 2023: RMB127.9 million) were pledged for our other loans.

As at 30 June 2024, a certain portion of our right-of-use assets with carrying amount of approximately RMB111.1 million (31 December 2023: RMB112.4 million) were pledged for our bank loans.

**Contingent liabilities**

As at 30 June 2024 and 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 subjected to any material adverse effects arising from exchange rate fluctuation except for a few listing compliance transactions as well as the settlement of dividend and demand deposits in Hong Kong dollars. The Group currently does not have any foreign currency hedging policies. Nevertheless, the Group will continue to monitor foreign exchange risk exposure and will take appropriate action when needed.

## CAPITAL EXPENDITURE AND COMMITMENTS

**Capital Expenditure**

During the Reporting Period, we have invested RMB21.1 million for our capital expenditure which was mainly related to the upgrading and renovating of the basic infrastructure of our Canggang Railway Line. We financed our capital expenditure through the proceed from the initial public offering, cash generated from operations and banking facilities.

**Capital Commitments**

As at 30 June 2024, our outstanding capital commitments in respect of property, plant and equipment amounted to approximately RMB6.1 million (31 December 2023: RMB2.1 million). Save as disclosed in this announcement, we did not have any other material capital commitment.

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

Save as disclosed in this announcement and the Prospectus, there were no significant investments held by the Group during the Reporting Period, nor was there any material acquisition or disposal of subsidiaries, associates and joint venture during the Reporting Period. Save as disclosed in this announcement and the Prospectus, there was no other plan for significant investments or additions of capital assets as at 30 June 2024.

## 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 (including sale of treasury shares) during the Reporting Period. As at 30 June 2024, the Company did not hold any treasury shares.

### Share Subdivision

On 19 January 2024, the Shareholders have approved the proposed Share Subdivision at the EGM, 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.

## EVENTS AFTER THE REPORTING PERIOD

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

## EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 654 employees (31 December 2023: 666 employees) (including two executive Directors but excluding three independent non-executive Directors).

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

## CORPORATE GOVERNANCE CULTURE AND STRATEGY

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

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

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

(a) Objective – Serving local economy, building a century-old railway

(b) Vision – Creating value for customers, fostering well-being for employees, generating benefits for the Company, creating wealth for society

(c) Philosophy – Operating in compliance with laws, upholding integrity, prioritising safety, putting service first

(d) Spirit – Pursuing truth, pragmatism, and excellence, working together for development

(e) Core value – Rooted in safety, people-oriented, integrity first, virtuous conduct and professionalism

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

## CORPORATE GOVERNANCE PRACTICES

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

During the Reporting Period, the Company has complied with all the applicable code provisions under Part 2 of the CG Code as set out in Appendix C1 to the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules. Specific enquiry has been made to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in Model Code during the Reporting Period.

## AUDIT COMMITTEE

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

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

## INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report for the six months ended 30 June 2024 will be dispatched to the Shareholders who request the printed copy and made available on the above websites in due course.

## APPRECIATION

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

## DEFINITIONS

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

| | |
|---|---|
| "Audit Committee" | the audit committee of the Company |
| "Board" | the board of directors of the Company |
| "Canggang Railway Line" | a local freight railway line in Cangzhou, Hebei Province, which connects Cangzhou and Bohai New Area which contains Port Huanghua, from Cangzhou Station* (滄州站) to Gangkou Station* (港口站) |
| "CG Code" | the corporate governance code as set out in Appendix 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", "us" or "we" | the Company and its subsidiaries from time to time, or where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time |
| "HK$" and "HK cents" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "Hong Kong" | The Hong Kong Special Administrative Region of the PRC |
| "Listing" | the Shares were listed on the Main Board of the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange |

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|---|---|
| "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 six months ended 30 June 2024 |
| "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, 29 August 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.*