



**GUANGSHEN RAILWAY COMPANY LIMITED**



INTERIM REPORT 2001

The Board of Directors of Guangshen Railway Company Limited (the “Company”) hereby presents the unaudited operating results of the Company and its subsidiaries for the six months ended 30th June, 2001.

## Review of Operations

In the first half of 2001, the economy in the Company’s service territory improved, and the passenger and freight transportation demand in Guangdong Province continued to increase. The Company seized business opportunities generated therefrom, and took measures including: (1) strengthening marketing strategies and business promotional efforts; (2) continuing with its high-speed train program; (3) enhancing its management and operations; and (4) upgrading its passenger and freight transportation facilities and equipment. The overall competitive advantage of the Company was exercised to the fullest extent. As a result, the Company’s core businesses of passenger and freight transportation showed an overall growth and a favorable development trend.

## Passenger Transportation

Passenger transportation is the Company’s largest transportation business segment. In the first half of 2001, though faced with ongoing and increasing competition from bus operators, the Company increased its train frequency and optimized its transportation organization to enhance its competitiveness. During the Lunar New Year holidays, in addition to the scheduled 29 pairs, the Company added up to 10 pairs of domestic long distance passenger trains, making the total number of long distance passenger trains up to 39 pairs per day. Up to 5 pairs of passenger trains were added to the original 47 pairs on the Guangzhou-Shenzhen route, making the total number of Guangzhou-Shenzhen passenger trains up to 52 pairs per day. Effective from 1st March, 2001, in addition to the original 29 pairs, two long distance passenger trains were added, one from Shenzhen to Fuzhou and the other from Guangzhou East to Xiamen, bringing the total number of domestic long distance trains to 31 pairs per day. These measures have led to a continued growth of the Company’s passenger transportation business. As of 30th June, 2001, the total number of passengers was 19.757 million, representing an increase of 11.9% over 17.663 million in the first half of last year.

- (1) The number of passengers transported on the Company’s trains along the Guangzhou-Shenzhen route has experienced a continuous growth. The total number of passengers travelling this route was 7.548 million for the first half of 2001, representing an increase of 1.6% over the same period of last year. Among this number, 3.895 million passengers were transported by the Company’s Guangzhou-Shenzhen high-speed trains, representing an increase of 13.4% over the first half of last year.
- (2) The number of Guangzhou-Kowloon through train passengers continued to grow significantly during the first half of 2001, reaching 963,000 in total, representing an increase of 8.1% over that of the first half of 2000, which was 891,000.
- (3) Domestic long distance passengers totalled 11.246 million during the first half of 2001, representing an increase of 20.3% when compared with 9.346 million passengers during the same period of last year.

Responding to market changes, the Company adjusted slightly its passenger fares (calculated in Renminbi “RMB”) for trains during peak seasons as described below.

- (1) During the 33-day period from 13th January 2001 to 22nd January 2001 and from 26th January 2001 to 17th February, 2001, ticket prices for the additional pairs of long distance passenger trains crossing the operating areas of Guangzhou Railway (Group) Company during the Lunar New Year holidays were increased. These ticket prices were determined in accordance with different standards implemented by different local railways, which were on average approximately 20% higher than those of the national pricing standard.
- (2) During the 10-day period from 13th January to 22nd January, 2001, for the additional 3 pairs of long distance passenger trains operated before the Lunar New Year, fares of the premium class passenger trains were increased by 20%; while fares of the other normal speed passenger trains were increased by 30%.
- (3) During the 39-day period from 13th January 2001 to 12th February 2001 and from 30th April 2001 to 7th May, 2001, fares were increased by RMB5 on the high-speed passenger trains operating between Guangzhou and Shenzhen. Fares for a single trip between Guangzhou and Shenzhen on “Xin Shi Su” high-speed trains were increased from RMB80 to RMB85, non-stop high-speed train fares were adjusted from RMB75 to RMB80, and fares on high-speed trains making stops at intermediary stations were adjusted from RMB70 to RMB75.
- (4) The Company continued to offer discounts to group tourists travelling on Guangzhou-Kowloon through trains.

## Freight Transportation

Freight transportation is an important business of the Company. Owing to the implementation of financial and monetary policies and the adjustment of production sectors structure policy by the government of the People’s Republic of China (“PRC”), the regional economy in the Company’s service territory continued to experience an overall growth, generating a higher demand for freight transportation.

The Company has implemented a series of measures to improve its freight transportation business in response to these business opportunities. These measures included the enhancement of its freight marketing and promotional efforts, the promotion of freight forwarding agency services, implementation of cooperative marketing and transportation activities with regional ports, organization of multi-modal freight transportation, improvement in the organization of outbound and inbound freight, and the continued practice of offering 10% discounts on new bulk freight. As a result, the total tonnage of freight for the first half of 2001 amounted to 13.853 million tons, representing an increase of 2.2% over the 13.556 million tons transported by the Company during the first half of last year. The outbound freight during the first half of 2001 was 3.28 million tons, representing an increase of 1.3% over that of the same period of last year, and the inbound freight was 10.574 million tons for the first half of 2001, representing an increase of 2.5% when compared with that of the first half of last year.

## Other Businesses

For the first half of 2001, revenues from other businesses (including sales of food and merchandise on the Company's trains and in its stations) were approximately RMB70.8 million, representing a decrease of 18.3% when compared with that of the same period of last year.

## Operating Profit

The operating profit of the Company for the first half of 2001 was 302.5 million, representing an increase of 19.1% over 253.9 million for the same period of last year. Profit attributable to shareholders during the period of this report was 282.1 million, representing an increase of 11.6% over RMB252.8 million for the same period of last year.

## Management's Discussion and Analysis

### Total business revenues

In the first half of 2001, the Company's revenues from operations were approximately RMB980.2 million, representing an increase of 4.2% over RMB940.8 million for the same period of last year. Revenues from passenger and freight transportation represented approximately 66.7% and 26.1%, respectively, of the total revenues generated by the Company and approximately 71.9% and 28.1%, respectively, of the total revenues generated in the railroad business.

### The passenger transportation business

Revenues from passenger transportation business in the first half of 2001 were approximately RMB653.6 million, representing an increase of 8.0% over RMB605.1 million for the same period of last year. The following table sets forth the revenues from passenger transportation and the volumes of passengers for the six months ended 30th June of the years of 2000 and 2001.

	Six months ended 30th June		
	2001	2000	Increase/(decrease) compared to 2000
Revenues from passenger transportation			
(RMB thousands)	653,562	605,051	8.0%
— domestic trains	506,256	460,603	9.9%
— Guangzhou-Kowloon through trains	147,306	144,448	2.0%
Total number of passengers (thousand persons)	19,757	17,663	11.9%
— domestic trains	18,794	16,772	12.1%
— Guangzhou-Kowloon through trains	963	891	8.1%
Revenue per passenger (RMB)	33.08	34.26	(3.4%)
— domestic trains	26.94	27.46	(1.9%)
— Guangzhou-Kowloon through trains	152.97	162.12	(5.6%)
Total passenger-kilometers (millions)	1,627.2	1,540.9	5.6%
Revenue per passenger-kilometer (RMB)	0.40	0.39	2.6%

The Company recorded an increase of 11.9% and 5.6%, respectively, in the total number of passengers and total passenger-kilometers in the first half of 2001. Although revenue per passenger decreased by 3.4%, revenue per passenger-kilometer grew by 2.6%.

The total number of passengers on domestic trains in the first half of this year rose approximately by 12.1%. This increase was mainly due to the following factors. (1) The Company continued to improve boarding facilities for passengers. At the Guangzhou East Station, the Company continued to improve the connection facilities between the station and the subway of Guangzhou, thus, enabling a significant passenger flow to enter into the Guangzhou East Station from the subway. These improvement have perfected the boarding and transiting conditions for long distance passengers and increased the volume of long distance passenger flow on the Guangzhou-Shenzhen route. The west wing of the Company's Shenzhen Station was put into operation from the Lunar New Year holidays this year, which enhanced the station's capacity. (2) The Company introduced 2 long distance passenger routes, one between the Guangzhou East Station and Xiamen, and the other between Shenzhen and Fuzhou. As a result, the total number of domestic long distance passengers amounted to 11.246 million, representing an increase of 20.3%. (3) The Company made timely adjustments to passenger train frequencies and schedules, added extra passenger trains in service during holidays and vacations, and continued its measures to have its brand name of Guangzhou-Shenzhen High-speed Railway Service established and the quality of passenger services improved.

Revenues from domestic passenger trains were RMB506.3 million, which was an increase of 9.9% when compared to those of the same period of last year. The increase was mainly due to the following factors. (1) There was an increase of 12.1% in the total domestic passenger volume. The increase in volume of domestic long distance passengers was quite significant, while that for Guangzhou-Shenzhen route was comparatively more limited. However, revenues generated from long distance passengers were lower as compared to those from passengers travelling on the Guangzhou-Shenzhen route. Therefore, total passenger-kilometers increased 5.6%, while revenue per passenger decreased 3.4%. (2) There were slight upward adjustments of ticket prices during holidays and vacations. The Company increased the ticket prices at different rates for different types of passenger trains during the Lunar New Year and the Labor Day holidays. The increase in revenues was also attributable to an adjustment in ticket prices on normal-speed passenger trains on the Guangzhou-Shenzhen route as from 1st July, 2000. (3) There was a further increase in train frequency, as from 21st October, 2000 in respect of high-speed passenger trains on the Guangzhou-Shenzhen route to 31 pairs per day. As a result, revenue generated therefrom during the reporting period increased by RMB28 million.

The number of passengers on the Guangzhou-Kowloon through trains increased approximately 8.1%, and revenues generated therefrom increased approximately 2.0%. The increase was mainly due to the fact that the Company, while improving its services and facilities, continued to offer special group tour rates in order to attract passengers from Guangzhou to Hong Kong. As group tourists enjoying the special rates increased, volume of passengers was higher than revenues by 6.1%. Also, the Company introduced week-end and holiday through train service between Dongguan and Kowloon, Hong Kong, as from 28th June, 2001.

### The freight transportation business

Revenues generated from the Company's freight transportation in the first half of 2001 were approximately RMB255.8 million, representing an increase of approximately 2.7% from RMB249.1 million in the first half of 2000. The following table sets forth the revenues from and volume of freight transportation for the six months ended 30th June, of the years 2000 and 2001:

	Six months ended 30th June		
	2001	2000	Increase/decrease compared to 2000
Revenues from freight transportation (RMB thousands)	255,846	249,112	2.7%
Revenues from outbound freight	47,066	47,167	(0.2)%
Revenues from inbound freight	148,839	113,400	31.3%
Revenues from storage, loading and miscellaneous items	59,941	88,545	(32.3)%
Total tonnage (thousand tons)	13,853	13,556	2.2%
Revenue per ton (RMB)	18.47	18.38	0.5%
Total ton-kilometers (millions)	980.2	978.1	0.2%
Revenue per ton-kilometer (RMB)	0.261	0.255	2.4%

Revenues from freight transportation rose from RMB249.1 million in the first half of 2000 to RMB255.8 million in the first half of 2001. Among these revenues, inbound freight revenues increased from RMB113.4 million in the first half of 2000 to RMB148.8 million in the first half of 2001, while outbound freight revenues dropped slightly by 0.2% from RMB47.2 million in the first half of 2000 to RMB47.1 million in the first half of 2001, total tonnage and total ton-kilometers increased by 2.2% and 0.2%, respectively, and revenue per ton and revenue per ton-kilometer increased by 0.5% and 2.4%, respectively. These changes were due to the factors described below.

- (1) The slight drop in outbound freight revenues was a result of the fact that firstly, the Company continued to implement a downward adjustment in pricing new freight sources in order to increase its price competitiveness of rail freight transportation between Guangzhou and Shenzhen and to enhance its freight pricing flexibility. Secondly, the drop in outbound freight volume of high value added goods was due to the adjustments of the production sector structure and change in import/export policies by the PRC government.
- (2) The increase in inbound freight revenues was due to: (1) the modification by the Ministry of Railways of "The Rules for the pricing of freight transportation" with effect from 1st July 2000 and the consequential overall upward adjustment of freight transport charges; (2) the Company exercised its freight pricing autonomy by increasing the charges of both inbound and outbound freight by 50%. i.e., the Company could increase the charges by RMB0.003 per ton-kilometer; and (3) the upward adjustment implemented by the Ministry of Railways as from 1 April 2001, of the freight transport charges for some agricultural by-products, which allowed the Company to increase the charges for inbound grains by RMB0.0076 per ton-kilometer, and RMB0.0035 per ton-kilometer for livestock.

- (3) The increase in pass-through freight revenues was due to the following: (1) the Ministry of Railways enhanced its efforts of designating the Beijing-Jiu Jiang Line mainly for freight transportation; and (2) the Zhangzhou-Longchuan Line was put into commercial operation, which together increased the volume of freight transportation on the Guangzhou-Shenzhen route. Other attributable factors were the adjustments of charges by the Ministry of Railways as discussed above.

#### **Other businesses**

Revenues from other businesses of the Company in the first half of 2001 accounted for 7.2% of the total revenues. These revenues decreased by 18.3% from RMB86.7 million in the same period of 2000 to RMB70.8 million. The gross profit decreased by 21% from RMB12.6 million in the same period of 2000 to RMB10.0 million.

### **Operating expenses of the railroad businesses**

The operating expenses of the Company's railroad businesses in the first half of 2001 were RMB616.9 million, representing an increase of only 0.7% from RMB612.8 million in the first half of 2000, which was lower than the growth of its revenues. This was mainly due to the following factors: (1) employees' pay and benefits were increased by RMB9.9 million due to heavier workload and greater cost-effectiveness; (2) depreciation increased by approximately RMB15 million due to the increase of fixed assets such as: one Xin Shi Su high-speed electric train, 5 high-speed electric locomotives, power supply equipment on the third track on the Guangzhou-Shenzhen route and the west wing of Shenzhen Railway Station; (3) fuel and electricity costs increased by approximately RMB12 million due to the rise of fuel prices and that more high-speed electric locomotives were used for hauling passenger trains; and (4) effective from 1st January, 2001, the Ministry of Railways implemented new methods of passenger transportation financial settlement. Since then, electric locomotives and passenger trains have been acquired through out-right purchase instead of leasing. As such, pursuant to these new methods, the Company reduced its expenses by approximately RMB46 million.

The Company's management is of the opinion that, though the operating expenses of railroad businesses recorded only a slight increase for the period of this report, according to the company's plan of cost and expenses, the operating expenses of railroad businesses for the year are expected to increase to a larger extent.

### **Prospects**

The Company is dedicated to turning the Guangshen Railway into a profitable modern railroad operating frequent high-speed train services, and further enhancing its position as a safe, comfortable, premium and convenient means of transportation between the three metropolises of Guangzhou, Shenzhen and Hong Kong.

The Company will strive to further enhance its overall competitiveness. The Company is currently implementing the as-frequent-as-buses high-speed passenger transportation project on its Guangzhou-Shenzhen route, the improvement of transportation facilities relating to the aforesaid project, and the increase of speed and frequency of its trains. The Company plans to have the as-frequent-as-buses high-speed passenger transportation project implemented initially when the leased domestic Xin Shi Su high-speed electric trains are delivered in October, 2001. The Company also plans to carry out the following projects to further increase the speed of its trains and shorten their travelling times. The Company estimates that the total expenditure for the aforesaid projects during the year will be approximately RMB313 million.

<b>Projects</b>	<b>Amount</b> <i>RMB'0000</i>	<b>Notes</b>
(1) Purchasing 77 new-type regular-speed passenger coaches, and substituting 43 old passenger coaches for 21 new-type regular-speed passenger coaches with the suppliers	19,914.570	A. 40 coaches will be used for long distance passenger transportation between Shenzhen and Yueyang B. 58 coaches will be used for long distance passenger transportation between Shenzhen and Beijing
(2) Adding four railway stations at Huangcun, Tangmei, Nanshe, and Lincun.	4,500.000	Being part of the ancillary projects in relation to the as-frequent-as-buses high-speed passenger transportation project aiming to increase the pass-through capacity and ensure that the high-speed trains and regular-speed trains are to operate on different and separate tracks.
(3) Replacing 21 sections of movable center switches with wood ties with new-type switches with concrete ties.	2,200.000	To enhance the safety and stability of high-speed passenger trains.
(4) Constructing the Customs Control and Frontier Inspection Building at Dongguan Station.	969.000	To enhance the passenger transportation capacity of the Guangzhou-Kowloon through trains at the station.
(5) Implementing ancillary projects in relation to the as-frequent-as-buses high-speed passenger transportation project, which will be inaugurated in October, 2001	3,700.000	To raise the speed of high-speed trains.

The Company plans to carry out the initial stages of its as-frequent-as-buses high-speed passenger transportation project between Guangzhou and Shenzhen as follows: (1) the travelling time between Guangzhou and Shenzhen on Xin Shi Su high-speed passenger electric trains (running at a speed of up to 200 km/h) is 55 minutes, and that on the quasi high-speed trains (running at a speed of up to 160 km/h) is 60 minutes; (2) high-speed passenger trains are to operate only on the high-speed tracks, while regular-speed passenger trains and freight trains only on the third regular-speed track; (3) to increase the frequency of the trains on the Guangzhou-Shenzhen route and shorten their travelling time, and an additional 21 pairs of high-speed electric passenger trains will be added on the Guangzhou-Shenzhen route, which will increase the total number of high-speed electric passenger trains from 31 pairs to 52 pairs per day, and at the same time the number of regular-speed passenger trains will be reduced from 16 pairs to 5 pairs per day; (4) train schedules will be optimized by operating a pair of high-speed electric passenger trains every 13 to 20 minutes during the daily peak hours, and appropriate arrangements will be made for high-speed electric trains to stop at major intermediary stations along the Guangzhou-Shenzhen route; and (5) efforts will be made to



add one more pair of through trains on the Guangzhou-Kowloon route, when and if appropriate having regard to the market conditions, bringing the total number of Guangzhou-Kowloon through trains to 8 pairs per day. With these measures, the Company plans to establish a passenger service model focusing on high-speed train service, thus creating new competitive advantages.

The Company now provides passenger transportation services to 31 pairs of long distance passenger trains operated by other railroad operators and gets paid from such operators. In order to explore new passenger services and broaden the scope of business development, the Company started to operate long distance passenger trains between Shenzhen and Yueyang as from 1st July, 2001. Further, in response to the business opportunities created by the speed-raising project on the Beijing-Hong Kong Line implemented by the Ministry of Railways, the Company plans to operate long distance passenger trains between Shenzhen and Beijing as from October, 2001. The Company shall focus on the further improvement of service and management when operating these two pairs of long distance passenger trains to establish a better profile and a new brand name of long distance passenger service. These long distance trains are viewed as new growth potential for the Company in terms of revenue, and shall be the foundation for further development of the long distance passenger transportation market.

The Company views the expansion of Guangzhou Railway Station (which is owned by Yangcheng Railway Company (“Yangcheng”)) as an opportunity to expand its passenger transportation business at the Company’s Guangzhou East Station.

The Company plans to further improve its transportation equipment and organization, continue to strengthen its marketing efforts and enlarge its sales network, further improve the computerized ticketing and automatic ticketing system, better the passenger transportation technique, implement premium service measures and establish its high-speed transportation service brand name so as to ensure steady growth of the passenger transportation business.

In the Company’s freight transportation segment, factors that may contribute to the growth of the Company’s freight volumes are: (1) the continuous growth of the regional economy and the broadening of scopes of economic cooperation between the Guangdong Province and Hong Kong, which have stimulated more demand for railway freight transportation; (2) the cancellation by the Ministry of Railways of the basic dispatching and arrival charges on freight as from 15th May, 2000 on the section north of Longchuan on the Beijing-Hong Kong Line (without affecting the Company’s own freight transportation charges), which helped to increase the freight volume of the Company; (3) the Zhangzhou-Longchuan Line, which has been in commercial operation since October, 2000, has shortened freight transportation distance from Guangzhou to Fujian Province by 780 kilometers and helped to increase freight volume transported between the Company’s line and the Fujian Province; (4) the electrification of the section between Wuchang and Guangzhou on the Beijing-Guangzhou Line, which is expected to be completed in September, 2001, will allow an increase in the tonnage of freight hauled by each freight train, thus increasing freight volumes transported from the Company’s service territory to Beijing-Guangzhou Line; and (5) the Ministry of Railways made upward adjustments to freight charges of some freight items in July, 2000 and in April, 2001, which increased freight revenues slightly.

The Company will take full advantage of the aforementioned factors and continue to take measures to achieve steady and continuous growth of total freight tonnage, especially outbound freight volume. These measures include the promotion of multi-modal freight transportation, enhancing the solicitation of outbound and inbound freight, carrying out agency services for freight transportation, focusing on the operation of its “five special express” freight trains, and coordinating efforts with regional ports for the marketing and sale of freight transportation services.

The Company will continue to fully implement the ISO 9000 standards. It is also striving to raise the quality of its operations and management, enhance the practice of the operational responsibility system, lower its management costs and reduce redundant personnel. The Company will also carry out studies on effective capital usage in order to fully utilize its capital.

The Company is developing a website to enhance marketing and develop e-business. It is striving to introduce online passenger ticketing service and freight transportation ordering service in the near future.

The Company plans to make further use of modern technology in its passenger transportation services. As it continues to perfect its computerized and automatic ticketing systems, the Company has commenced studies on a ticketing system using magnetic cards and is striving to have it applied on the Guangzhou-Shenzhen route within one year so as to increase further the volume of high-speed electric passenger transportation.

To better accommodate for potential transportation growth and market competition, the Company decided to construct the fourth track of Guangshen Railway (the “fourth track project”) between Guangzhou and Shenzhen. The fourth track project is in line with the PRC’s policies and with the Company’s development strategies. The feasibility report has been approved, and the project is currently in the process of being examined and approved by the State. When the project is completed, the increasing demands for transportation on the Guangshen Line generated by the completion of the electrification of the Beijing-Guangzhou Line, the double tracking construction of the Beijing-Jiujiang Line, and the construction of the subway system of Guangzhou and Shenzhen can be satisfied. The fourth track project will benefit the speedy growth of the Company’s core businesses of passenger and freight transportations and become a source of new growth potential for the Company. The total costs of the fourth track project are estimated to be RMB3,600 million. Upon approval by the State of the fourth track project, construction will commence and is expected to be completed within three years.

The Company plans to issue not more than 550 million A shares through a public offering to raise approximately RMB1,980 million to finance the fourth track project. The plan was approved at the extraordinary general meeting on 8th February, 2001, and the preparation work is progressing according to schedule. The public offering will commence upon the approval by the State of the fourth track project.

The PRC government will continue with its current financial and monetary policies, further adjust the structure of the economy, gradually open its domestic markets and loosen its control over foreign investment. It will also open up the Western District of the country and hasten the pace of entry into the World Trade Organization. The implementation of these policies and the broadening and speeding up of cooperation between Guangdong and Hong Kong are expected to stimulate continuous economic growth in the Company’s service territory. The Company believes that both its passenger and freight transportation services are situated in a favorable economic environment and are expected to experience continuous overall growth in 2001.

## **Interim Dividend**

The Board of Directors has decided not to declare any interim dividend for the six months ended 30th June, 2001.

## Adjustment of Pricing

During the Lunar New Year holidays and the Labor Day holidays in 2001, the Company increased the fares for all high-speed passenger trains operating on the Guangzhou-Shenzhen route by RMB5. The Company plans to continue with such market-oriented measures during long public holidays so as to bring the Company in line with the marketization principle.

The adjustment of the Company's fares is based on the principles of maximizing revenue and enlarging market share. The Company will make timely adjustments in response to market conditions. Under current market conditions, however, there is not much room for upward adjustment of fares for passenger trains.

## Initial Public Offering Use of Proceeds

The total proceeds of RMB4,214 million from the Company's initial public offering in May 1996 have been fully utilized by the end of 1998 for the construction of the Guangshen railway. (Please refer to Annual Report 1998 of the Company)

## Employees, Employee Payment Policy and Training Plans

As of 30th June, 2001, the Company had a total of 7,595 employees. The Company has taken effective measures of reducing employees and the number thereof has been reduced by 64 when compared to that of late 2000. In view of the fact the Company planned to operate two pairs of long distance passenger trains from Shenzhen to Yueyang and Beijing commencing from July and October, 2001, respectively, more crew would be needed for these trains, and a slight increase in the total number of employees is therefore expected.

The Company's employees are paid on the basis of their positions and performance. The employee's income is determined in accordance with the Company's operating income, workload, costs, safety records and quality consideration. The salaries paid by the Company amounted to approximately RMB147.6 million in aggregate for the six months ended 30th June, 2001.

Pursuant to the relevant state policies and regulations, the Company's employees enjoy the following welfare benefits: (1) retirement pension - the Company is required to set aside a sum equivalent to 18% of its total labor costs for the year and 5% of its total labor costs for the previous year as employees' retirement pension and supplemental retirement pension, respectively; (2) welfare fund - the Company is required to set aside 14% of its total labor costs as employees' welfare fund and medical service fees; and (3) housing fund - each of the Company and its employees are required to deposit 7% of the employee's monthly salary (for Guangzhou residents), or 13% (for Shenzhen residents) into the employee's personal housing fund account.

The Company plans to carry out training for approximately 1,100 employees during 2001 in relation to office automation, human resources management, operation and management of high-speed passenger trains, management of equipment and materials, management of work teams and safety and modern financial and accounting management. These training courses will mainly be organized by the Staff Training Center of the Company, and, in some instances, experts and professionals outside the Company will also be engaged for these purposes. The Company has completed 55% of its full-year training plan as at the date of this report. The total direct cost for the whole training program is estimated to be RMB2 million.

## Employees' Housing and Accounting Treatment for Differences between Sales Prices and Construction Costs of Staff Quarter

In 2000, pursuant to the housing reform policies of the PRC government, the Company carried out reforms in employees' housing and sold to its employees staff quarters at prices approved by the government. Losses arising from the sale of these staff quarters, which represent the differences between the net book value of the staff quarters sold and the proceeds collected from the employees, were approximately RMB220.5 million. Pursuant to "The Notice on Publication of "Stipulations on Issues Regarding Accounting Principles In Housing Reform of Enterprises"" as promulgated by the Ministry of Finance, the losses incurred were recorded as losses in the Company's financial statements of 2000 prepared in accordance with PRC accounting principles, and will be written off from profits, which were undistributed in early 2001.

The financial statements of the Company's reports of operating results were prepared in accordance with International Accounting Standards, and pursuant to which the Company accounted for the housing losses as follows: (1) losses of RMB3.6 million arising from the sale of staff quarters to employees for past services were charged to the income statements for 2000; and (2) losses of approximately RMB216.9 million from the sale of staff quarters to employees (i.e. RMB220.5 million minus RMB3.6 million) were amortized on a straight line basis over the estimated remaining average service lives of 15 years. In 2000, the housing losses charged to the consolidated income statement as deferred staff costs were RMB14.46 million, and the balance of RMB202.4 million will be amortized on a yearly basis as deferred staff costs. As of 30th June, 2001, RMB7.23 million was charged in the consolidated income statements, and the unamortized deferred losses were approximately RMB195.2 million.

There have been no other housing benefit plans other than those mentioned in the foregoing section.

## Capital Structure

There has been no change in the Company's share capital structure during the period of this report. The Company's capital structure as of 30th June, 2001 was as follows:

Class of Shares	As of 30th June, 2001	
	Number of Shares	%
State-owned legal person shares	2,904,250,000	66.99
H Shares	1,431,300,000	33.01
Total	<u>4,335,550,000</u>	<u>100.0</u>

## Substantial Shareholders

As of 30th June, 2001, shareholders who held more than 10% of the share capital of the Company were as follows:

Class of Shares	As of 30th June, 2001	
	Number of Shares Held	%
Guangzhou Railway (Group) Company	2,904,250,000	66.99
HKSCC Nominees Limited	1,385,605,999	31.96

## Directors', Supervisors' and Senior Management's Interests

None of the directors or supervisors or senior management or any of their spouses or children under the age of 18 had, as of 30th June, 2001, any interests in any shares or debentures of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which are required to be notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance (including interests which they have been taken or are deemed to have been taken under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which are required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred to therein (for the purpose of this paragraph, the regulations mentioned above should be deemed to apply to the supervisors to the same extent as they apply to directors).

## Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the period of this report.

## The Issue and Public Offering of A Shares

The Company convened an extraordinary general meeting on 8th February, 2001, at which the issue and public offering of A Shares ("A Shares Issue") were approved.

- (1) Class of securities to be issued: Domestic listed RMB denominated ordinary shares ("A Shares").
- (2) Number of A Shares to be issued: Not more than 550 million shares with nominal value of RMB1.00 each.
- (3) Proposed place of listing: Shanghai Stock Exchange.
- (4) Target subscribers and target market:  
 Target subscribers: Natural persons and institutional investors maintaining an A Share account with the Shanghai Stock Exchange (except those prohibited by the PRC laws or regulations) within the PRC.  
  
 Target markets: All securities trading centers in the PRC that are within the system network of the Shanghai Stock Exchange.

- (5) Issuing mechanism: A “book-building” process will be conducted to determine the issue price and a combination of offline placing and online issue will be adopted.
- (6) Use of proceeds: The proceeds of the A Shares Issue are intended to be used to finance the fourth track project. The total construction costs of the project are estimated to be around RMB3,600 million. The details of the A Shares Issue will be disclosed in a prospectus.
- (7) Conditions for implementation: The A Shares Issue was approved in the extraordinary general meeting. Upon the approval by the State of the fourth track project, the Board will, subject to compliance with the Company Law of the PRC and the relevant policies and regulations, submit the A Shares Issue to the China Securities Regulatory Commission for approval and proceed with its implementation accordingly.

## Plan to Reduce Holding of State-Owned Shares

According to the “Provisional Measures on Management over the Reduction of State-owned Shares to Raise Social-Security Fund” announced by the State Council on 12 June 2001, the number of state-owned shares of the Company has to be reduced by 10% of the funds to be raised by the A Shares Issue when the Company implements the A Shares Issue (i.e. the shareholder of state-owned shares of the Company has to sell its shares to public investors and institutional investors).

The Company plans to issue 550 million A Shares to raise RMB1,980 million. Pursuant to the State Council’s reduction of state-owned shares scheme, the shareholder of the state-owned shares has to sell such amount of state-owned share up to 10% of the total funds to be raised by the A Shares Issue, and the proceeds of which shall be submitted to the National Social-security Fund. Accordingly, the actual volume of A Shares to be issued under the public offering shall be no more than 605 million and the total amount to be raised thereby is approximately RMB2,178 million. Among which, 550 million A Shares will be issued to the public, in order to raise approximately RMB1,980 million to finance the fourth track project. The proceeds of approximately RMB198 million arising from the sale of not more than 55 million state-owned shares to be offered (after deducting all relevant fees and expenses of the issue) will be submitted to the National Social-security Fund.

Guangzhou Railway (Group) Company, being the Company’s largest shareholder and the sole shareholder of state-owned shares, holds a total of 2,904,250,000 shares of the Company, representing 66.99% of the total issued capital. Upon the implementation of the A Shares issue, the number of shares to be held by Guangzhou Railway (Group) Company shall be no less than 2,849,250,000, representing not less than 58.32% of the then issued capital. As such, the A Shares Issue will have no material impact on the shareholding structure of the Company and Guangzhou Railway (Group) Company’s position as the largest shareholder.

## Impact of Economic Policies on the Company

The PRC government’s adjustment of economic policies and policies relating to import and export activities have, to a certain extent affected the Company’s freight composition and freight pricing policies. Apart from this, the Company is not aware of any other governmental policies that are likely to have effects on the Company’s business and financial position.

## **Preferential Tax Treatment**

As a result of its establishment in the Shenzhen Special Economic Zone, the Company has enjoyed a preferential corporate income tax rate of 15%, which the Company believes will continue to apply in the future.

Up until now, the Company has not been subject to the repayment of surplus tax after payment policy of the local government, which ceased to be implemented from 1st January, 2000.

## **Overdue Time Deposits**

As of 30th June, 2001, the Company deposited approximately RMB1,123 million with financial institutions, of which RMB31.365 million deposited in previous years had not been repaid to the Company upon maturity. There has not been any such incident during the period of this report. As for those unpaid deposits, the Company has obtained judgment in its favor in 2000, but since the judgment debtor was under restructuring, the Court ordered a stay of execution of the judgment. The said unpaid deposits account for approximately 0.3% of the Company's net assets and 1.82% of the Company's cash and deposits in aggregate, and have no material impact on the capital usage and operations of the Company. The Company will continue to act actively with the support of the relevant government authorities to settle the issues concerning the repayment of such deposits.

Apart from the aforesaid, the Company has no other un-repaid overdue deposit. The Company has not encountered any difficulties in withdrawing any of its deposits. All deposits of the Company are placed with commercial banks in the PRC or the Deposit-taking Centre of the Ministry of Railways.

## **Entrusted Deposits**

As of 30th June 2001, the Company did not have any entrusted deposits with any financial institutions in the PRC.

## **Risk of Currency Exchange Rate Fluctuation**

The Company currently holds substantial deposits denominated in US dollars and Hong Kong dollars. Any major fluctuations of these currencies against Renminbi could have an adverse effect on the Company's revenue.

## **Disclosure of Significant Events**

Currently the Company is not involved in any material litigation or arbitration.

## **Disclosure of Related Party Transaction**

As of 30th June 2001, the Company's related party transactions were only in respect of railway transportation which had been proceeding pursuant to the written contracts entered into between the relevant parties and duly waived by the Hong Kong Stock Exchange for certain disclosure and approval requirements, and there have been no new related party transactions.

## **Code of Best Practice**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period, in compliance with the Code of Best Practice set out in Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited.

## **Documents Available for Inspection**

The full text of the Interim Report and Financial Statements signed by the Chairman are available for inspection at No. 1052 Heping Road, Shenzhen, the People's Republic of China.

On behalf of the Board of Directors  
**Zhang Zhengqing**  
*Chairman of the Board of Directors*

Shenzhen, the PRC, 28th August, 2001



## Interim Results

The Board of Directors of Guangshen Railway Company Limited (the “Company”) hereby presents the unaudited interim operating results of the Company and subsidiaries for the six months ended 30th June, 2001 prepared in conformity with International Accounting Standards (“IAS”).

<b>Condensed Consolidated Income Statement</b>					
<i>(Unaudited)</i>					
		For the six months ended 30th June,			% of Increase
	Note	2001	2000	2001	(decrease)
		RMB'000	RMB'000	US\$'000	2001
				(Note 12)	vs. 2000
<b>Revenues from railroad businesses</b>					
Passenger		<b>653,562</b>	605,051	<b>78,742</b>	<b>8.0%</b>
Freight		<b>255,846</b>	249,112	<b>30,825</b>	<b>2.7%</b>
Sub-total		<b>909,408</b>	854,163	<b>109,567</b>	<b>6.5%</b>
Revenues from other businesses		<b>70,784</b>	86,678	<b>8,528</b>	<b>(18.3%)</b>
Turnover		<b>980,192</b>	940,841	<b>118,095</b>	<b>4.2%</b>
<b>Operating expenses</b>					
Railroad businesses		<b>(616,881)</b>	(612,842)	<b>(74,323)</b>	<b>0.7%</b>
Other businesses		<b>(60,820)</b>	(74,120)	<b>(7,328)</b>	<b>(17.9%)</b>
Total operating expenses		<b>(677,701)</b>	(686,962)	<b>(81,651)</b>	<b>(1.3%)</b>
Operating profit		<b>302,491</b>	253,879	<b>36,444</b>	<b>19.1%</b>
Other income (expenses), net		<b>203</b>	(446)	<b>25</b>	N/A
Interest income, net		<b>30,940</b>	44,689	<b>3,728</b>	<b>(30.8%)</b>
Share of profit (loss)					
of associated companies		<b>273</b>	(66)	<b>33</b>	N/A
Profit before tax	2	<b>333,907</b>	298,056	<b>40,230</b>	<b>12.0%</b>
Income tax expenses	3	<b>(52,049)</b>	(45,196)	<b>(6,271)</b>	<b>15.2%</b>
Minority interests		<b>290</b>	(91)	<b>35</b>	N/A
Profit attributable to shareholders		<b>282,148</b>	252,769	<b>33,994</b>	<b>11.6%</b>
<b>Earnings per share</b>					
— Basic	4	<b>RMB0.065</b>	RMB0.058	<b>US\$0.008</b>	
— Diluted		N/A	N/A	N/A	

<b>Condensed Consolidated Balance Sheet</b>				
<i>(Unaudited)</i>				
	Note	As of 30th June, 2001 RMB'000	As of 31st December, 2000 RMB'000	As of 30th June, 2001 US\$'000 (Note 12)
<b>Non-current assets</b>				
Fixed assets, net	5	7,668,397	7,770,138	923,903
Construction-in-progress		499,629	369,285	60,196
Investments in associated companies, net		132,254	122,222	15,934
Long-term investment		30,000	30,000	3,614
Deterred staff costs		195,219	202,449	23,520
		<b>8,525,499</b>	<b>8,494,094</b>	<b>1,027,167</b>
<b>Current assets</b>				
Materials and supplies		30,077	30,033	3,624
Accounts receivable, net	6	118,065	87,444	14,225
Due from Parent Company		131,700	80,604	15,867
Due from affiliates, net		230,463	247,932	27,767
Prepayments and other receivables, net		239,616	196,073	28,869
Temporary cash investments		1,428,475	1,451,330	172,105
Cash and cash equivalents		299,005	330,054	36,025
		<b>2,477,401</b>	<b>2,423,470</b>	<b>298,482</b>
<b>Current liabilities</b>				
Accounts payable	7	86,985	61,147	10,480
Account payable for construction of fixed assets		363,443	345,471	43,788
Due to affiliates		49,830	63,734	6,004
Dividends payable		190,598	—	22,963
Taxes payable		25,697	57,552	3,096
Accrued expenses and other payables		400,327	351,889	48,232
		<b>1,116,880</b>	<b>879,793</b>	<b>134,563</b>
<b>Net current assets</b>		<b>1,360,521</b>	<b>1,543,677</b>	<b>163,919</b>
<b>Total assets less current liabilities</b>		<b>9,886,020</b>	<b>10,037,771</b>	<b>1,191,086</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		2,333	2,333	281
<b>Minority interests</b>		<b>14,411</b>	<b>14,755</b>	<b>1,736</b>
<b>Net assets</b>		<b>9,869,276</b>	<b>10,020,683</b>	<b>1,189,069</b>
<b>Representing:</b>				
Share capital		4,335,550	4,335,550	522,355
Reserves		5,533,726	5,685,133	666,714
<b>Total equity</b>		<b>9,869,276</b>	<b>10,020,683</b>	<b>1,189,069</b>

**Consolidated Statement of Changes in Shareholders' Equity***(Unaudited)*

	Reserves					
	Share capital	Share premium	Revenue reserves	Retained earnings	Sub-total	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balances as of 31st December, 2000	4,335,550	3,984,135	1,085,813	615,185	5,685,133	10,020,683
Net profit	—	—	—	282,148	282,148	282,148
Dividends	—	—	—	(433,555)	(433,555)	(433,555)
Balance as of 30th June, 2001	4,335,550	3,984,135	1,085,813	463,778	5,533,226	9,869,276
Balances as of 31st December, 1999	4,335,550	3,984,135	978,404	230,505	5,193,044	9,528,594
Net profit	—	—	—	252,769	252,769	252,769
Balances as of 30th June, 2000	4,335,550	3,984,135	978,404	483,274	5,445,813	9,781,363

**Condensed Consolidated Statement of Cash Flows***(Unaudited)*

	For the six months ended 30th June		
	2001	2000	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>US\$'000</i>
			(Note 12)
Net cash provided by operating activities	457,339	473,711	55,101
Net cash (used in) from investing activities	(245,431)	86,740	(29,570)
Net cash used in financing activities	(242,957)	(61,875)	(29,272)
Net (decrease) increase in cash and cash equivalents	(31,049)	498,576	(3,741)
Cash and cash equivalents, beginning of period	330,054	579,405	39,766
Cash and cash equivalents, end of period	299,005	1,077,981	36,025

*Notes:*

1. The accompanying condensed financial statements are prepared in accordance with LAS 34 "Interim Financial Report" promulgated by the International Accounting Standards Committee and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Except for the implementation of IAS 39 "Financial instruments Recognition and Measurement", which is effective for financial statements covering periods beginning on or after 1st January, 2001, the accounting policies adopted by the Company and subsidiaries in preparing the interim financial statements are the same as those adopted in the preparation of the annual financial statements as of and for the year ended 31st December, 2000. The adoption of IAS 39 did not have a material impact on the financial position or results of the Company and its subsidiaries.

2. Profit before tax

The consolidated profit before tax was determined after charging (crediting) the following:

	<b>For the six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation of fixed assets	177,944	162,498
Amortisation of deferred staff costs	7,230	—
Interest expenses	787	2,364
Interest income	(31,727)	(47,053)

3. Income tax was provided in accordance with the income tax law of the People's Republic of China (the "PRC"). As the Company was incorporated in the Shenzhen Special Economic Zone, it is subject to income tax rate of 15%. Other businesses of the Company are subject to income tax rates of 15% or 33%, depending mainly on their places of incorporation.
4. Basic earnings per share for the six months ended 30th June, 2001 were computed by dividing consolidated profit attributable to shareholders by 4,335,550,000 shares (2000:4,335,550,000) outstanding throughout the period. No diluted earnings per share were presented as there were no dilutive potential ordinary shares as of period end.
5. Fixed assets, net

During the six months ended 30th June, 2001, the Company and its subsidiaries acquired fixed assets amounting to approximately RMB115,087,000.

## 6. Accounts receivable, net

	As of 30th June, 2001 <i>RMB'000</i>	As of 31st December, 2000 <i>RMB'000</i>
Accounts receivable	126,698	96,077
Less: Provision for doubtful accounts	(8,633)	(8,633)
	<b>118,065</b>	<b>87,444</b>

Accounts receivable was mainly charges from cargo transportation and the credit terms granted to the customers were normally 90 to 180 days. The aging analysis of accounts receivable was as follows:

	As of 30th June, 2001 <i>RMB'000</i>	As of 31st December, 2000 <i>RMB'000</i>
Within 1 year	83,921	41,956
Over 1 year but within 2 years	10,605	16,545
Over 2 year but within 3 years	11,021	14,112
Over 3 years	21,151	23,464
	<b>126,698</b>	<b>96,077</b>

## 7. Accounts payable

The aging analysis of accounts payable was as follows:

	As of 30th June, 2001 <i>RMB'000</i>	As of 31st December, 2000 <i>RMB'000</i>
Within 1 year	75,677	52,766
Over 1 year but within 2 years	11,308	8,104
Over 2 year but within 3 years	—	—
Over 3 years	—	277
	<b>86,985</b>	<b>61,147</b>

## 8. No appropriation from retained earnings has been made to the statutory reserves for the six months ended 30th June, 2001. Such appropriation will be made at year end in accordance with the Company Law of the PRC and the Articles of Association of the Company.

On 8th May, 2001, the Company declared a dividend of RMB0.10 per share in respect of the year ended 31st December, 2000, totalling RMB433,555,000. The Board of Directors has decided not to declare any interim dividend for the six months ended 30th June, 2001.

9. Related party transactions

For the six months ended 30th June, 2001, the Company has the following significant related party transactions:

A significant portion of transactions undertaken by the Company and its subsidiaries for the six months ended 30th June, 2001 was with related PRC state-owned enterprises and on such terms as determined by the relevant PRC authorities and stipulated in the related agreements entered into with these parties. The following is a summary of significant recurring transactions carried out in the ordinary course of business by the Company and subsidiaries with affiliates during the period.

	<b>For the six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Lease of locomotives and related services from Yang Cheng Railway Company, a subsidiary of the Guangzhou Railway (Group) Company (the "Parent Company")	25,696	61,676
Provision of train and related service from Guangmeishan Railway Company Limited, a subsidiary of the Parent Company	2,247	11,611
Provision of train and related services from Sanmao Railway Company Limited, an associate of the Parent Company	—	1,440
Provision of train and related service from Changsha Railway Company, a subsidiary of the Parent Company	—	3,706
Provision of train and related services from Huaihua Railway Company, a subsidiary of the Parent Company	—	1,685
Social service (employee housing, health care, educational and public security services and other ancillary services) provided by the Parent Company and affiliates (including Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company)	28,400	28,400
Operating lease rentals paid to the PRC Ministry of Railway (the "MOR")	24,562	24,445
Operating lease rentals and maintenance fee paid to Guangzhou Zhongche Railway Locomotive Vehicle Tenancy Co., Ltd., a subsidiary of the MOR	6,750	9,996
Interest received from the MOR's Railroad Deposit-taking Centre	26,343	13,851
Interest received from the Parent Company	272	413
Interest expenses paid to the Parent Company	787	2,364
Interest received from Guangmeishan Railway Company Limited	492	842
Interest received from Pingnan Railway Company Limited, an associate of the Parent Company	813	570

## 10. Segmental Information

	Railroad businesses		Other businesses		Total	
	For the six months ended 30th June,		For the six months ended 30th June,		For the six months ended 30th June,	
	2001	2000	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Turnover</b>	<b>909,408</b>	854,163	<b>70,784</b>	86,678	<b>980,192</b>	940,841
<b>Results</b>						
Operating profit	<b>292,527</b>	241,321	<b>9,964</b>	12,558	<b>302,491</b>	253,879
Other income (expenses), net					<b>203</b>	(446)
Interest income					<b>30,940</b>	44,689
Share of profit (loss) of associated companies	—	—	<b>273</b>	(66)	<b>273</b>	(66)
Income tax expenses					<b>(52,049)</b>	(45,196)
Minority interests					<b>290</b>	(91)
<b>Profit attributable to shareholders</b>					<b>282,148</b>	252,769

## 11. Commitments

(a) Capital commitments	As of 30th June, 2001	As of 31st December, 2000
	RMB'000	RMB'000
Authorised and contracted for	<b>96,542</b>	55,340
	<b>96,542</b>	55,340
An analysis of the above capital commitments by nature was as follows:		
(i) Purchase of railroad equipment for the Company's High Speed Train Project amounted to approximately RMB22,180,000, and		
(ii) Purchase of railroad equipment for the Company's long-distance passenger transportation amounted to approximately RMB74,362,000.		
<b>(b) Operating lease commitments</b>	<b>As of 30th June, 2001</b>	<b>As of 31st December, 2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Machinery and equipment		
— not more than one year	<b>91,125</b>	91,125
— later than one year and not later than five years	<b>432,000</b>	455,625
	<b>523,125</b>	546,750

12. Translation of amounts from Chinese Renminbi (“RMB”) into United States dollars (“US\$”) for the convenience of the reader has been made at the exchange rate quoted by the People’s Bank of China on 30th June, 2001 of US\$1=RMB8.3. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on 30th June, 2001 or on any other date.

13. Principal Financial Ratios

	2001	2000
a. Basic earnings per share (Consolidated profit attributable to shareholders for the six months ended 30th June/weighted average number of shares outstanding)	<b>RMB0.065</b>	<b>RMB0.058</b>
b. Return on net assets (Consolidated profit attributable to shareholders for the six months ended 30th June/net assets as of 30th June)	<b>2.9%</b>	<b>2.6%</b>
c. Net assets per share (Net assets as of 30th June/number of shares outstanding as of 30th June)	<b>RMB2.28</b>	<b>RMB2.26</b>



**Supplemental Information for North American Shareholders***(Unaudited)*

Effects on the consolidated profit attributable to shareholders and consolidated shareholders' equity of significant differences between IAS and generally accepted accounting principles in the United States of America ("US GAAP") are summarised below. The estimated US GAAP adjustments shown below have been prepared by the management of the Company and have not been subject to independent audit.

	For the six months ended 30th June,		
	2001 RMB'000	2000 RMB'000	2001 US\$'000 (Note 2)
Net profit under IAS	282,148	252,769	33,994
Impact of estimated US GAAP adjustments:			
Reversal of additional depreciation charges arising from the revaluation surplus of fixed assets	24,211	24,211	2,917
Realisation of deferred tax assets created	(3,632)	(3,632)	(438)
Estimated net profit under US GAAP	302,727	273,348	36,473
Estimated basic earnings per share under US GAAP	RMB0.070	RMB0.063	US\$0.008
Estimated basic earnings per equivalent ADS under US GAAP	RMB3.49	RMB3.15	US\$0.42
	As of 30th June, 2001 RMB'000	As of 31st December, 2000 RMB'000	As of 30th June, 2001 US\$'000 (Note 2)
Shareholders' equity under IAS	9,869,276	10,020,683	1,189,069
Impact of estimated US GAAP adjustments:			
Reversal of the revaluation surplus on fixed assets	(1,492,185)	(1,492,185)	(179,781)
Reversal of additional depreciation charges arising from the revaluation surplus on fixed assets	258,251	234,040	31,115
Deferred tax assets created	223,828	223,828	26,967
Realisation of deferred tax assets created	(38,739)	(35,107)	(4,667)
Estimated shareholders' equity under US GAAP	8,820,431	8,951,259	1,062,703

**Notes:**

- Estimated basic earnings per share and equivalent ADS for the six months ended 30th June, 2001 were computed by dividing estimated consolidated profit attributable to shareholders under US GAAP by 4,335,550,000 shares (2000: 4,335,550,000) and 86,711,000 equivalent ADSs (2000: 86,711,000) outstanding throughout the period respectively. No diluted earnings per share and per equivalent ADS were presented as there were no dilutive potential ordinary shares as of period end.
- Translation of amounts from RMB into US\$ for the convenience of the reader has been made at the exchange rate quoted by the People's Bank of China on 30th June, 2001 of US\$1=RMB8.3. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on 30th June, 2001 or on any other date.