



MANAGEMENT'S

Discussion and Analysis



This discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes appearing in its 2002 annual report. The consolidated results of the Company and its subsidiaries for the year ended 31 December, 2002 were prepared in accordance with International Financial Reporting Standards, which differ in certain material respects from United States generally accepted accounting principle (see "Supplementary Financial Information" for a discussion of these differences).

1. BUSINESS OVERVIEW

The Company is mainly engaged in railway passenger and freight transportation between Guangzhou and Shenzhen and certain long-distance passenger transportation services. The Company also cooperates with KCR in Hong Kong in the operation of the Hong Kong Through-Train passenger transportation service. The Company provides consolidated services relating to railway facilities and technology and engages in commercial trading and other businesses that are consistent with the Company's overall business strategy. The Company also conducts sales, dining services, advertising and tourism on board and in its stations.

In 2002, the Company continued its growth from 2001 and achieved commendable operating results. Total revenues increased by 16.9% from 2001 to RMB2,517.5 million in 2002. Profit attributable to shareholders increased by 4.4% over 2001 to RMB557.1 million in 2002.

2. RECENT DEVELOPMENTS

In 2002, the Company achieved strong revenue growth in its passenger transportation business as compared to 2001. The Shenzhen-Yueyang and Shenzhen-Beijing long-distance passenger trains that started operation in the second half of 2001 operated throughout 2002. Furthermore, the "As-frequent-as-buses" Train Project launched in the second half of 2001 was fully implemented in 2002. The full year operation of both long-distance trains and Guangzhou-Shenzhen high-speed trains was the key driver to the growth of the Company's passenger transportation business in 2002.



MR. WU YIQUAN
Director & General Manager

In 2002, the Company invested its telecommunication assets, which had a book value of RMB121.0 million into China Railway Communication Company Limited ("China Railcom") and in return obtained approximately a 0.85% stake in China Railcom. In 2002, the Company completed the investment in China Railway Express Company Limited ("CRE"). It invested in total RMB13.608 million in cash and received 7.56 million common shares of CRE, representing approximately a 2.52% stake in CRE.

In 2002, the Company had completed construction of infrastructure facilities and upgraded transportation service facilities as follows: (1) replacement of 19 sections of wooden moveable center switches to improve the safety and stability of the Company's passenger trains during operation; (2) purchase of twelve "25k" coaches for long-distance trains for the Shenzhen-Yueyang and Shenzhen-Beijing routes; and (3) inauguration of a computerised ticket hall at Shenzhen Railway Station (the first of its kind in China) and the establishment of the Dynamic Ticket Management System for the Guangzhou-Shenzhen route.

3. RESULTS OF OPERATIONS

In 2002, total revenues of the Company were RMB2,517.5 million, representing an increase of 16.9% from RMB2,153.6 million in 2001. Revenues from passenger transportation service, freight transportation service and other businesses accounted for 73.4%, 20.4% and 6.2% of the Company's 2002 total revenues respectively. Revenues from passenger transportation service and freight transportation service accounted for 78.2% and 21.8% of the Company's 2002 revenues from railway businesses respectively.

Passenger transportation service

In 2002, passenger transportation service continued to be the growth engine of the Company's revenues. The sharp increase in revenues from passenger transportation was due primarily to the full year operation of the Company's Shenzhen-Yueyang and Shenzhen-Beijing long-distance passenger trains and the full implementation of the "As-frequent-as-buses" Train Project between Guangzhou and Shenzhen throughout 2002.

In 2002, the Company operated an average of 99 pairs of passenger trains per day on the Guangzhou-Shenzhen route, of which 7 pairs were the Hong Kong Through-Trains between Guangzhou and Kowloon, 54 pairs were high-speed trains between Guangzhou and Shenzhen, 4 pairs were regular-speed trains between Guangzhou and Shenzhen and 34 pairs were long-distance trains. The total number of passengers increased by 2.4% from 38.842 million in 2001 to 39.776 million in 2002, of which:





- the number of passengers traveling on the Hong Kong Through-Trains increased by 8.4% from 2.047 million in 2001 to 2.219 million in 2002. The continued growth can be mainly attributed to the increased cross-border passenger flows driven by increased holiday travel in China, more relaxed border control for tourists to Hong Kong and Macau and more real estate investments in the Pearl River Delta by Hong Kong residents. In addition, there was an increase in passenger volume on this route because the Dongguan-Hong Kong Through-Train, launched in June 2001 and targeting holiday travelers, operated on all holidays throughout 2002.
- the number of passengers on the Guangzhou-Shenzhen route decreased by 2.9% from 15.333 million in 2001 to 14.886 million in 2002. The increase in the number of high-speed trains (from 52 pairs to 54 pairs a day) and the decrease in the number of regular-speed trains (from 6 pairs to 4 pairs a day) are the main reasons for the decline in passenger volume between intermediary stations on the Guangzhou-Shenzhen route. As the "As-frequent-as buses" Train Project was implemented throughout 2002 and most of the passengers on this route traveled on high-speed trains, the revenue per passenger rose sharply as compared to 2001. Although there was a slight decrease in the passenger volume over 2001 on the Guangzhou-Shenzhen route, the impact of such decrease on the overall revenues generated from passenger transportation on this route was minor.
- In 2002, the number of passengers on long-distance trains increased by 5.6% from 21.462 million in 2001 to 22.670 million in 2002. The major reason for the increase was the Shenzhen-Yueyang and Shenzhen-Beijing long-distance trains that commenced operation in the second half of 2001, operated throughout 2002. Furthermore, the continued expansion of the tourism industry in China also boosted the number of travelers.

Note: Prior to 2002, due to limitations on data collection, the number of passengers for the Guangzhou-Shenzhen route did not include the passengers that traveled between Guangzhou Station (which is owned by Yangcheng Railway Company) and stations on the Guangzhou-Shenzhen route. These passengers were included in the passenger volume for long-distance trains. In 2002, the Company refined its data collection techniques and classification methods and was able to more accurately track and classify passengers traveling by both high-speed trains and regular-speed trains on the Guangzhou-Shenzhen route. However, for the purpose of comparing with 2001's data, the number of passengers for the Guangzhou-Shenzhen route and long-distance trains quoted above was based on the old data classification method. Under the new classification method, the total number of passengers that traveled on the Guangzhou-Shenzhen route in 2002 was approximately 17.345 million, of which 15.724 million were travelers on high-speed trains and 1.621 million were travelers on regular-speed trains. The number of long-distance passengers was 20.212 million. The Company will use the new data collection and classification method for future periods.

The following table sets forth the revenues from passenger transportation business and the volume of passengers for the year ended 31 December, 2002 as compared with that of the same period in the previous year:

	For the year ended 31 December		
	2002	2001	Change (as compared to 2001)
Revenues from passenger transportation (RMB thousands)	1,846,599	1,426,010	29.5%
Total number of passengers (thousand persons)	39,776	38,842	2.4%
Revenue per passenger (RMB)	46.4	36.7	26.4%
Total passenger-kilometres (millions)	3,453.2	3,257.9	6.0%
Revenue per passenger-kilometres (RMB)	0.53	0.44	20.5%

Freight transportation service

In 2002, the Company's freight transportation revenues declined 9.4% from that of 2001. The decline was primarily due to the intense competition from other modes of transportation. Total freight tonnage was 27.583 million tonnes, representing a 4.9% decrease from 29.012 million tonnes in 2001.

- Outbound freight revenues increased by 2.4% from RMB92.083 million in 2001 to RMB94.263 million in 2002. The increase in outbound freight transportation revenues was mainly due to higher transportation volume generated by freight price discounts which maintained the existing and attracted some new freight sources. Furthermore, the Company's enhanced relationships with ports, mines and factories, and strengthened cooperative efforts in directing certain freight from ocean shipment to railway transportation also contributed to the increase in transportation volume. Outbound freight tonnage increased by 7.2% from 6.775 million tonnes in 2001 to 7.266 million tonnes in 2002.
- Inbound and pass-through freight revenues decreased by 8.5% from RMB271.2 million in 2001 to RMB248.1 million in 2002. The decline was mainly caused by the construction of the second track between the Beijing-Jiujiang Line and the national railway re-routing that affected the volume of inbound and pass-through freight transportation. Furthermore, a large number of goods that certain areas in Shenzhen formerly sourced from other provinces in China, are now sourced from outside China. This also caused a reduction in inbound transportation volume. In 2002, the Company's inbound and pass-through freight transportation volume was 20.317 million tonnes, representing a decline of 8.6% from 22.237 million tonnes in 2001.
- Revenues from storage, loading, unloading and other miscellaneous items of freight services decreased by 15.8% from RMB204.0 million in 2001 to RMB171.7 million in 2002. The decrease was mainly due to the drop in freight tonnage, the implementation of freight price discounts and the reduction of storage and loading charges.

Set out below are the revenues from the freight transportation business and the freight volume for the year ended 31 December, 2002 as compared with that of the same period in the previous year:

	For the year ended 31 December		
	2002	2001	Change (as compared to 2001)
Revenues from freight transportation (RMB thousands)	514,036	567,276	(9.4%)
Revenues from outbound freight transportation (RMB thousands)	94,263	92,083	2.4%
Revenues from inbound and pass-through freight transportation (RMB thousands)	248,104	271,211	(8.5%)
Revenues from storage, loading, unloading and other miscellaneous items (RMB thousands)	171,669	203,982	(15.8%)
Total tonnage (thousands of tonnes)	27,583	29,012	(4.9%)
Revenue per tonne (RMB)	18.64	19.55	(4.7%)
Total tonne-kilometres (millions)	1,926.0	2,082.5	(7.5%)
Revenue per tonne-kilometre (RMB)	0.27	0.27	—

Other businesses

Revenues from the Company's other businesses decreased by 2.1% from RMB160.3 million in 2001 to RMB156.9 million in 2002. The decline was due primarily to increased train frequency and higher train speeds that reduced passengers' consumption of food and beverages both on board and in railway stations. In addition, the subway construction outside Shenzhen Station also affected the number of customers dining at the station restaurants.

The table below sets forth the revenues of other businesses of the Company for the year ended 31 December, 2002 as compared with that of the same period in the previous year:

Category of Businesses	2002 (in RMB thousand)	2001 (in RMB thousand)
On-board and station food sales	40,977	51,627
Station services	43,913	41,287
Tourism, advertising and others	72,003	67,392
Total	156,893	160,306

Total Operating Expenses

In 2002, the Company's total operating expenses were RMB1,895.0 million, representing an increase of 18.5% from RMB1,599.5 million in 2001. This was due mainly to the increase in railway operating expenses.

Railway Operating Expenses

The Company's total railway operating expenses increased by 18.8% from RMB1,460.6 million in 2001 to RMB1,735.3 million in 2002. The expense analysis is as follows:

- **Labor and benefits**

In 2002, labor and benefits expenses amounted to RMB373.8 million, representing an increase of 16.6% from RMB320.6 million in 2001. The rise in labor and benefits expenses was mainly due to the increase in the number of employees resulting from the operation of two additional long-distance trains and the more frequent train service on the Guangzhou-Shenzhen route. Moreover, the Company's efforts to link compensation with the employees' performance also increased the overall salary and welfare expenses in 2002 when compared with 2001.

- **Materials and supplies**

Materials and supplies consisted of fuel, water and electricity. In 2002, the Company's materials and supplies expenses amounted to RMB192.1 million, representing an increase of 32.8% from RMB144.7 million in 2001. The higher expenses were mainly caused by the increase in materials consumption resulting from the full year operation of the eight newly operated "Blue Arrow" electric trains (that the Company leased in the second half of 2001) and the two long-distance passenger trains in 2002. The higher frequency of train service on the Guangzhou-Shenzhen route, increased number of pairs of electric trains and the shift to electricity power on some freight trains also added to the materials and supplies expenses.

- **Depreciation**

In 2002, depreciation expenses of fixed assets were RMB335.5 million, representing a 2.0% decrease from RMB342.5 million in 2001. The decrease in depreciation expenses was mainly due to the Company's investment of RMB120.6 million of telecommunication assets and certain related construction-in-progress to China Railcom. The depreciation associated with these assets was no longer reflected on the Company's financial statement afterwards, thus reducing the total depreciation expenses in 2002.

- **Repair expenses**

In 2002, repair expenses amounted to RMB102.4 million, representing an 8.3% increase from RMB94.55 million in 2001. The increase was mainly due to the full year operation of two new long-distance trains that commenced operation in the second half of 2001. Implementation of the "As-frequent-as-buses" Train Project on the Guangzhou-Shenzhen route that led to the full year operation of the Company's electric trains was a major reason for the higher repair expenses as well. In addition, efforts to improve both passenger and freight transportation facilities along the Guangzhou-Shenzhen route also increased repair expenses.

- **Equipment leases and services**

In 2002, expenses on equipment leases and services amounted to RMB433.9 million, representing a 65.4% increase from RMB262.3 million in 2001. The substantial increase of such expenses in 2002 was mainly due to the full year operation of two new long-distance trains (Shenzhen-Yueyang and Shenzhen-Beijing) which significantly increased the expenditures paid to other railway companies for the railway line usage and train hauling expenses. Furthermore, the full year operation of the eight high-speed electric trains leased from Guangzhou Zhong Che Rolling Stock Sales and Leasing Company also increased leasing expenses significantly.

- **Fees for social services**

Fees for social services are expenses that the Company paid for services provided to its employees including health care and education and to its passengers for safety and security. In 2002, fees for social services that the Company paid were RMB57.39 million, representing an increase of 0.4% from RMB57.16 million in 2001. The increase was due primarily to the higher security expenses on the two long-distance passenger trains operated by the Company.

- **General and administrative expenses**

General and administrative expenses in 2002 were RMB123.8 million, representing a decrease of 17.6% from RMB150.2 million in 2001. The decrease was due primarily to the significant drop in provisions for bad debts in 2002. In 2002, the Company improved its receivables collection by gearing up its efforts in managing and clearing accounts receivables. As a result, the accounts receivables dropped significantly.

- **Other expenses**

In 2002, other expenses amounted to RMB101.3 million, representing an increase of 38.2% from RMB73.24 million in 2001. The increase in other expenses was due to the addition of two long-distance trains and the implementation of the "As-frequent-as-buses" Train Project for the Guangzhou-Shenzhen route, which increased various direct costs. Since the Company injected its telecommunication assets into China Railcom, the Company started to pay for telecommunication services provided by China Railcom, which increased the Company's expenses for telecommunication services.

Income tax expense

As the Company was registered and established in the Shenzhen Special Economic Zone, it is subject to income tax at a rate of 15%. According to relevant tax regulations, other businesses of the Company and its subsidiaries are subject to income tax at the rate of either 15% or 33%, depending on the location of incorporation. Taxes payable by the Company and its subsidiaries was RMB104.4 million in 2002, implying an actual tax rate of 15.7%. Income tax expense in 2002 increased by RMB5.03 million over RMB99.37 million in 2001, which was due to the growth of profits before tax.



Profit attributable to shareholders

Profit attributable to shareholders of the Company increased from RMB533.5 million in 2001 to RMB557.1 million in 2002, representing an increase of 4.4%.

4. SOURCES AND USES OF CAPITAL AND FINANCIAL POSITION

The main source of the Company's capital was revenues generated from operations. Cash flows from operating activities increased from RMB886.0 million in 2001 to RMB1,157.2 million in 2002, representing an increase of 30.6%. The capital was mainly used for capital expenditures, operating expenses, tax payments and dividend payments.

As of 31 December, 2002, the Company's total liabilities accounted for 8.9% of its total assets. The Company is fast in recovering cash and has strong ability for payment.

The Company believes it has sufficient capital to support its operations and development.

5. ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

In RMB thousands

	2002	2001	Change
Current assets	2,633,280	2,471,529	161,751
Non-current assets	8,624,314	8,525,687	98,627
Total assets	11,257,594	10,997,216	260,378
Current liabilities	1,001,866	860,976	140,890
Non-current liabilities	—	—	—
Total liabilities	1,001,866	860,976	140,890
Minority interests	11,577	15,617	(4,040)
Net assets	10,244,151	10,120,623	123,528
Shareholders' equity			
Share capital	4,335,550	4,335,550	—
Reserves	5,908,601	5,785,073	123,528
Shareholders' equity in total	10,244,151	10,120,623	123,528

As of 31 December, 2002, total assets of the Company were RMB11,257.6 million, representing an increase of RMB260.4 million from RMB10,997.2 million as of 31 December, 2001.

As of 31 December, 2002, current assets of the company were RMB2,633.3 million, representing an increase of RMB161.8 million from 2001. The increase in current assets was mainly due to the increase in cash and cash equivalents. Cash and cash equivalents as of 31 December, 2002 were RMB1,413.0 million, representing an increase of RMB1,047.5 million from RMB365.5 million as of 31 December, 2001. This was mainly due to the improved cash in-flow which resulted from the revenue growth of the passenger transportation business and the conversion of certain short-term currency investments into cash and cash equivalents as a result of the shortening of term of re-investment upon maturity. At the end of 2002, the Company's short-term currency investments were RMB567.3 million, representing a decrease of RMB809.3 million from RMB1,376.6 million as of 31 December, 2001. The net increase was RMB238.3 million after offsetting the reduction of short-term currency investments with the increase in cash and cash equivalents.

As of 31 December, 2002, non-current assets of the Company were RMB8,624.3 million, representing an increase of RMB98.627 million as compared to that of 2001. The increase in non-current assets was due primarily to the increase in construction-in-progress and available-for-sale investments. By the end of 2002, the book value of construction-in-progress stood at RMB672.8 million, which included mainly the construction of a technical support and maintenance depot for passenger vehicles at the Northern Shenzhen Station and the construction expenses of the multi-purpose building in the Guangzhou area, representing an increase of RMB226.4 million compared to RMB446.4 million at the end of 2001. Available-for-sale investments were RMB166.7 million, representing an increase of RMB134.7 million compared to RMB32.0 million as of the end of 2001. The available-for-sale investments were mainly the additional investments in China Railcom and CRE. The decrease of non-current assets was mainly due to the decline of net fixed assets and reduction of the amortization of the land use rights and deferred staff costs. As of the end of 2002, fixed assets were RMB6,798.3 million, representing a decrease of RMB232.7 million from RMB7,031.0 million at the end of 2001. One reason for the change of net fixed assets was the Company's investment of its telecommunication assets in China Railcom and the provision for depreciation, which caused the decline of net fixed assets; the other was the increase of net fixed assets, which was caused by the newly added fixed assets referred to above. By offsetting the two figures, the net fixed assets decreased by RMB232.7 million. In 2002, the amortization of land use rights was RMB15.13 million and the amortization of deferred staff costs was RMB15.09 million, which also led to the reduction of non-current assets.

As of 31 December, 2002, the Company's total liabilities were RMB1,001.9 million, representing an increase of RMB140.9 million from RMB861.0 million at the end of 2001. The Company's liabilities were all current liabilities. The increase in current liabilities was due primarily to the increase in amounts due to related parties and dividends payable. As of 31 December, 2002, the amounts due to related parties were RMB158.2 million, representing an increase of RMB99.549 million compared to RMB58.650 million as of the end of 2001. The increase consisted mainly of railway line usage fees payable to other railway companies and train hauling fees. Dividends payable stood at RMB90.663 million, representing an increase of RMB77.065 million compared to RMB13.598 million as of the end of 2001.



As of 31 December, 2002, shareholders' equity amounted to RMB10,244.2 million, representing an increase of RMB123.5 million from RMB10,120.6 million as of 31 December, 2001. This is mainly due to an increase in reserves of RMB5,908.6 million in 2002, an increase of RMB123.5 million over that of RMB5,785.1 million at the end of 2001. The increase in reserves was mainly attributable to the net profit of RMB557.1 million, less the dividends of RMB433.6 million declared in 2001.

6. CASH FLOWS

Cash and cash equivalents in 2002 increased by RMB1,047.5 million. The table below sets forth the major items in the consolidated cash flow statements of 2002 and 2001.

* In RMB thousands

Principal items in Cash Flow Statement	2002*	2001*	Increase/ (decrease)*	Changes
Cash flows from operating activities	1,157,177	886,016	271,161	30.6%
Cash flows from investing activities	251,003	(430,425)	681,428	158.3%
Cash flows from financing activities	(360,643)	(420,137)	59,494	(14.2%)
Net cash and cash equivalents in-flow	1,047,537	35,454	1,012,083	—

Cash flows from operating activities

The Company's cash flows from operating activities in 2002 was RMB1,157.2 million, representing an increase of RMB271.2 million from RMB886.0 million in 2001. The cash flow generated from the Company's growing passenger transportation business was the main source for the increase in cash flow from operating activities.

Cash flows from investing activities

In 2002, the Company's cash flows from investing activities was RMB251.0 million, representing an increase of RMB681.4 million from RMB430.4 million which was net cash out-flow in 2001. Cash out-flow mainly included capital expenditures for the purchase of fixed assets and construction-in progress and available-for-sale investments. The net cash in-flow from investing activities in 2002 mainly included decrease in temporary cash investments and interests received. The increase was mainly due to the shortening of the term of re-investment upon maturity of a portion of the short-term investments, thus increasing cash and cash equivalents by approximately RMB 703.2 million.

Cash flows from financing activities

In 2002, cash flows from financing activities was RMB360.6 million, representing a decrease of RMB59.49 million from RMB420.1 million in 2001. It consisted of a dividend payment of RMB356.5 million and distribution to minority shareholders of RMB4.15 million.

7. COMMITMENTS

As of 31 December, 2002, the Company had the following capital and operating lease commitments:

In RMB thousands

	As of 31 December, 2002	As of 31 December, 2001
Operating lease commitments		
— No more than 1 year	108,000	—
— More than 1 year but less than 5 years	291,375	399,375
	399,375	399,375
Capital commitments		
— Authorised and contracted for	10,158	15,640
	10,158	15,640

The above mentioned capital commitments are commitments to purchase 4 DF12 diesel locomotives, totaling approximately RMB10.158 million.

8. FOREIGN EXCHANGE RISK

Under the approval of the PRC foreign exchange authorities, Hong Kong dollar-denominated income from the Hong Kong Through-Trains between Guangzhou and Kowloon may be deposited in PRC banks in foreign currencies and need not to be exchanged into RMB. Before paying dividends to the holders of H Shares and ADSs, the Company may have to convert RMB at the rate set by the People's Bank of China into the relevant foreign currencies. Some of the Company's purchase contracts and equipment leases or contracts for the provision of parts or services, particularly with respect to the high-speed passenger train project, are also payable by the Company in foreign currencies. While the exchange rates used by the Company as set by the People's Bank of China are comparatively stable, in case the foreign exchange reserves of the Company are not sufficient to pay the dividends and the operating expenses, the Company will be subject to foreign exchange risk when RMB is exchanged into the relevant foreign currencies.



The Company's management believes, however, that the contingent exposures relating to foreign exchange rate fluctuations have not, and are unlikely to have a material effect on the Company's financial position. The Company does not enter into any hedging transactions with respect to the Company's exposure to foreign currency movements. Furthermore, the Company is not aware of any effective financial hedging products that serve as protection against possible RMB devaluation.

9. INTEREST RATE RISK

Funds that are not needed for immediate use are placed as temporary cash deposits or time deposits in commercial banks and in the Railway Deposit-taking Center of the MOR. The Company does not hold any market risk-sensitive instruments for trading purposes. As of 31 December, 2002, the Company had no commercial bank loans outstanding. Accordingly, the Company is not exposed to any material interest rate risks.

10. BUSINESS PROSPECTS

The Company plans to implement the following development initiatives in 2003:

1. In order to better accommodate for future transportation volume growth and market competition, and facilitate rapid growth of the Company's core businesses in passenger and freight transportation, the Company will continue to plan for the construction project of the fourth rail line between Guangzhou and Shenzhen.
2. In respect of its passenger transportation business, the Company plans to (1) further increase the service frequency of its Guangzhou-Shenzhen high-speed passenger trains and add more stops at intermediary stations where appropriate to attract more passengers on this route; (2) operate an additional pair of the Hong Kong Through-Trains; (3) further integrate the Company's railway systems with urban public transportation systems so as to expand the Company's service coverage of high speed trains; and (4) continue to improve the Company's passenger transportation service facilities.
3. In respect of freight transportation, the Company plans to (1) conduct freight transportation market studies, focus on business potentials at ports and develop inbound freight transport and unloading business and intensify marketing efforts for freight transportation; (2) enhance cooperation with ports, mines, factories and other corporate entities to maintain the existing and develop new freight transportation business; and (3) gear up the efforts for container freight transportation, better organize the container express train service between Dongguan and Hong Kong, and intensify its efforts to launch a container express train service between Dongguan and Yantian Port.
4. Regarding the use of capital, the Company intends to expand its growth prospects through equity investments, acquisitions and mergers when circumstances allow.

Details of the above plans are set out on page 8 and page 9 of the Chairman's Statement.