



廣深鐵路股份有限公司
Guangshen Railway Company Limited

(Stock Code : 0525)



Interim Report | 2007

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 2007.

Review of Operations

In the first half of 2007, the national railway system implemented the sixth large-scale speed-up and diagram adjustment project while promoting extensive railway construction and technical upgrading. The continuous and rapid growth in the regional economy of Guangdong Province and Hong Kong led to the increasingly close economic and cultural exchanges between the two regions. Thus the passenger and freight transportation market in the service territory has been strong, providing good external environment for the development of the passenger and freight transportation businesses of the Company.

In the period of this announcement, the Company captured the opportunities by promoting the safety, efficiency, technology and harmony of Guangshen Railway, continuously improving the legal person governance structure, vigorously exploring the passenger and freight transportation market and enhancing management. All the work has been going steadily and good operating results were achieved.

In the period of this announcement, the Company finished the acquisition of the railway transportation businesses and related assets and liabilities between Guangzhou and Pingshi with the fund raised from the IPO of A shares, significantly expanding the assets scale, revenue from operation and service territory. The operating distance extended from 152 km to 481.2 km, running vertically through the whole Guangdong Province. The Fourth Rail Line between Guangzhou and Shenzhen (the "Fourth Rail Line") funded by the Company was open on 18th April 2007, leading to a notable increase in the transportation capacity of Guangzhou-Shenzhen Railway. Meanwhile, the company further improved the "As-frequent-as-buses" operation scheme of Guangzhou-Shenzhen intercity passenger trains and the IC Card Ticketing System. The domestically manufactured high-speed electric train sets "Concord" were put into operation in the period of this announcement.

In the first half of 2007, the Company's profit from operations was Renminbi ("RMB") 856.6 million, representing an increase of approximately 87.3% from RMB457.3 million in the same period last year. Profit attributable to equity holders of the Company was RMB745.8 million, representing an increase of 97.5% from RMB377.5 million in the same period of 2006.

Management's Discussion and Analysis

Total revenues from operations

In the first half of 2007, the Company's total revenue from operations was RMB4,612.8 million, representing an increase of approximately 165.1% from RMB1,739.8 million in the same period last year. Revenues from passenger transportation were RMB3,903.5 million and revenues from freight transportation were RMB650.6 million, representing approximately 84.6% and 14.1% of the Company's total revenue from operations, respectively, and approximately 85.7% and 14.3% of the total revenue generated from the Company's railroad business, respectively. Revenues from other businesses were RMB58.6 million, representing approximately 1.3% of the Company's total revenue from operations.

Passenger transportation business

Passenger transportation is the principal business segment of the Company. As of 30th June 2007, the Company operated 196 pairs of passenger trains in accordance with its daily train schedule, representing an increase of 73 pairs from the number in operation at the end of 2006. These passenger trains included 80 pairs of high-speed trains between Guangzhou and Shenzhen, representing an increase of 13 pairs from the number in operation at the end of 2006; 99 pairs of long-distance trains, representing an increase of 58 pairs; four pairs of regular-speed trains between Guangzhou and Shenzhen, representing an increase of two pairs; and 13 pairs of Hong Kong through-trains.

In the first half of 2007, the Company's total volume of passengers dispatched was 35.008 million, representing an increase of approximately 92.2% from 18.217 million in the first half of 2006. The total volume of passengers dispatched of the Guangzhou-Shenzhen trains was 10.129 million in the first half of 2007, representing a decrease of approximately 9.4% from 11.181 million in the same period last year; the total volume of passengers dispatched of the Hong Kong through-trains was 1.505 million, representing a decrease of approximately 0.9% from 1.519 million in the same period of 2006; and the total volume of passengers dispatched of long-distance passenger trains was 23.374 million, representing an increase of approximately 323.7% when compared with 5.517 million in the same period last year.

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Revenues from passenger transportation business in the first half of 2007 were RMB3,903.5 million, representing an increase of approximately 171.8% from RMB1,435.9 million in the same period last year. Revenues from Guangzhou-Shenzhen trains were RMB596.9 million, representing a decrease of approximately 10.6% from RMB668.0 million in the same period last year; revenues from Hong Kong through-trains were RMB207.1 million, representing a decrease of approximately 5.2% from RMB218.4 million in the same period last year; and revenues from long-distance trains were RMB3,099.5 million, representing an increase of approximately 464.0% from RMB549.5 million in the same period last year.

In the first half of 2007, the revenues from and passenger volumes of Guangzhou-Shenzhen trains and Hong Kong through-trains decreased to varying degrees due to the extensive construction of the Fourth Rail Line, thus the increases in revenues from passenger transportation and the passenger volume were attributable principally to long-distance trains. The reasons for the increases in the long-distance passenger transportation business were: (1) the incorporation of the long-distance passenger transportation business of Guangzhou-Pingshi Railway after the acquisition of the railway transportation businesses and related assets and liabilities between Guangzhou and Pingshi in the period of this announcement; (2) the Shenzhen-Shanghai trains, which commenced operation on 15th January 2006 and are staffed by the Company, were in operation half a month longer than the same period last year; furthermore, the trains have been fixed as express trains in stead of temporary trains since 18th April 2007, and first-class air-conditioning fares were reapplied to the trains, leading to a substantial increase in revenue from these trains.

The following table sets forth the revenues from passenger transportation and the volume of passengers dispatched from 1st January 2007 to 30th June 2007 as compared to the same period of 2006:

	Sixth months ended 30th June		Increase/ (decrease) as compared to 2006
	2007	2006	
Revenues from passenger transportation (<i>RMB thousands</i>)	3,903,512	1,435,946	171.8%
Guangzhou-Shenzhen trains	596,929	668,024	(10.6%)
Hong Kong through-trains	207,124	218,419	(5.2%)
Long-distance trains	3,099,459	549,503	464.0%
Total volume of passengers dispatched (<i>thousand persons</i>)	35,008	18,217	92.2%
Guangzhou-Shenzhen trains	10,129	11,181	(9.4%)
Hong Kong through-trains	1,505	1,519	(0.9%)
Long-distance trains	23,374	5,517	323.7%
Revenue per passenger (<i>RMB</i>)	111.50	78.82	41.5%
Guangzhou-Shenzhen trains	58.93	59.75	(1.4%)
Hong Kong through-trains	137.62	143.79	(4.3%)
Long-distance trains	132.60	99.60	33.1%
Total passenger-kilometers (<i>millions</i>)	13,849.5	2464.2	462.0%
Revenue per passenger-kilometer (<i>RMB</i>)	0.28	0.58	(51.7%)

Freight transportation business

Freight transportation is an important business segment of the Company. In the first half of 2007, the total freight tonnage transported by the Company was 31.740 million tonnes, representing an increase of approximately 125.6% from 14.072 million tonnes in the same period of 2006. Outbound freight tonnage was 9.093 million tonnes, representing an increase of approximately 146.6% from 3.688 million tonnes in the same period last year; and inbound freight tonnage was 22.647 million tonnes, representing an increase of approximately 118.1% from 10.384 million tonnes in the same period last year.

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Revenues generated from the Company's freight transportation in the first half of 2007 were RMB650.6 million, representing an increase of approximately 174.8% from RMB236.8 million in the first half of 2006. Outbound freight revenues were RMB72.4 million, representing an increase of approximately 54.6% from RMB46.8 million in the same period of 2006; inbound and pass-through freight revenues were RMB516.3 million, representing an increase of approximately 261.7% from RMB142.8 million in the same period last year; and revenues from storage, loading and unloading and other miscellaneous items were RMB62.0 million, representing an increase of approximately 31.4% from RMB47.2 million in the same period last year.

The increase in the Company's total freight tonnage and total freight transportation revenues was mainly due to the incorporation of the freight transportation business of Guangzhou-Pingshi Railway after the acquisition of the railway transportation businesses and related assets and liabilities between Guangzhou and Pingshi in the period of this announcement.

The following table sets forth the revenues generated from freight transportation and volume of freight transportation from 1st January 2007 to 30th June 2007 as compared to the same period in 2006:

	Six months ended 30th June		Increase/ (decrease) as compared to 2006
	2007	2006	
Revenues from freight transportation (<i>RMB thousands</i>)	650,641	236,768	174.8%
Revenues from outbound freight	72,383	46,826	54.6%
Revenues from inbound and pass-through freight	516,267	142,753	261.7%
Revenues from storage, loading and unloading and others miscellaneous items	61,991	47,189	31.4%
Total tonnage (<i>thousand tonnes</i>)	31,740	14,072	125.6%
Outbound freight tonnage	9,093	3,688	146.6%
Inbound and pass-through freight tonnage	22,647	10,384	118.1%
Revenue per tonne (<i>RMB</i>)	20.50	16.83	21.8%
Total tonne-kilometers (<i>millions</i>)	6,777.1	1,023.6	562.1%
Revenue per tonne-kilometer (<i>RMB</i>)	0.10	0.23	(56.5%)

Other businesses

In the first half of 2007, revenues from other businesses of the Company including on-board and in-station sales of goods and food decreased by approximately 12.5% to RMB58.6 million from RMB67.0 million in the same period of 2006.

Operating Expenses of the Railroad Businesses

Operating expenses of the Company's railroad businesses in the first half of 2007 were RMB3,756.0 million, representing an increase of approximately 205.1% from RMB1,231.2 million in the first half of 2006. The increase in railway operating expenses was primarily attributable to the incorporation of the passenger and freight transportation businesses of Guangzhou-Pingshi Railway after the acquisition of the railway transportation businesses and related assets and liabilities between Guangzhou and Pingshi in the period of this announcement.

Liquidity and Financial Sources

During the first half of 2007, the main source of the Company's capital was its operation revenues. Such capital was used primarily for capital and operational expenditures and payment of taxes.

As of 30th June 2007, the Company's liabilities-to-assets ratio was 22.9%.

The Company believes that it has sufficient working capital to support its operations and developments.

Prospects

Looking into the future, China's economy will keep stable growth. With the deepening of China's railway reform and development, accelerated cooperation of regional economies in the "Pan Pearl River Delta" and the further implementation of the CEPA between Mainland China and Hong Kong, the Company will face favorable opportunities for its operations and developments. The Company believes that its overall transportation businesses will maintain a growth trend in the second half of 2007.

The Company has finalized the acquisition of the railway transportation businesses and related assets and liabilities between Guangzhou and Pingshi. The operation of the Company has expanded from a regional railway to national trunk line networks. The operating distance extended from 152 kilometers to 481.2 kilometers. The service territory of the passenger and freight transportation businesses, the operating scale and room for the development of passenger and freight transportation businesses are all significantly enlarged. The Company will take full advantage of the opportunities arising from the acquisition by optimizing and consolidating the railway transportation resources and making the most of scale economy effect through scientific management to promote the competitive capacity and overall performance of the Company.

Upon commencement of operation of the Fourth Rail Line on 18th April 2007, the Guangzhou-Shenzhen Railway has become the first wholly closed four-line railway in China that allows the high-speed trains and regular speed trains, passenger trains and freight trains to run on separate lines. The opening of the Fourth Rail Line will greatly alleviate the pressure on the lines between Guangzhou and Shenzhen and quickly improve the transportation capacity of the Company. The Company will further improve the efficiency of its rail lines through operating more long-distance passenger trains at the right time while increasing the frequency of inter-city trains between Guangzhou and Shenzhen.

In relation to its passenger transportation business, the Company will continue with its improvement of the "As-frequent-as-buses" Train Project of Guangzhou-Shenzhen high-speed passenger trains and its computerized ticketing system. The Company will improve the punctuality of trains and the quality of passenger service with the operation of the domestically manufactured electric train sets "Concord" with a speed of up to 200 kilometers per hour to strengthen its capacity in the delivery of "safety, speed, comfort and quality" in transport services.

In relation to its freight transportation business, the Company will accelerate the growth of its freight transportation business by continuously promoting its marketing efforts, improving the allocation and organization of freight trains, operating more freight through trains and rationalizing the distribution of transportation resources.

Final Dividend of 2006

A resolution approving the distribution of a dividend of RMB0.08 (inclusive of tax) per share to the shareholders of the Company was passed at the annual general meeting of the Company for the year 2006 held on 28th June 2007. The dividend was distributed to the Company's shareholders on 27th July 2007.

Interim Dividend

The Board of Directors has decided not to declare any interim dividend for the six months ended 30th June 2007.

Changes to Directors, Supervisors and Senior Management

On 28th July 2007, resolutions were passed at the annual general meeting of the Company to terminate the engagement of Mr. Wu Juguang as a director of the fourth session of the Board and appoint Mr. He Yuhua as a director of the fourth session of the Board of the Company. At the 19th meeting of the fourth session of the Board held on the same date, Mr. He Yuhua was elected as the Chairman of the Board of the Company.

Employees, Employee Payment Policy and Training Plans

As of 30th June 2007, the Company had a total of 32,808 employees, representing an increase of 23,397 persons from that of 31st December 2006. The increase was mainly due to the incorporation of the staff of Guangzhou-Pingshi Railway after the acquisition of the railway transportation businesses and related assets and liabilities between Guangzhou and Pingshi in the period of this announcement.

The Company's salary policy is closely linked with economic efficiency, labour efficiency and individual performance. The total amount of employees' salaries is closely related to the operating results of the Company and the distribution of employees' salaries is based on their post score and performance reviews. The basic salary of an employee is determined on the basis of the evaluation of basic labor factors such as labor skills, labor responsibilities, labor intensity and labor conditions, etc, and the actual labor remuneration is calculated on the basis of technical competence and vocational level of the employee and the evaluation of the quantity and quality of the actual labor input. In the first half of 2007, the Company paid approximately RMB754.0 million for salaries and benefits.

Pursuant to applicable state policies and regulations, the Company provides the employees with a set of statutory funds and benefits as listed below:

Employee Benefits	Employees residing in Guangzhou area or along the Guangzhou-Shenzhen route	Employees residing in Shenzhen
Housing Fund	7%	13%
Retirement Insurance	18%	18%
Supplemental Retirement Insurance	5%	5%
Basic Medical Insurance	8%	6%
Supplemental Medical Insurance	1%	0.5%
Child-bearing Medical Insurance	0.4%	0.5%
Other Welfare Contributions	6%	8%

In the first half of 2007, the Company provided 57,700 employees with relevant training, including post standardization, training on adaptability and measures under emergency, etc. The Company provided most of these training courses but also engaged certain external experts for training purposes. The Company has completed 50% of its full-year training plans in the first half of this year and training expenses totaled RMB5.43 million approximately.

Deferred Staff Costs in Relation to the Differences between the Selling Prices and Costs of Employees' Housing

The Company constructed and purchased new residential properties for its employees to improve their living conditions. Under a housing benefit scheme, the Company sold these residential properties to its employees at prices approved by the government. The unabsorbed losses arising from the difference between the then net book value and the proceeds from the sales of staff quarters to the employees amounted to approximately RMB226.4 million as of 30th June 2007. Pursuant to the prevailing policies of the Ministry of Finance, the difference between the two amounts should be credited to retained earnings in the PRC statutory accounts as of 1st January 2001, or in case of a debit balance, to offset against the statutory public welfare fund, statutory surplus reserve, discretionary surplus reserve and capital surplus reserve maintained by the Group upon the approval of the Board of Directors. Such treatment conforms with the PRC accounting principles and regulations applicable to the Company and its subsidiaries.

In the financial statements of the Company as of 30th June 2007 prepared in accordance with International Financial Reporting Standards, the Company accounted for such losses as losses arising from the sale of completed staff quarters to employees, or from the sale of premises to employees under construction whom are expected to render could be future services to the Group, totaling approximately RMB226.4 million. Such losses have been deferred as deferred staff costs and are amortized on a straight-line basis using an estimated average remaining employee service period of 15 years, determined at the time of when such sales occurred. During the period from 1st January 2007 to 30th June 2007, the amortization of such deferred staff costs charged to general and administrative expenses of the consolidated income statement amounted to approximately RMB7.39 million and the accumulated amortization amounted to RMB113.0 million.

As of 30th June 2007, the unamortized deferred losses, which were recorded as deferred staff costs on the balance sheet of the Company and its subsidiaries, amounted to RMB156.9 million.

Capital Structure

No change occurred to the Company's share capital structure during the reporting period. The Company's capital structure as of 30th June 2007 was as follows:

Class of share capital	Number of share capital ('000)	Percentage of shares (%)
A shares with restrictions on sales	3,835,094	54.14
A shares without restrictions on sales	1,817,143	25.65
H Shares outstanding	1,431,300	20.21
Total	7,083,537	100.00

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Shareholders

As of 31st December 2007, according to the stock ledgers provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch and Hong Kong Registrars Limited, the total number of shareholders, the top ten shareholders and the top ten shareholders holding shares without restrictions on sales were as follows:

Total number of shareholders

The total number of shareholders is 428,538, among which 428,195 holding A shares and 343 holding H shares.

Top ten shareholders

Name of shareholder	Nature of shareholder	Ownership percentage	Total number of shares held	Number of shares with restrictions on sales held	Number of shares in pledge or frozen
1. Guangzhou Railway (Group) Company	State-owned	41.00%	2,904,250,000	2,904,250,000	none
2. HKSCC NOMINEES LIMITED (note 1)	Foreign-founded	19.77%	1,400,290,664	0	unknown
3. China Life Insurance Company Limited — Traditional-Ordinary insurance products-005L-CT001Shanghai (note 2)		1.21%	85,787,000	79,787,000	unknown
4. Tai Kang Life-universal-Individual (note 2)		1.13%	79,787,000	79,787,000	unknown
5. CPIC Life-Dividend-Individual dividend (note 2)		1.13%	79,787,000	79,787,000	unknown
6. China National Machinery Industry (note 2)		0.94%	66,489,000	66,489,000	unknown
7. Taiyuan Iron & Steel (Group) Company Ltd. (note 2)		0.94%	66,489,000	66,489,000	unknown
8. Baosteel Group Company Ltd. (note 2)		0.84%	59,191,000	53,191,000	unknown
9. New China Life-universal-exultant financing-018L -WN001Shanghai (note 2)		0.75%	53,191,400	53,191,400	unknown
10. CNOOC (note 2)		0.75%	53,191,000	53,191,000	unknown

Top ten shareholders holding shares without restrictions on sales

Name	Number of shares without restrictions on sales	Class of shares
1. HKSCC NOMINEES LIMITED (note 1)	1,400,290,664	H Shares
2. ICBC — Yifangda value growing mixed security investment fund	28,714,778	A Shares
3. China Life Insurance (Group) Company-Traditional-Ordinary insurance products	21,374,750	A Shares
4. China Life Insurance Company Limited -Dividend-Groupdividend-005L-FH001Shanghai	19,374,750	A Shares
5. China Life Insurance Company Limited-Dividend-Individual dividend-005L-FH002Shanghai	19,374,750	A Shares
6. CCB — Boshiyufu security investment fund	14,052,575	A Shares
7. China Everbright Bank — 招商安本增利債券型證券投資基金	7,996,400	A Shares
8. Jingfu Security Investment Fund	7,135,100	A Shares
9. CNGC North Industries Group Finance Company Ltd.	6,689,932	A Shares
10. Tai Kang Life-Traditional-Ordinary insurance products — 019L — CT001Shanghai	6,500,000	A Shares

Statement regarding connectedness or unanimity of the above shareholders

No. 3 of the top ten shareholders and No.4, No. 5 of the top ten shareholders without restrictions on sales are insurance products operated by China Life Insurance Company Limited. The Company is unaware whether the top ten shareholders are connected or unanimous as defined in Regulations on the Takeover of Listed Companies.

Note 1: The H Shares held by HKSCC NOMINEES LIMITED is held on behalf of various customers.

Note 2: They are all the Company's Strategic Investors, whose shares with restrictions on sales has been locked for twelve months since the Company's A Shares listing on 22nd December 2006.

So far as the Directors, Supervisors and other senior management are aware, as at 30th June 2007, the interests and short positions of the persons, other than Directors, Supervisors and other senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) were as follows:

Name of shareholders	Class of share	Number of shares held	Capacity	Type of interests	Percentage of class of shares	Percentage of total share capital
Sumitomo Life Insurance Company (note)	H share	86,838,000 (L)	Controlled corporation interest	Corporate	6.07%	1.23%
Sumitomo Mitsui Asset Management Company, Limited	H share	86,838,000 (L)	Investment manager	Corporate	6.07%	1.23%
Baring Asset Management Limited	H share	76,058,000 (L)	Investment manager	Corporate	5.31%	1.07%

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Note: As at 30th June 2007, Sumitomo Life Insurance Company was deemed to be interested in 86,838,000 H Shares (representing 6.07% of the total H Shares of the Company or 1.23% of the total share capital of the Company) held by Sumitomo Mitsui Asset Management Company, Limited, a controlled corporation of Sumitomo Life Insurance Company.

The letter "L" denotes a long position.

Public Float

As at 30th June 2007, at least 25% of the Company's total issued share capital was held by the public. The Company is therefore in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") with regard to the sufficiency of the public float.

Interests of Directors, Supervisors and Other Senior Management in the Share Capital of the Company

As of 30th June 2007, there was no record of interests and short positions (including the interests and short positions which were taken or deemed to have been taken under the provisions of the Securities and Futures Ordinance) of the directors or supervisors of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance) in the register required to be kept under section 352 of the Securities and Futures Ordinance. The Company had not received notification of such interests and short positions from any director or supervisor of the Company as required to be made to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules. The Company has not granted to any of the Company's directors or supervisors or their spouses or children under the age of 18 any right to subscribe for any shares or debentures of the Company.

Purchase, Sale or Redemption of H Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's H shares during this reporting period.

Pre-Emptive Rights

There is no provision regarding pre-emptive right under the Articles of Association and the laws of the PRC.

Impact of Economic Policies on the Company

The policies on adjustment of the national economic structure and policies relating to import and export activities have affected the composition of the Company's railway freight and freight pricing policies. Save as disclosed, the Company is not aware of any other governmental policies that are likely to have an impact on the Company's business and financial position.

Taxation Policy

As the Company is located in the Shenzhen Special Economic Zone, it enjoys a preferential income tax rate of 15%. According to relevant tax regulations, the subsidiaries of the Company are subject to income tax at the rate of 15% or 33%, depending on the location of incorporation.

Entrusted Deposits

As of 30th June 2007, the Company did not have any entrusted deposits with any financial institutions in China.

Bank Borrowings

As at 30th June 2007, the Company had bank borrowings of RMB2,750.0 million. In details, new added bank borrowings in the first half of 2007 were RMB 890.0 million:

On 6th February 2007, the Company entered into "Loan Agreement" with Shenzhen Commercial Bank Renminlu Sub-branch with respect to the provision of a fixed assets loan of RMB300 million by Shenzhen Commercial Bank Renminlu Sub-branch to the Company for the construction of the Fourth Rail Line. The term of the borrowing is five years and the rate of interest is 5.832% in the first year and is 10% lower than the official rate of interest for the relevant grade in the following years.

On 27th February 2007, the Company entered into "RMB Loan Agreement" with China Construction Bank Co., Ltd Shenzhen Branch with respect to the provision of a fixed assets loan of RMB300 million by China Construction Bank Co., Ltd Shenzhen Branch to the Company for the technical transformation and capacity expansion project of the Guangzhou-Shenzhen line. The term of the borrowing is five years from 27th February 2007 to 26th February 2012. The rate of interest is 10% lower than the official rate for the relevant grade of the year and adjusts per month since the value date.

Potential Impairment Loss in an Associate

As of 30th June 2007, the Company's investment interest in an associated company, Guangzhou Tiecheng Enterprise Company Limited ("Tiecheng"), amounted to approximately RMB140 million (at cost). In 1996, Tiecheng and a Hong Kong incorporated company jointly established Guangzhou Guantian Real Estate Company Limited ("Guangzhou Guantian"), a sino-foreign cooperative joint venture, to develop certain properties near a railway station operated by the Company.

On 27th October 2000, Guangzhou Guantian together with Guangzhou Guanhua Real Estate Company Limited ("Guangzhou Guanhua") and Guangzhou Guanyi Real Estate Company Limited ("Guangzhou Guanyi") agreed to act as joint guarantors of certain debts of Guangzhou Guancheng Real Estate Company Limited ("Guangzhou Guancheng") to an independent third party. Guangzhou Guantian, Guangzhou Guanhua, Guangzhou Guanyi and Guangzhou Guancheng were related companies with a common chairman. As Guangzhou Guancheng failed to repay the debts, according to a court judgment on 4th November 2001, Guangzhou Guantian, Guangzhou Guanhua and Guangzhou Guanyi were liable to the independent third party for an amount of approximately RMB257 million together with any accrued interest. As such, if Guangzhou Guantian was held responsible for the guarantee, the Company may need to make provision for impairment on its interest in Tiecheng.

On 15th December 2003, the Higher People's Court of Guangdong Province ("the Court") accepted Guangzhou Guantian's re-trial application for discharging the aforesaid guarantee. In December 2003, the Court delivered a civil case judgement in which it was ruled that proceedings regarding this case shall be terminated. As a necessary procedure for the Court to decide whether to grant a re-trial, a hearing was held on 18th March 2004. In December 2005, the Court commenced procedures for re-trial. The Court reheard the case on 14th November 2006 and 25th December 2006, respectively. Up to the date of this announcement, the Court has not yet delivered any judgment as the necessary procedures have not been completed. However, having consulted an independent lawyer, the Directors are of the opinion that the guarantee arrangement would be determined invalid according to the relevant PRC rules and regulations. Accordingly, the Directors consider that as of the date of this announcement, the likelihood of Guangzhou Guantian, a subsidiary of Tiecheng, having to settle the above claim is remote and no impairment provision for the interest in Tiecheng was made in the accounts. To avoid the possible loss resulting from the litigation, the Company has obtained a letter of undertaking issued by Guangzhou Railway (Group) Company. It undertook to resolve the issue or to take up the liabilities so that the investment interest of the Company in Tiecheng will not be affected by the litigation.

Foreign Exchange Risk and Hedging

The Company currently holds a certain amount of United States dollars ("USD") and Hong Kong dollars ("HKD") deposits. It also earns revenues in HKD from its railway transportation businesses. Dividends to the shareholders of H shares and ADSs are paid in foreign currencies. The Company also pays foreign currencies for the purchase of equipment from abroad and overseas agency services. If there are changes in our foreign currency deposits, the mode of payment or relatively strong fluctuations in the exchange rate of RMB to the relative foreign currencies, the operating results of the Company will be affected.

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. In order to finance the construction of infrastructure and large asset purchases, the Company has obtained loans with commercial banks. If there are relatively strong fluctuations in the rates of interest for the relevant deposits or loans, the operating results of the Company will be affected. Details of the loans of the Company in the first half of 2007 are set out in "Bank Borrowings" above.

Charge on Assets and Guarantee

As of 30th June 2007, the Company had not charged any of its assets and had not provided any guarantees.

Material litigation

As of 30th June 2007, the Company and its subsidiaries were not involved in any material litigation except for the "Potential impairment loss in an associate" of above.

Acquisition of operating Asset of railways between guangzhou and pingshi

On 26th June 2007, Deloitte Touche Tohmatsu CPA Limited was appointed by the Company completed a specific audit to the assets and liabilities of railway transportation business between Guangzhou and Pingshi formerly belonged to Yangcheng Railway Enterprise Development Company relating to the acquisition and finally confirmed that the consideration of acquisition was RMB10,138,581,948. The Company has paid RMB5,265,250,000 on 28th December 2007 and paid the remaining RMB4,873,331,948 on 29th June 2007.

Material Acquisition or Disposal

Except for the above material asset acquisition, as of 30th June 2007, the Company had not made any other material acquisition or disposal.

Connected Transactions

The Company completed the acquisition of railway transportation business between Guangzhou and Pingshi and the relevant assets and liabilities, during the period of this report, however, the Comprehensive Service Agreement and Land Lease Agreement signed by the Company and Guangzhou Railway (Group) Company ("GRGC") on 15th November 2004 and the Comprehensive Service Agreement signed by the Company and Yangcheng Railway Enterprise Development Company on 15th November 2004 took effect in the period of this announcement according to the promissory conditions. The details of three agreements above were set out in the Company's announcement on 16th November 2004 and the Circular to shareholders issued on 31st December 2004.

On 28th June 2007, the Company held the first extraordinary general meeting and approved a resolution of complementary agreement of the Comprehensive Service Agreement signed by the Company and Guangshen Railway Enterprise Development Company. Under the conditions of the complementary agreement, the limit of trade amount between the Company and Guangshen Railway Enterprise Development Company increased by RMB139.70 million and period of validity was changed to 31st December 2007.

For the requirement of the construction of the fourth rail line between Guangzhou and Shenzhen, the Company entered three demolition compensation agreements with Guangshen Railway Enterprise Development Company ("GREDC") on 20th June 2007. The total consideration of these three agreements was RMB61,073,700. The Company also entered four demolition compensation agreements with several enterprises controlled by GREDC within twelve months before 20th June 2007, of which the total consideration was RMB4,083,605. The company accounts these demolition compensation agreements synthetically and regards and treats them as a deal. The details of these demolition compensation agreements are set out in the announcement issued by the Company on 21st June 2007.

Save for the above material acquisition agreements, continuing connected transactions and a series of demolition compensation agreement, as of 30th June 2007, the Company's connected transactions in relation to railway transport were carried out on normal terms according to the conditions and waiver granted by the Hong Kong Stock Exchange and according to the contracts entered into by the contracting parties.

Audit Committee

The Audit Committee consists of three independent non-executive directors of the Company. Its main duties include review and supervision of the financial reporting process and internal controls of the Company. The unaudited interim financial statements for the six months ended 30th June 2007 have been reviewed by the Audit Committee.

Undertaking Issues

As of 31st December 2007, Guangzhou Railway (Group) Company had observed its undertaking of locking up the shares of the Company for 36 months since 22nd December 2006.

Corporate Governance

The Company is committed to high standards of corporate governance. To the best knowledge of the Company and its directors, the Company has complied throughout the accounting period covered by this interim report and the Company's interim results announcement with the applicable code provisions set out in the Code on Corporate Governance Practice ("Corporate Governance Code") contained in Appendix 14 of the Listing Rules.

The Company has appointed external consultants to inspect its internal control over financial reporting according to the regulations of Sarbanes-Oxley Act promulgated by United States in 2002. The result of the inspection was set out in the Company's announcement on 28th June 2007. The management of the Company shall continue to take measures to maintain effective internal control over financial reporting under the supervision and guidance of the Audit Committee and the Board of the Company.

The Company also appraised its corporate governance according to the "Notice of Affairs about Special Activities of Implementing Supervision on Listed Companies" (《關於開展上市公司治理專項活動有關事項的通知》) promulgated by China Securities Regulatory Committee and the "Notice of Affairs about Special Activities of Implementing Supervision on Listed Companies in Shenzhen" (《關於做好深圳轄區上市公司治理專項活動有關工作的通知》) promulgated by China Securities Regulatory Committee Shenzhen Bureau. The results of the appraisal and improving projects were set out in the Company's announcement on 28th June 2007.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") as contained in Appendix 10 of Listing Rules.

The Company has made special enquiry with all directors. All directors have confirmed that they complied with the required standard set out in the Model Code during the six months ended 30th June 2007.

Documents Available for Inspection

The full text of the Interim Report signed by the Chairman and Financial Statements are available for inspection at No. 1052 Heping Road, Shenzhen, the People's Republic of China, as well as website <http://www.hkex.com.hk> of Hong Kong Exchange or <http://www.gsrc.com> of the Company.

On behalf of the Board of Directors

He Yuhua

Chairman of the Board of Directors

Shenzhen, China, 28th August 2007

Guangshen Railway Company Limited

Interim Results

The Board of Directors of Guangshen Railway Company Limited (the "Company") hereby presents the unaudited interim operating results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2007 prepared under international Financial Reporting Standards ("IFRS").

Condensed Consolidated Interim Balance Sheet

As of 30th June 2007

	Note	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
ASSETS			
Non-current assets			
Fixed assets	7	21,662,231	11,043,634
Prepayment for fixed assets		573,816	411,476
Leasehold land payments		617,617	625,628
Prepayment and deferred acquisition costs relating to a business combination		—	5,296,593
Goodwill	5	281,254	—
Long-term receivables		53,098	—
Interests in associates	8	93,978	92,834
Available-for-sale investments		46,608	46,108
Deferred tax assets		376,829	190,843
Deferred staff costs		156,872	120,730
		23,862,303	17,827,846
Current assets			
Materials and supplies, at cost		149,746	66,967
Trade receivables, net	9	99,684	62,869
Due from related parties		70,204	31,757
Prepayments and other receivables, net		78,523	98,636
Restricted cash		263,260	233,474
Short-term deposits		—	169,739
Cash and cash equivalents		2,059,009	5,851,831
		2,720,426	6,515,273
Total assets		26,582,729	24,343,119

Guangshen Railway Company Limited

	Note	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	7,083,537	7,083,537
Reserves		13,354,759	13,085,471
		20,438,296	20,169,008
Minority interest		50,347	50,922
Total equity		20,488,643	20,219,930
LIABILITIES			
Non-current liabilities			
Borrowings	11	2,750,000	1,860,000
Retirement benefit obligations	12	342,723	16,917
Deferred tax liabilities		35,754	9,802
		3,128,477	1,886,719
Current liabilities			
Trade payables	13	339,101	240,334
Payables for construction-in-progress		521,502	1,004,750
Due to related parties		1,037,651	220,915
Dividends payable		566,751	74
Taxes payable		56,839	127,282
Accruals and other payables		443,765	643,115
		2,965,609	2,236,470
Total liabilities		6,094,086	4,123,189
Total equity and liabilities		26,582,729	24,343,119
Net current (liabilities)/assets		(245,183)	4,278,803
Total assets less current liabilities		23,617,120	22,106,649

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

Guangshen Railway Company Limited

Condensed Consolidated Interim Income Statement

For the six months ended 30th June 2007

	Note	For the six months ended 30th June	
		2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited) (Note 4)
Revenues from railroad businesses			
Passenger		3,903,512	1,435,946
Freight		650,641	236,768
		4,554,153	1,672,714
Revenues from other businesses		58,636	67,042
Total revenues		4,612,789	1,739,756
Operating expenses			
Railroad businesses		(3,756,004)	(1,231,212)
Other businesses		(49,268)	(73,323)
Total operating expenses		(3,805,272)	(1,304,535)
Other income, net		49,112	22,058
Profit from operations		856,629	457,279
Finance costs		(9,700)	(7,266)
Share of results of associates after tax		(1,558)	(1,891)
Profit before income tax	11	845,371	448,122
Income tax expense	12	(100,144)	(70,414)
Profit for the year		745,227	377,708
Attributable to:			
Equity holders of the Company		745,802	377,531
Minority interests		(575)	177
		745,227	377,708
Earnings per share for profit attributable to the equity holders of the Company during the year			
— Basic and diluted	14	RMB0.105	RMB0.087
Dividend		—	—

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

Guangshen Railway Company Limited

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

For the six months ended 30th June 2007

Note	Share capital RMB'000 (unaudited)	Share Premium RMB'000 (unaudited)	Reserves			Subtotal RMB'000 (unaudited)	Minority interest RMB'000 (unaudited)	Total RMB'000 (unaudited)
			Share Issuance costs RMB'000 (unaudited)	Surplus reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)			
Balance at 31st December 2006	7,083,537	10,202,469	—	1,614,717	1,268,285	13,085,471	50,922	20,219,930
Adjustment to deferred tax arising from change of income tax rate	14	90,169	—	—	—	90,169	—	90,169
Profit attributable to shareholders	—	—	—	—	745,802	745,802	(575)	745,227
Appropriation from retained earnings	—	—	—	42	(42)	—	—	—
Dividends	16	—	—	—	(566,683)	(566,683)	—	(566,683)
Balances at 30th June 2007	7,083,537	10,292,638	—	1,614,759	1,447,362	13,354,759	50,347	20,488,643
Balance at 31st December 2005, restated	4,335,550	2,855,778	(27,007)	1,543,071	1,088,684	5,460,526	48,757	9,844,833
Originally reported	4,335,550	4,124,135	(27,007)	1,543,071	708,310	6,348,509	48,757	10,732,816
Effects of changes in accounting policy	4	(1,268,357)	—	—	380,374	(887,983)	—	(887,983)
Profit attributable to shareholders, restated	—	—	—	—	377,531	377,531	177	377,708
Originally reported	—	—	—	—	361,851	361,851	177	362,028
Effects of changes in accounting policy	4	—	—	—	15,680	15,680	—	15,680
Disposal of equity interest in a subsidiary to minority shareholders	—	—	—	—	—	—	4,660	4,660
Dividends	—	—	—	—	(520,266)	(520,266)	—	(520,266)
Balances at 30th June 2006, restated	4,335,550	2,855,778	(27,007)	1,543,071	945,949	5,317,791	53,594	9,706,935

The accompanying notes form an integral part of the condensed consolidated interim financial statements.

Guangshen Railway Company Limited

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30th June 2007

	For the six months ended 30th June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Net cash from operating activities	1,710,521	416,903
Net cash used in investing activities	(6,032,432)	(1,133,316)
Net cash from financing activities	529,089	28,074
Net decrease in cash and cash equivalents	(3,792,822)	(688,339)
Cash and cash equivalents at beginning of period	5,851,831	1,112,128
Cash and cash equivalents at end of period	2,059,009	423,789

1. General information

Guangshen Railway Company Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") on 6th March 1996. With effective from that date, the Company assumed the business operation of certain railroad and other related businesses (collectively the "Businesses") that were undertaken previously by its predecessor, Guangshen Railway Company (the "Predecessor") together with certain of its subsidiaries; and Guangzhou Railway (Group) Company (the "Guangzhou Railway Group") and certain of its subsidiaries prior to the formation of the Company.

The Predecessor is controlled by and is under the administration of the Guangzhou Railway Group. Pursuant to a restructuring agreement entered into between the Guangzhou Railway Group, the Predecessor and the Company in 1996 (the "Restructuring Agreement"), the Company issued to the Guangzhou Railway Group 100% of its equity interest in the form of 2,904,250,000 ordinary shares (the "State-owned Domestic Shares") in exchange for the assets and liabilities associated with the operations of the Businesses (the "Restructuring"). After the Restructuring, the Predecessor changed its name to Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company (the "GEDC").

In May 1996, the Company issued 1,431,300,000 shares, representing 217,812,000 H Shares ("H Shares") and 24,269,760 American Depositary Shares ("ADSs", one ADS represents 50 H Shares) in a global public offering for cash of approximately RMB4,214,000,000 in order to finance the capital expenditure and working capital requirements of the Company and its subsidiaries (collectively defined as the "Group").

In December 2006, the Company issued 2,747,987,000 A Shares in the Shanghai Stock Exchange through an initial public offering of shares (please see Note 10 for further details).

The principal activities of the Group are railroad passenger and freight transportation. The Group also operates certain other businesses, which are principally services offered in the railway stations and sales of food, beverages and merchandises on board the trains as well as in the stations.

The registered address of the Company is No. 1052 Heping Road, Shenzhen, Guangdong Province, the People's Republic of China.

The English names of all companies listed in the financial statements are direct translations of their registered names in Chinese.

As of 30th June 2007, the Company had direct or indirect interests in the following principal subsidiaries which were incorporated and are operating in the PRC as limited liability companies:

Name of the entity	Date of incorporation/ establishment	Percentage of equity interest attributable to the Company	Paid-in capital	Principal activities
Directly held by the Company				
Shenzhen Fu Yuan Enterprise Development Company	1st November 1991	100%	RMB18,500,000	Hotel management
Shenzhen Guangshen Railway Travel Service Ltd.	16th August 1995	100%	RMB2,400,000	Travel agency
Shenzhen Jing Ming Industrial & Commercial Company Limited	18th January 1994	100%	RMB2,110,000	Maintenance of water and electrical equipment
Shenzhen Railway Station Passenger Services Company	18th December 1986	100%	RMB1,500,000	Catering services and sales of merchandise
Guangzhou East Station Dongqun Trade and Commerce Service Company	23rd November 1992	100%	RMB1,020,000	Sales of merchandise
Shenzhen Railway Station Travel Service Company	1st January 1990	75%	RMB2,129,400	Catering services and sales of merchandise
Shenzhen Longgang Pinghu Qun Yi Railway Store Loading and Unloading Company	11th September 1993	55%	RMB10,000,000	Cargo loading and unloading, warehousing, freight transportation
Dongguan Changsheng Enterprise Company	22nd May 1992	51%	RMB38,000,000	Warehousing
Guangzhou Tielian Economy Development Company Limited ("Tielian")	27th December 1994	50.5%	RMB1,000,000	Warehousing and freight transport agency services

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Name of the entity	Date of incorporation/ establishment	Percentage of equity interest attributable to the Company	Paid-in capital	Principal activities
Indirectly held by the Company				
Shenzhen Railway Property Management Company Limited	13th November 2001	100%	RMB3,000,000	Property management
Shenzhen Nantie Construction Supervision Company	8th May 1995	100%	RMB2,000,000	Supervision of construction projects
Shenzhen Guangshen Railway Economic and Trade Enterprise Company	7th March 2002	100%	RMB2,000,000	Culinary management
Shenzhen Yuezheng Enterprise Company Limited	24th June 1996	100%	RMB1,000,000	Freight transport agency, cargo loading and unloading, warehousing
Shenzhen Road Multi-modal Transportation Company Limited	17th March 1994	60%	RMB1,000,000	Freight transportation

These condensed consolidated interim financial statements were approved for issue on 28th August 2007.

2. Basis of preparation

The accompanying unaudited condensed consolidated interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2006.

3. Accounting policies

The accounting policies adopted by the Group in preparing the interim condensed consolidated financial statements are the same as those adopted in the preparation of the annual consolidated financial statements as of and for the year ended 31st December 2006.

The following new standards, amendments to standards and interpretations are to be applied mandatorily for the financial year ending 31st December 2007.

- Amendment to IAS 1, Amendments to 'Capital Disclosures', applicable for annual periods beginning on or after 1st January 2007. The Group has assessed the impact of the amendment to IAS 1 and concluded that the main additional disclosures will be the capital disclosures required by the amendment of IAS 1 and it is going to make such disclosure in its annual accounts for the year ending 31st December 2007;
- IFRS 7, 'Financial Instruments: Disclosures', applicable for annual periods beginning on or after 1st January 2007. The Group has assessed the impact of IFRS 7 and concluded that the main additional disclosures will be the sensitivity analysis to market risk. The disclosure will be made in its annual accounts for the year ending 31st December 2007;
- IFRIC Int 7, "Applying the Restatement Approach under IAS/HKAS 29, Financial Reporting in Hyperinflationary Economies", applicable for annual periods beginning on or after 1st March 2006. This standard is not relevant for the Group;
- IFRIC Int 8, "Scope of IFRS 2, Share-based Payment", applicable for annual periods beginning on or after 1st May 2006. This standard is not relevant for the Group;
- IFRIC Int 9, "Reassessment of Embedded Derivatives", applicable for annual periods beginning on or after 1st June 2006. This standard is not relevant for the Group; and
- IFRIC Int 10, "Interim Financial Reporting and Impairment" applicable for annual periods beginning on or after 1st November 2006. This standard has no material effect on the Group's policy.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- IFRS 8, "Operating Segments", applicable for annual periods beginning on or after 1st January 2009. The Group has assessed the impact of IFRS 8 and concluded that the segments will be reported based on internal reporting rather than on external reporting. The Group will apply IFRS 8 from annual periods beginning 1st January 2009;
- IFRIC Int 11/ IFRS 2, "Group and Treasury Share Transactions", applicable for annual periods beginning on or after 1st March 2007. Management do not expect this interpretation and this new standard to be relevant for the Group;
- IFRIC Int 12, "Service Concession Arrangements", applicable for annual periods beginning on or after 1st January 2008. Management do not expect the interpretation to be relevant for the Group;
- IFRIC Int 13, "Customer Loyalty Programmes", applicable for annual periods beginning on or after 1st July 2008. Management do not expect the interpretation to be relevant for the Group; and
- IAS 23 Revised, 'Borrowing Costs', applicable for annual periods beginning on or after 1st January 2009. The Group has been capitalizing borrowing costs relating to qualified capital expenditures under the preferred method prescribed under the existing IAS23 and the directors consider that the adoption of IAS 23 from annual periods beginning 1st January 2009 will not have material financial impact on the Group.

4. Change in accounting policy

In 2006, the Company changed its accounting policy in respect of fixed assets from the revaluation model to the historical cost model.

This change in accounting policy has been accounted for retrospectively, and therefore the 2006 comparative interim financial statements (unaudited) have also been restated. The effect of the change is tabulated below:

	For the six months ended 30th June 2006 <i>RMB'000</i> (Unaudited)
Decrease in depreciation expense	18,447
Increase in income tax expense	(2,767)
Earning per share for profit — Basic and diluted (<i>RMB</i>)	0.004

5. Business combination

On 1st January 2007, the Group acquired 100% of the assets and liabilities related to Yangcheng Railway's railway transportation business for a cash consideration of approximately RMB10,138,582,000. The results of operations of Yangcheng Railway have been included in the Group's consolidated income statement from that date onwards. The acquired business contributed revenue of approximately RMB1,962,352,739 and net profit of approximately RMB365,277,096 to the Group for the period from 1st January 2007 to 30th June 2007.

Details of net assets acquired and goodwill are as follows:

	<i>RMB'000</i>
Purchase consideration:	
— Cash paid	10,138,582
— Direct costs relating to the acquisition	31,343
Total purchase consideration	10,169,925
Fair value of assets acquired (see below)	(9,888,671)
Goodwill	281,254

Goodwill is mainly attributable to Yangcheng Railway's profitability derived from the monopoly operations in the region where the acquired business is located.

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The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Fair value RMB'000	Acquiree's Carrying amount RMB'000
Cash and cash equivalents	91,699	91,699
Trade and other receivables	57,733	57,733
Materials and supplies	55,070	55,070
Fixed assets	11,043,136	7,506,413
Long-term receivables	56,034	56,034
Deferred staff cost	45,000	—
Deferred tax asset	54,750	—
Trade and other payables	(797,460)	(797,460)
Deferred tax liability	(12,291)	—
Retirement benefit obligations	(410,000)	—
Long-term borrowings	(295,000)	(295,000)
Net assets acquired	9,888,671	6,674,489
Outflow of cash to acquire business, net of cash acquired:		
— Cash consideration		10,138,582
— Cash and cash equivalents in assets acquired		(91,699)
Cash outflow on acquisition		10,046,883

6. Segment information

(i) Primary reporting format — Business Segments

As of 30th June 2007, the Group conducts the majority of its business activities in railway transportation (“Railroad Businesses”) and other related business operations (see Note 1). These segments are so determined primarily due to the fact that the senior management makes key operating decisions and assesses performance of the segments separately. The Group evaluates performance based on profit from operations.

Segment assets consist primarily of fixed assets, leasehold land payments, prepayments for fixed assets, goodwill, interests in associates, deferred staff costs, materials and supplies, trade receivables, prepayments and other receivables, short-term deposits and cash and cash equivalents, excluding deferred tax assets. Segment liabilities primarily consist of borrowings, retirement benefit obligations, trade payables, payables for construction-in-progress, amounts due to related parties and accruals and other payables, excluding taxes payable and deferred tax liabilities. Capital expenditure comprises additions to fixed assets (see Note 7) and prepayments for fixed assets.

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An analysis of the Group's revenues and results for the periods by business segment is as follows:

	For the six months ended 30th June									
	Railroad businesses		Other businesses		Unallocated		Elimination		Total	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited) (Note 4)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited) (Note 4)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited) (Note 4)
Revenues										
— External	4,554,153	1,672,714	58,636	67,042	—	—	—	—	4,612,789	1,739,756
— Inter-segment	—	—	—	29,661	—	—	—	(29,661)	—	—
	4,554,153	1,672,714	58,636	96,703	—	—	—	(29,661)	4,612,789	1,739,756
Other income	5,428	20,337	43,684	1,722	—	—	—	—	49,112	22,058
Segment results	803,578	461,839	53,051	(4,560)	—	—	—	—	856,629	457,279
Finance costs	—	—	—	—	(9,700)	(7,266)	—	—	(9,700)	(7,266)
Share of results of associates after tax	—	—	(1,558)	(1,891)	—	—	—	—	(1,558)	(1,891)
Income tax expense	—	—	—	—	(100,144)	(70,414)	—	—	(100,144)	(70,414)
Profit for the period	803,578	461,793	51,493	(4,560)	(109,844)	(79,525)	—	—	745,227	377,708
Other segment terms included in the income statements are as follows:										
Depreciation	471,788	156,103	569	559	—	—	—	—	472,357	156,662
Amortization of leasehold land payments	8,010	8,730	—	—	—	—	—	—	8,010	8,730
Amortization of deferred staff costs	12,543	7,546	—	—	—	—	—	—	12,543	7,546
Provision for doubtful accounts	(8)	571	—	—	—	—	—	—	(8)	571

The segment assets and liabilities at 30th June 2007 and 31st December 2006 are as follows:

	Railroad businesses		Other businesses		Unallocated		Elimination		Total	
	30th June 2007	31st December 2006	30th June 2007	31st December 2006	30th June 2007	31st December 2006	30th June 2007	31st December 2006	30th June 2007	31st December 2006
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
Segment assets	26,131,158	24,082,977	74,742	69,299	—	—	—	—	26,205,900	24,152,276
Deferred tax assets	—	—	—	—	376,829	190,843	—	—	376,829	190,843
Total assets	26,131,158	24,082,977	74,742	69,299	376,829	190,843	—	—	26,582,729	24,343,119
Segment liabilities	5,659,785	3,962,820	341,708	23,285	—	—	—	—	6,001,493	3,986,105
Tax payables	—	—	—	—	56,839	127,282	—	—	56,839	127,282
Deferred tax liabilities	—	—	—	—	35,754	9,802	—	—	35,754	9,802
Total liabilities	5,659,785	3,962,820	341,708	23,285	92,593	137,084	—	—	6,094,086	4,123,189
Capital expenditure	11,108,138	1,182,450	50	88	—	—	—	—	11,108,188	1,182,538

(ii) Secondary reporting format — Geographical Segments

For the six months ended 30th June 2007 (2006: same), all of the Group's business operations were conducted in the People's Republic of China (the "PRC"). Accordingly, no analysis of geographical segment information is presented.

7. Fixed assets

	For the six months ended 30th June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited) (Note 4)
Opening net book value at 1st January	11,043,634	7,796,179
Acquisition of business (Note 5)	11,043,136	—
Addition	51,382	1,182,538
Disposal	(3,564)	(750)
Depreciation	(472,357)	(156,662)
Closing net book amount as of 30th June	21,662,231	8,821,305

8. Investment in associates

As of 30th June 2007, the Company's interest in an associated company, Guangzhou Tiecheng Enterprise Company Limited ("Tiecheng"), amounted to approximately RMB88,654,000.

In 1996, Tiecheng and a third party company jointly established a Sino-foreign contractual joint venture, Guangzhou Guantian Real Estate Company ("Guangzhou Guantian"), in Guangzhou for developing certain properties near a railway station operated by the Group. In 2000, Guangzhou Guantian together with two other parties, namely Guangzhou Guanhua Real Estate Company Limited ("Guangzhou Guanhua") and Guangzhou Guanyi Real Estate Company Limited ("Guangzhou Guanyi"), agreed to act as joint guarantors (collectively the "Guarantors") for certain payable balances (the "Payables") due from Guangdong Guancheng Real Estate Company Limited ("Guangdong Guancheng") to a third party creditor (the "Creditor").

Guangzhou Guantian, Guangzhou Guanhua, Guangzhou Guanyi and Guangdong Guancheng are related companies to the extent that they have one common chairman. Guangdong Guancheng has failed to settle the Payables, as a result, the Guarantors were found to be jointly liable to the Creditor an amount of approximately RMB257,000,000 plus accrued interest (collectively the "Damages") according to a court verdict made in 2001 (the "Verdict"). In the case that Guangzhou Guantian had to honour its joint obligation to settle the Damages, the carrying value of the Company's investment in Tiecheng would have been further impaired.

In 2003, Guantian applied to the People's High Court of Guangdong Province (the "High Court") for a re-trial to discharge its obligation under the aforesaid guarantee. In 2005, the People's Supreme Court of Guangdong Province granted an order for the High Court to launch such a re-trial and certain preparatory procedures were undertaken by the High Court. Two trials were held by the High Court, on 14th November 2006 and 25th December 2006 respectively, but no judgement had yet been made as of the date of approval of these Financial Statements. After consultation made with its PRC legal counsel, the directors are of the opinion that there is a high possibility that the above guarantee arrangement would be determined to be invalid according to the relevant rules and regulations of the PRC. Management has determined that no provision for impairment loss of the Company's 49% interest in Tiecheng is required on the basis that the estimated fair value of the properties exceeds the carrying value. In addition, in order to avoid any monetary losses that the Company might suffer arising from this outstanding legal proceeding, the Company has also obtained a letter of undertaking issued by the Guangzhou Railway Group dated 14th December 2004, whereby the Guangzhou Railway Group has undertaken to adopt relevant procedures and actions to ensure that the investment interests of the Company in Tiecheng would not be adversely affected by this outstanding proceeding.

9. Trade receivables, net

	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
Trade receivables	108,926	71,614
Less: Provision for doubtful accounts	(9,242)	(8,745)
	99,684	62,869

The credit period of trade receivables is generally within one year. The aging analysis of trade payables was as follows:

	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
Within 1 year	95,465	62,769
Over 1 year but within 2 years	1,700	100
Over 2 years but within 3 years	809	—
Over 3 years	1,710	—
	99,684	62,869

10. Share capital

As of 30th June 2007 and 31st December 2006, the total authorised number of ordinary shares is 7,083,537,000 shares with a par value of RMB 1.00 per share:

	Opening balance at 1st January 2007 RMB'000	Transfers RMB'000	Closing balance at 30th June 2007 RMB'000
Authorised, issued and fully paid:			
A shares subject to sale restrictions			
— shares held by state-owned legal person	2,904,250	—	2,904,250
— shares held by legal persons	1,480,944	(550,100)	930,844
	4,385,194	(550,100)	3,835,094
Listed shares			
— H shares	1,431,300	—	1,431,300
— A shares	1,267,043	550,100	1,817,143
	2,698,343	550,100	2,698,343
Total	7,083,537	—	7,083,537

In December 2006, the Company issued 2,747,987,000 A shares on the Shanghai Stock Exchange through an initial public offering at RMB3.76 per share, resulting in the receipt net proceeds of approximately of RMB10 billion. The issuance is for the financing of the acquisition of net assets of Yangcheng Railway relating to its railway transportation business (see Note 5).

11. Borrowings

	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
Bank borrowings		
— Unsecured	2,750,000	1,860,000

The interest rate exposure of the borrowings of the Group is as follows:

	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
At floating rates	2,750,000	1,860,000

The effective interest rate of the bank borrowings as of 30th June 2007 was 5.937% p.a. (31st December 2006: 5.83%).

As of 30th June 2007, the carrying amounts of the Group's borrowings approximate their fair values.

As of 30th June 2007, the Group had RMB650,000,000 unutilized banking facilities granted by various financial institutions (31st December 2006: approximately RMB4,900,000,000).

12. Retirement benefit obligations

	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
Retirement benefit obligations	379,264	22,420
Less: current portion included in accruals and other payables	(36,541)	(5,503)
	342,723	16,917
	For the six months ended 30th June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
At 1st January	22,420	—
Acquisition of business (Note 5)	410,000	—
Addition	—	—
Utilisation	(53,156)	—
At 31st December	379,264	—

Pursuant to an early retirement scheme implemented by the Group in 2006, certain employees who meet certain specified criteria were provided with an offer to early retirement and enjoy certain early retirement benefits, such as payments of the basic salary and other fringe benefits, offered by the Group, until they reach the statutory retirement age. Under the terms of the scheme, all applications are subject to the approval of the Group. Expenses incurred on such employee early retirement benefits have been recognised in the income statement when the Group approved such application from the employees. The specific terms of these benefits vary among different employees, depending on their position held, tenure of service and employment location.

With the acquisition of the net assets and liabilities from Yangcheng Railway (see Note 5), the Group has also assumed certain retirement benefit obligations associated with the operations of Yangcheng Railway at approximately RMB410,000,000. The amount mainly includes early retirement obligation entitled by the eligible employees assumed by Guangshen from Yangcheng Railway (described above) and the obligation for funding the post-retirement medical insurance premiums.

Where these retirement obligations do not fall due within the next twelve months, the obligation payable has been discounted using a pre-tax rate that reflects management's current market assessment of the time value of money and risk specific to these obligations (the discount rate was determined with reference to market yields at the balance sheet date on high quality investments in the PRC at 3.53%).

13. Trade payables

The aging analysis of trade payables was as follows:

	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
Within 1 year	320,334	238,381
Over 1 year but within 2 years	13,438	1,875
Over 2 years but within 3 years	1,355	78
Over 3 years	3,974	—
	339,101	240,334

14. Income tax expense

Enterprises established in the Shenzhen Special Economic Zone of the PRC are subject to income tax at a reduced preferential rate of 15% as compared with the standard income tax rate for PRC companies of 33%. The Company and the subsidiaries located in Shenzhen are subjected to income tax rate of 15%, while those subsidiaries located outside Shenzhen are subjected to income tax rate of 33%.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises from 33% (15% or 24%) to 25% with effect from 1st January 2008. As a result of the new CIT Law, the additional deferred tax assets/liabilities recognised by the Group in the income statement for the period ended 30th June 2007 amounted to approximately RMB48,734,000 (profit) and RMB13,828,000 (loss), respectively. In addition, additional deferred tax asset at approximately RMB90,169,000 was recognised by the Group for temporary differences arising from fixed assets contributed by GEDC into the Company during the Restructuring in the Group reserves.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

An analysis of the current year taxation charges is as follows:

	For the six months ended 30th June 2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited) (Note 4)
Current income tax	127,550	68,724
Deferred income tax		
— adjustment made to deferred tax arising from change of income tax rate	(34,906)	—
— deferred tax arising from temporary difference	7,500	1,690
	100,144	70,414

15. Earnings per share

The calculation of basic earnings per share is based on the net profit for the six months ended 30th June 2007 attributable to shareholders of RMB745,802,000 (2006: RMB377,531,000), divided by the weighted average number of ordinary shares outstanding during the period of 7,083,537,000 shares (2006: 4,335,550,000 shares). There were no dilutive potential ordinary shares as of period end.

16. Appropriations to reserves and proposed dividends

No appropriation from retained earnings had been made to the statutory reserves for the six months ended 30th June 2007. 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.

In April 2007, the Board of Directors declared a dividend of RMB0.08 per share in respect of the year ended 31st December 2006, totaling RMB566,682,960 (2006: RMB520,266,000), and it was approved by shareholders in the Annual General Meeting in June 2007. The Board of Directors has decided not to declare any interim dividend for the six months ended 30th June 2007.

17. Commitments

(a) Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases were as follows:

	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
Machinery and equipment: Not more than one year	17,980	69,673

(b) Capital commitments

As of 30th June 2007, the Group had the following capital commitments which are authorized but not contracted for, and contracted but not provided for:

	As of 30th June 2007 RMB'000 (Unaudited)	As of 31st December 2006 RMB'000 (Audited)
Authorised but not contracted for	2,072,900	1,384,287
Contracted but not provided for	2,316,010	3,137,581

A substantial amount of these commitments is related to the construction of the fourth rail-line of the Company ("Fourth Rail-Line") and purchase of new locomotives.

18. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Prior to the A share issuance in December 2006, the Company was controlled by Guangzhou Railway Group which is a subsidiary of the Ministry of Railways ("MOR") and is ultimately controlled by the PRC government. The PRC government also controls a significant portion of the productive assets and entities in the PRC. Consequently, in accordance with the requirements of IAS 24, Related Party Disclosures, all other state controlled enterprises and their subsidiaries, other than Guangzhou Railway Group and its fellow subsidiaries and associates, and the MOR (including its revenue and treasury clearing house), were also related parties of the Company ("Other State-owned Companies") prior to the A share issuance in December 2006.

Subsequent to the A share issuance on 22nd December 2006, the Company is no longer controlled by Guangzhou Railway Group. The Other Stated-Owned Companies and the MOR were consequently no longer considered as related parties of the Group from that date onwards.

- (a) For the six months ended 30th June 2007 and 2006, the Group had the following material transactions undertaken with related parties:

	For the six months ended 30th June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Audited)
Recurring Transactions:		
Transactions with MOR and its related entities		
I. Income		
Provision of train transportation and related services to other railway companies controlled by MOR	—	158,455
Revenue received, processed and allocated by MOR		
— long distance passenger transportation	—	401,936
— cargo forwarding railway usage fees	—	50,450
Interest income received/receivable from MOR Deposit-taking Centre	—	1,739
Provision of transportation and related services to Guangzhou Railway Group and its subsidiaries and associates	370,612	—
II. Charges and Payments		
Services charges allocated from MOR for train transportation and related services offered by other railway companies controlled by MOR	—	241,933
Operating lease rentals paid/payable to MOR	—	18,692
Lease of locomotives and related services provided from Yangcheng Railway	—	12,205
Services charges for train transportation and related services offered by Guangzhou Railway Group and its subsidiaries and associates	480,554	—
Social services (employee housing, health care, educational and public security services and other ancillary services) provided by subsidiaries of Guangzhou Railway Group	157,128	34,887
Purchase of materials and supplies from Guangzhou Railway Group and its subsidiaries	191,133	29,704
Non-Recurring Transactions:		
I. Transactions with MOR and its related entities		
Provision of repair and maintenance services by subsidiaries of Guangzhou Railway Group	—	4,018
Provision of construction and related services by subsidiaries of Guangzhou Railway Group	44,210	—
Provision of construction management services by Guangzhou Railway Group in connection with the construction of fixed assets of the Group	—	6,000
Loans from MOR	—	200,000
II. Transactions with Other State-owned Companies		
Provision of construction and related services	—	1,159,925
Provision of repair and maintenance services	—	29,796
Provision of supplies and materials	—	6,175

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- (b) Directors and supervisors compensation amounted to RMB1,250,000 as of 30th June 2007 (2006: RMB1,063,000). The details were as below:

	For the six months ended 30th June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Fees	308	300
Wages and salaries	125	78
Bonus	786	676
Employer's contribution to pension scheme	30	9
	1,250	1,063

- (c) As of 30th June 2007, the Group had the following material balances maintained with related parties:

	As of 30th June 2007 RMB'000	As of 31st December 2006 RMB'000
	Cash and cash equivalents maintained in the MOR Deposit-taking Centre	436,516
Short-term time deposits in the MOR Deposit-taking Centre	—	169,739
Due from/(to) Guangzhou Railway Group	(273,364)	31,584
— Trade balance	(105,941)	28,234
— Non-trade balance	(167,423)	3,350
Deposit for acquisition of Yangcheng Railway	—	5,265,250
Due from subsidiaries of Guangzhou Railway Group	70,204	173
— Trade balance	53,935	61
— Non-trade balance	16,269	112
Due to subsidiaries of Guangzhou Railway Group	760,403	(220,915)
— Trade balance	237,155	(39,813)
— Non-trade balance	523,248	(181,102)
Due from/(to) an associate	(3,884)	(17,374)
— Trade balance	(300)	12,312
— Non-trade balance	(3,584)	(29,686)