



廣 深 鐵 路 股 份 有 限 公 司  
**Guangshen Railway Company Limited**

(Stock Code: 0525)

## CONTENTS

Chapter 1	Important Notice	2
Chapter 2	Basic Information on the Company	2
Chapter 3	Change in Share Capital and Shareholding of Major Shareholders	6
Chapter 4	Directors, Supervisors and Senior Management	10
Chapter 5	Report of Directors	11
Chapter 6	Matters of Importance	20
Chapter 7	Financial Report (unaudited)	26
Chapter 8	Document Available for Inspection	42

## CHAPTER 1: IMPORTANT NOTICE

The Board of Directors, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that there are no material omissions from, or misrepresentations or misleading statements contained in this interim report, and severally and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.

All Directors of the Company attended the meeting of the Board of Directors of the Company on 27 August 2008.

This interim financial report has been discussed and approved by the Board and the Audit Committee of the Company.

This interim financial report for 2008 of the Company has not been audited by our auditors.

There is no appropriation of the Company's fund by its major shareholders.

Mr. He Yuhua, Chairman of the Board of Directors of the Company, Mr. Yang Yiping, General Manager and Director of the Company, Mr. Yao Xiacong, Chief Accountant hereby declare that the authenticity, accuracy and completeness of this financial statements contained in the interim report are warranted.

## CHAPTER 2: BASIC INFORMATION ON THE COMPANY

### I. Basic Information

**1. Registered name of the Company:** 廣深鐵路股份有限公司

English name of the Company: Guangshen Railway Company Limited

**2. Legal representative: He Yuhua**

**3. Company Secretary: Guo Xiangdong**

Tel: (86) 755-25587920 or (86) 755-25588146

Fax : (86-755) 25591480

Email: ir@gsr.com

Address: No. 1052, Heping Road  
Shenzhen, Guangdong Province  
The People's Republic of China

**4. Registered address of the Company:**

No. 1052, Heping Road  
Shenzhen, Guangdong Province  
The People's Republic of China  
Postcode: 518010  
Company website: www.gsrc.com  
Company email: ir@gsr.com

**5. Newspapers for information disclosure of the Company:**

China Securities Journal, Securities Times, Shanghai Securities News

Websites posting interim report: <http://www.sse.com.cn>  
<http://www.hkex.com.hk>  
<http://www.gsfc.com>

Interim reports of the Company available at:  
Guangshen Railway Company Limited  
No. 1052, Heping Road  
Shenzhen, Guangdong Province  
The People's Republic of China

**6. Information on listing:**

A Share : Shanghai Stock Exchange  
Abbreviation : GSRC  
Share Code : 601333

H Shares : The Stock Exchange of Hong Kong Limited  
Abbreviation : GSRC  
Share Code : 0525  
ADSs : The New York Stock Exchange, Inc.  
Ticker Symbol : GSH

**7. Other relevant information:**

First registered date of the Company: 6 March 1996  
First registered address of the Company:  
Heping Road,  
Shenzhen, Guangdong Province  
Register number of business license of enterprise legal person:  
4403011022106  
Tax register number of the Company: 440300192411663  
Company code: 19241166-3

PRC auditors: PricewaterhouseCoopers Zhong Tian CPAs  
Co., Ltd.  
38th Floor, Shun Hing Square  
Di Wang Commercial Centre  
5002 Shennan Road East  
Shenzhen 518008, the PRC

International auditors: PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central  
Hong Kong

Legal adviser as to PRC law: Haiwen & Partners  
21st Floor, Beijing Silver Tower  
No. 2 Dong San Huan North Road  
Chao Yang District  
Beijing  
The People's Republic of China

Legal adviser as to Hong Kong law:	Norton Rose Hong Kong 38th Floor, Jardine House 1 Connaught Place Central Hong Kong
Legal adviser as to United States law:	Shearman & Sterling LLP 12th Floor Gloucester Tower the Landmark 15 Queen's Road Central Hong Kong
PRC share registrar:	China Securities Depository and Clearing Corporation Limited Shanghai Branch No. 166, Lujiazui Road New district Pudong Shanghai The People's Republic of China
Hong Kong share registrar:	Hong Kong Registrars Limited Rooms 1712-16 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Depository:	JPMorgan Chase Bank, N.A. 13th Floor, 4 New York Plaza New York USA
Principal banker:	China Construction Bank Shenzhen Branch Jiabin Rd Sub-branch 1st to 4th Floors Jinwei Building Jiabin Road Shenzhen The People's Republic of China

## II. Main Accounting Data and Financial Indicators

	<b>As at 30 June 2008 (RMB'000)</b>	<b>As at 31 December 2007 (RMB'000)</b>	<b>Increase/ Decrease (%)</b>
Total assets	27,175,664	26,713,264	1.73
Net assets	21,233,281	21,125,761	0.51
Net assets per share attributable to shareholders (RMB)	3.00	2.98	0.67
	<b>Reporting period (From 1 January to 30 June 2008) (RMB'000)</b>	<b>The same period of 2007 (RMB'000)</b>	<b>Increase/ Decrease compared to the same period of 2007 (%)</b>
Total revenues	5,619,902	4,729,365	18.83
Total operating expenses	(4,712,050)	(3,921,848)	20.15
Profit from operations	924,397	856,629	7.91%
Profit before tax	826,372	845,371	(2.25)
Profit attributable to shareholders	674,203	745,802	(9.60)
Earnings per share (RMB)			
— Basic and diluted	0.095	0.105	(9.52)

## CHAPTER 3 CHANGE IN SHARE CAPITAL AND SHAREHOLDING OF MAJOR SHAREHOLDERS

### I. Change in Share Capital

During the period covered by this report, there is no change in the total number of shares and capital structure of the Company.

### II. Information on Shareholders

1. *As of the end of this reporting period, according to the stock ledgers provided by China Securities Depository & Clearing Corp. Ltd. 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 of the Company were as follows:*

Unit: Share

**Total shareholders** Total number of 585,733 shareholders on record, including 585,355 shareholders of A Shares and 378 shareholders of 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
Guangzhou Railway (Group) Company	State-owned	41.00	2,904,250,000	2,904,250,000	none
HKSCC NOMINEES LIMITED (note)	Foreign-funded	19.77	1,400,678,498	—	unknown
China Life Insurance Company Limited — Traditional — ordinary insurance products — 005L — CT001 Shanghai	Other	1.15	81,810,800	—	unknown
China Shipbuilding Industry Corporation Finance	State-owned	0.75	53,191,000	—	unknown
Taiyuan Iron & Steel (Group) Company Ltd.	State	0.72	50,776,147	—	unknown
ICBC-50ETF Shanghai Exchange	Other	0.45	32,212,286	—	unknown
SHenergy Company Limited	State-owned	0.40	28,122,498	—	unknown
New China Life — universal exultant financing — 018L — WN001Shanghai	Other	0.34	23,997,018	—	unknown
Bank of Communication — E funds 50ETF	Other	0.30	21,029,990	—	unknown
National Social Security Fund No. 502	Other	0.29	20,478,000	—	unknown

### Top ten shareholders holding shares without restrictions on sales

Name of shareholder	Number of shares without restrictions on sales	Class of shares
HKSCC NOMINEES LIMITED ( <i>note</i> )	1,400,678,498	H Shares
China Life Insurance Company Limited – Traditional – ordinary insurance products – 005L – CT001Shanghai	81,810,800	A Shares
China Shipbuilding Industry Corporation Finance	53,191,000	A Shares
Taiyuan Iron & Steel (Group) Company Ltd.	50,776,147	A Shares
ICBC-50ETF Shanghai Exchange	32,212,286	A Shares
SHenergy Company Limited	28,122,498	A Shares
New China Life – universal exultant financing – 018L – WN001Shanghai	23,997,018	A Shares
Bank of Communication – E funds 50ETF	21,029,990	A Shares
National Social Security Fund	20,478,000	A Shares
China Life Insurance Company Limited – dividend – individual dividend – 005L – FH002Shanghai	19,374,750	A Shares
China Life Insurance (Group) Company – Traditiona – ordinary insurance products	19,374,750	A Shares
China Life Insurance Company Limited – dividend – group dividend – 005L – FH001Shanghai	19,374,750	A Shares

Statement regarding connectedness or unanimity of the  
above shareholders

Top ten shareholders holding shares without restrictions on sale include three insurance products managed by China Life Insurance Company Limited and one product managed by China Life Insurance (Group) Company. China Life Insurance Company Limited is a listed company controlled by China Life Insurance (Group) Company. Besides above, the Company is not aware of whether the above shareholders are connected or unanimous as defined in Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures.

*Note:* 1,400,678,498 H Shares, which account for 97.86% of the total number of H Shares issued by the Company, are held by HKSCC NOMINEES LIMITED on behalf of its various customers.

**2. The number of shares with restrictions on sales held by top ten shareholders and restrictions on sales**

Unit: share

Name of shareholder holding shares with restrictions on sales	Number of shares with restrictions on sales held	Time for listing trading	Number of additional tradable shares	Restrictions on sales
Guangzhou Railway (Group) Company	2,904,250,000	22 December 2009	2,904,250,000	36 months after the date of A Share issue, the holder shall not transfer or entrust others to manage the shares of the Company held, nor shall the Company acquire the shares.

As of 30 June 2008, Guangzhou Railway (Group) Company (“GRGC”) complied with its promise of locking its shares for 36 months since 22 December 2006.

**3. So far as the Directors, Supervisors and other senior management are aware, as at 30 June 2008, 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 shareholder	Class of shares	Number of shares held (note 1)	Capacity	Percentage of Class of shares	Percentage of total share capital
Guangzhou Railway (Group) Company	A shares	2,904,250,000 (L)	Beneficial owner	51.38%	41.00%
JPMorgan Chase & Co.	H shares	223,934,909 (L)	Beneficial owner (5,487,639 shares)	15.65%	3.16%
			Investment manager (7,070 shares)		
			Custodian – incorporated/ approved person (218,440,200 shares)		
		1,612,000 (S)	Beneficial owner	0.11%	0.02%
		218,440,200 (P)		15.26%	3.08%
T. Rowe Price Associates, Inc. And Its Affiliates	H shares	203,672,000 (L)	Investment manager	14.23%	2.88%
Northern Trust Fiduciary Services (Ireland) Limited	H shares	117,042,000 (L)	trustee (except bare trustee)	8.18%	1.65%

Name of shareholder	Class of shares	Number of shares held (note 1)	Capacity	Percentage of Class of shares	Percentage of total share capital
Baring Asset Management Limited	H shares	115,244,000 (L)	Investment manager	8.05%	1.63%
UBS AG	H shares	104,138,614 (L)	Beneficial owner (69,794,872 shares) Interest of controlled corporation (34,343,742 shares)	7.28%	1.47%
		88,310,600 (S)	Beneficial owner (637,558 shares) Guarantees of rights and interests (56,622,000 shares) Interest of controlled corporation (31,051,042 shares)	6.17%	1.25%
Sumitomo Life Insurance Company (note 2)	H shares	85,852,000 (L)	Interest of controlled corporation	6.00%	1.21%
Sumitomo Mitsui Asset Management Company, Limited	H shares	85,852,000 (L)	Investment manager	6.00%	1.21%
Barclays Global Investors UK Holdings Limited	H shares	72,443,495 (L)	Interest of controlled corporation	5.06%	1.02%
		83,168,000 (S)	Interest of controlled corporation	5.81%	1.17%
Barclays PLC (note 3)	H shares	72,443,495 (L)	Interest of controlled corporation	5.06%	1.02%
		83,168,000 (S)	Interest of controlled corporation	5.81%	1.17%

Note: (1) The letter “L” denotes a long position; “S” denotes a short position; and “P” denotes lending pool.

(2) It was showed in the table of stock interests on 30 June 2008 that Sumitomo Life Insurance Company owned 35% shares of Sumitomo Mitsui Asset Management Company, Limited. According to the Hong Kong Securities and Futures Ordinance, Sumitomo Life Insurance Company was deemed to hold the share interests of Sumitomo Mitsui Asset Management Company, Limited.

(3) It was showed in the table of stock interests on 25 June 2008 that Barclays PLC owned 92.3% shares of Barclays Global Investors UK Holdings Limited indirectly. According to the Hong Kong Securities and Futures Ordinance, Barclays PLC was deemed to hold the share interests of Barclays Global Investors UK Holdings Limited.

#### **4. *Change in controlling shareholder and actual controller***

Guangzhou Railway (Group) Company (“GRGC”) is the largest shareholder of the Company; the Ministry of Railways (the “MOR”) is the actual controller. During the period of this report, there is no change in the largest shareholder and the actual controller.

#### **5. *Public float***

As of the end of the reporting period, at least 25% of the total issued share capital of the Company was held by the public. The Company is therefore in compliance with the Exchange Listing Rules with respect to sufficiency of public float.

### **III. Pre-emptive Right**

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

### **IV. Purchase, Sale or Redemption of the Shares of the Company**

During the six months ended 30 June 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the shares of the Company.

## **CHAPTER 4: DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

### **I. Change in Number of Shares Held by Directors, Supervisors and Senior Management**

During the period of this report, there was no change in number of shares held by Directors, supervisors and senior management. None of them holds any share of the Company.

As of 30 June 2008, there was no record of interests and short positions (including the interests and short positions which were taken or deemed to have under the provisions of the Hong Kong 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 Hong Kong 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 Hong Kong Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Exchange 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.

The Company has adopted a code of conduct for transactions of securities by the directors, which is not less strict than the required standard set out in the Model Code. The Company has made special inquiry to all directors. All of them have confirmed that they have complied with the Model Code during the six months ended 30 June 2008.

## II. Changes to Directors, Supervisors and Senior Management

1. On 28 January 2008, Mr. Han Dong, the Deputy General Manager of the Company, passed away.
2. On 15 April 2008, the Company held employee representatives' meeting, at which resolutions were passed to terminate the engagement of Mr. Wang Jianping as an employee supervisor and elect Mr. Huang Lika and Mr. Liu Xilin as employee supervisors for the remaining period of the fourth session and in the fifth session of the Supervisory Committee.
3. On 23 April 2008, Mr. Wang Jianping was appointed as a deputy general manager of the Company at the 22nd meeting of the fourth session of the board of the Company.
4. On 26 June 2008, the Company held the Annual General Meeting of 2007, at which directors and shareholder supervisors were elected for the new session of the Board of Directors and the Supervisory Committee. Mr. He Yuhua, Mr. Cao Jianguo, Mr. Wu Houhui, Mr. Yu Zhiming, Mr. Yang Yiping, and Mr. Liu Hai were elected as the non-independent directors of the fifth session of the Board of Directors; Mr. Dai Qilin, Mr. Wilton Chau Chi Wai and Mr. Lu Yuhui were elected as the independent directors of the fifth session of the Board of Directors; Mr. Yao Muming, Mr. Wang Jianping, Mr. Li Zhiming, and Mr. Chen Shaohong were elected as shareholder Supervisors of the Fifth Session of the Supervisory Committee of the Company. On the same date, the Company held the first meeting of the fifth session of the Board of Directors and the first meeting of the fifth session of the Supervisory Committee, separately, at which Mr. He Yuhua was elected as Chairman of the fifth session of the Board of Directors and Mr. Yao Muming was elected as Chairman of the fifth session of the Supervisory Committee.

## CHAPTER 5: REPORT OF DIRECTORS

### I. Discussion and Analysis of Overall Operation in Reporting Period

#### 1. *Business overview*

In the first half of 2008, due to the increased operating costs arising from continuous price increases in railway-related materials, the expansion of the Company's transportation businesses and asset scale of operations, the increase in finance cost as well as the decrease in revenues in the first quarter caused by the freezing weather at the beginning of the year, the Company recorded a decline in the profit attributable to equity holders in the reporting period when compared to that of the same period last year. Under the pressure resulting from these difficulties, the Company, with the joint efforts of the management and employees, made great efforts to minimize the negative effects caused by the freezing weather at the beginning of the year through implementing measures to increase traffic and revenues, strengthening marketing efforts, consolidating and optimizing transportation resources and improving transportation efficiency while doing its best to control related costs and expenses. The Company achieved safety and stability in its operations and stable increase in transportation revenues.

In the first half of 2008, the operating revenues of the Company were RMB5,620 million, representing an increase of 18.83% from RMB4,729 million in the same period last year; profit attributable to equity holders was RMB674 million, a decrease of 9.60% from RMB746 million in the first half of 2007.

## **2. Analysis of operating revenues**

### **(1) Revenues from passenger transportation**

Passenger transportation is the most important business segment of the Company. The Company is engaged in passenger transportation business on the Shenzhen-Guangzhou-Pingshi Railway, including inter-city passenger trains between Guangzhou and Shenzhen, long-distance passenger trains and Through Train passenger service between Guangzhou and Kowloon in Hong Kong in cooperation with MTR Corporation in Hong Kong. As at 30 June 2008, the Company operated 216 pairs of passenger trains in accordance with its daily train schedule, representing an increase of 21 pairs from the number of trains in operation at the end of 2007, among which there were 100 pairs of passenger trains between Guangzhou and Shenzhen, an increase of 20 pairs; 13 pairs of Canton-Kowloon Through Trains and 103 pairs of long-distance passenger trains, an increase of one pair. In the first half of 2008, the passenger delivery volume of the Company was 40.87 million, representing an increase of 16.73% from 35.01 million in the same period last year; the turnover volume of passengers was 14,531.26 million passenger-km, an increase of 4.92% from 13,849.5 million passenger-km. Revenues from passenger transportation were RMB3,262 million, an increase of 21.98% from RMB2,674 million in the same period last year.

- **Guangzhou-Shenzhen Trains**

In the first half of 2008, the passenger delivery volume of Guangzhou-Shenzhen trains was 15.57 million, representing an increased of 53.66% from 10.13 million in the first half of 2007; the revenue of Guangzhou-Shenzhen trains increased by 61.18% from RMB597 million in the same period last year to RMB962 million. The main reasons for the increases were: (1) the increase in the number of Guangzhou-Shenzhen trains in operation from 67 pairs at the beginning of 2007 to 100 pairs after two adjustments to the train schedules on 18 April 2007 and 18 April 2008, respectively, leading to a significant increase in the frequency and capacity of trains; while the operation of Guangzhou-Shenzhen trains was heavily affected by construction of the fourth rail line prior to 18 April 2007; (2) the Guangzhou-Shenzhen train services have proved to be a safe, comfortable, quick and punctual means of transportation after one year of operations of the CRHs, the domestically manufactured train sets, greatly meeting the demand of passengers; (3) three holidays: the Qingming Festival Holidays, the shortened May Day Holidays and the Dragon Boat Festival Holidays (the "Three Holidays") led to the increase in short-distance passenger traffic on the Guangzhou-Shenzhen railway; (4) with the optimization and consolidation of the transportation resources of Shenzhen-Guangzhou-Pingshi Railway, the connection between Guangzhou-Shenzhen trains and long-distance trains has been running more smoothly and efficiently.

- Hong Kong Through Trains

In the first half of 2008, the passenger delivery volume of the Hong Kong Through Trains increased by 3.79% from 1.50 million in the same period last year to 1.56 million. However, revenue from Hong Kong Through Trains decreased slightly by 7.07% from RMB207 million in the same period last year to RMB192 million mainly due to the continuing devaluation of Hong Kong Dollar, the main currency our revenue from Hong Kong Through Trains is settled in, against RMB in the reporting period.

- Long-Distance Trains

In the first half of 2008, the passenger delivery volume of the long-distance trains of the Company increased slightly by 1.56% from 23.37 million in the same period last year to 23.74 million despite the continuous freezing weather at the beginning of the year, which led to a substantial decrease in delivery volume of long-distance passengers during the Spring Festival Holidays. The revenue from long-distance trains increased by 12.69% from RMB1,870 million in the same period last year to RMB2,107 million in the first half of 2008. The growth in passenger delivery volume and revenue was mainly attributable to: (1) the commencement of operation of trains from Guangzhou to Xi'an and from Shenzhen to Shaoguan in August 2007 and March 2008, respectively; besides, the passenger trains from Guangzhou to Shanghai that commenced operation in April 2007 continued operation in the reporting period, leading to an increase in our transportation capacity; (2) the arrangement of the Three Holidays led to an increase in the number of passengers traveling in the Pan Pearl River Delta.

	First half of 2008	First half of 2007	Increase/ Decrease (%)
Passenger Transportation Revenues (RMB'000)	3,261,562	2,673,824	21.98
– Guangzhou-Shenzhen trains	962,123	596,929	61.18
– Hong Kong Through Trains	192,471	207,124	(7.07)
– Long-distance trains	2,106,968	1,869,771	12.69
Passenger delivery volume (person)	40,866,000	35,007,969	16.73
– Guangzhou-Shenzhen trains	15,565,201	10,129,312	53.66
– Hong Kong Through Trains	1,561,536	1,504,522	3.79
– Long-distance trains	23,739,263	23,374,135	1.56
Revenue per passenger delivered (RMB)	79.81	76.38	4.49
– Guangzhou-Shenzhen trains	61.81	58.93	4.89
– Hong Kong Through Trains	123.26	137.67	(10.47)
– Long-distance trains	88.75	79.99	10.95
Total passenger-kilometers (million passenger-kilometers)	14,531.26	13,849.50	4.92
Revenue per passenger-kilometer (RMB)	0.22	0.19	15.79

(2) *Revenues form freight transportation*

Freight transportation is another important business segment of the Company. The Company is engaged in the freight transportation business on the Shenzhen-Guangzhou-Pingshi Railway and Hong Kong freight through train business. The Company is well equipped with various freight facilities and can efficiently transport full load cargo, single load cargo and containers. The Company has established business cooperation with ports, logistics bases and specialized building materials markets, etc in its service region. The total tonnage of freight transported by the Company in the first half of 2008 was 34.55 million tonnes, representing an increase of 8.86% from 31.74 million tonnes in the same period last year; freight turnover was 7,431.81 million ton-kilometers, an increase of 9.66% from 6,777.10 million ton-kilometers in the same period last year; revenues from freight transportation were RMB636 million, an increase of 14.15% from RMB557 million in the same period last year. The main reasons for the increase in freight transportation business were: (1) minor increase of the freight pricing levels on the Guangzhou-Shenzhen Railway since November 2007; (2) the completion of the Fourth Rail Line between Guangzhou and Shenzhen, leading to an obvious increase in inbound freight of the Guangzhou-Shenzhen Railway; (3) the increase in the delivery of high-tariff goods.

- Outbound Freight

In the first half of 2008, the Company's outbound freight declined slightly by 3.29% from 9.09 million tonnes in the same period last year to 8.79 million tonnes due to the freezing weather at the beginning of the year, while outbound freight revenue grew by 34.11% from RMB72 million to RMB97 million due to the increase in the price levels and the delivery of high-tariff goods.

- Inbound and Pass-Through Freight

In the first half of 2008, the Company's inbound and pass-through freight increased by 13.73% from 22.65 million tonnes in the same period last year to 25.76 million tonnes. Revenue increased by 11.25% from RMB467 million to RMB520 million.

- Other Revenues from Freight Transportation

In the first half of 2008, with the increase of freight tonnage, other revenues from freight transportation increase by 8.94% from RMB17 million to RMB19 million.

	First half of 2008	First half of 2007	Increase/ Decrease (%)
Freight Transportation			
Revenues (RMB'000)	635,593	556,793	14.15
— Outbound freight	97,073	72,383	34.11
— Inbound and pass- through freight	519,724	467,156	11.25
— Other revenues from freight transportation	18,796	17,254	8.94
Tonnage of freight (tonne)	34,550,832	31,739,666	8.86
— Outbound freight	8,793,808	9,092,846	(3.29)
— Inbound and pass- through freight	25,757,024	22,646,820	13.73
Revenue per tonne (RMB)	18.40	17.54	4.90
— Outbound freight	11.04	7.96	38.69
— Inbound and pass- through freight	20.18	20.63	(2.18)
Total tonne-kilometers (million tonne- kilometers)	7,431.81	6,777.10	9.66
Revenue per tonne- kilometer (RMB)	0.09	0.08	12.50

(3) *Railway network usage and services*

Railway network usage and services mainly include the locomotive traction, track usage, electric catenary, vehicle coupling and other services. In the first half of 2008, the Company's revenues from railway network usage and services was RMB1,337 million, an increase of 11.07% from RMB1,203 million in the same period last year. The increase in revenues from railway network usage and services was mainly due to the increase in the Company's provision of locomotive traction service for passenger transportation in the reporting period, which led to the increase in related revenue.

	First half of 2008 (RMB'000)	First half of 2007 (RMB'000)	Increase/ Decrease (%)
Railway network usage and services	1,336,766	1,203,487	11.07
— Locomotive traction	511,823	448,017	14.24
— Track usage	491,023	456,172	7.64
— Electric catenary	147,862	129,538	14.15
— Vehicle coupling	105,401	88,813	18.68
— Other services	80,657	80,947	(0.36)

(4) *Revenues from other businesses*

The Company is also engaged in other businesses related to railway transportation, mainly including maintenance of locomotives and vehicles, on-board and in-station catering services, project construction, loading and unloading, leasing of property and sale of used materials, etc. In the first half of 2008, revenues from other businesses of the Company were RMB386 million, an increase of 30.73% from RMB295 million in the same period last year.

	First half of 2008 (RMB'000)	First half of 2007 (RMB'000)	Increase/ Decrease (%)
Revenues from other businesses	385,981	295,261	30.73
— Maintenance of locomotives and vehicles	111,315	102,546	8.55
— Catering services and sale of goods	58,616	51,142	14.61
— Sale of materials	41,133	20,313	102.50
— Project construction, water and electricity supply	22,185	21,994	0.87
— Loading and unloading	152,732	99,266	53.86
— Others	385,981	295,261	30.73

3. *Cost analysis*

	First half of 2008 (RMB'000)	First half of 2007 (RMB'000)	Increase/ Decrease	Reasons for the Increase/Decrease
Operating cost	4,712,050	3,921,848	20.15%	Primarily attributable to the increase in railway network usage and services fees, comprehensive services fees and maintenance expenses arising from the increase in railway transportation businesses, as well as the increase in the prices and consumption of railway-related materials and fuel.
Finance cost	98,485	9,700	915.31%	Increase in related interest on bank loans that was converted into expenses after the completion of the Fourth Rail Line.
Income taxes expenses	151,982	100,144	51.76%	Increase in income tax expenses for this period due to the hike of corporate income tax rate; decrease in deferred income tax expenses in the same period last year as a result of the change in income tax rate that time.

#### **4. Problems and Difficulties in Operation**

In the period covered by this report, our main difficulties in operation arise from the freezing weather that stroke South China at the beginning of the year. The freezing weather greatly affected railway passenger and freight transportation, leading to a substantial decrease in operating revenues and increase in operating expenses during that period. However, the Company's passenger and freight transportation businesses have begun to recover since March due to its marketing efforts. As of the end of the reporting period, the passenger and freight volumes and revenues recorded growth compared to those of the same period last year.

#### **5. Prospects of the second half of 2008**

Looking into the second half of 2008, China's economy is expected to grow steadily and relatively fast. The change of industry structure in the Pearl River Delta and the further implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (the "CEPA") will bring about more opportunities for the operation and development of the Company. However, due to the increase in the price levels of materials related to railway transportation such as fuel, electricity and steel, the Company has to face more challenges in cost control. The overall goal of the Company in the second half of 2008 is to ensure transportation safety, strive to boost transportation volumes and revenues, strengthen operation and management and strictly control costs and expenses.

The Company will implement budget management, strictly control various costs and expenses and take effective measures to boost transportation traffic and revenues to mitigate the effects of the freezing weather at the beginning of the year and price hikes of railway-related materials. In passenger transportation business, the Company will make the most of the capacity of the Fourth Line and the "CRH" train sets, optimize the "As-frequent-as-buses" operation model of our Guangzhou-Shenzhen trains, vigorously expand the long-distance passenger transportation business, including the Guangzhou-Zhengzhou temporary passenger trains that started operation on 1 July 2008, and attract more passengers to increase the occupation rate of passenger trains. In freight transportation, the Company will enhance its marketing efforts, improve the deployment and organization of freight trains, co-ordinate the organization of freight business with ports, factories and special lines and increase the rate of utilization of freight trains to accelerate the growth of freight business.

## **II. Investment of the Company**

### **1. Use of raised funds**

In the period of this report, the Company did not raise any funds and no funds raised previously were used in this period.

### **2. Use of non-raised proceeds**

The Company invested approximately RMB2.58 billion for the purchase of 20 electric train sets, details of which were set out in the announcement published on the website of the Hong Kong Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) on 15 September 2005. As of 30 June 2008, RMB2.087 billion were paid. 18 train sets of them have been delivered and put into operation and the remaining two will be delivered in 2009.

### III. Employees

As at 30 June 2008, the Company had in total 33,429 employees, representing an increase of 429 compared to that at the end of 2007, mainly due to the increase in personnel for long-distance passenger trains.

#### 1. *The professional composition of the employees:*

Category of profession	Number
Administrative personnel	2,735
Technical personnel	1,390
Ordinary operation personnel	29,304
Total	33,429

#### 2. *Education level of employees*

Category of education level	Number
Postgraduate or above	43
Undergraduate	1,190
College for professional training	4,084
Others (Secondary vocational school, high school and vocational technical school, etc)	28,112
Total	33,429

#### 3. *Salary and benefits*

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.

#### **4. Insurances and benefits plan of retirement**

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

Employees' benefits	As a Percentage of the Aggregate Salaries of the Employees		
	Employees residing along the Guangzhou-Pingshi line	Employees residing in Guangzhou area or along the Guangzhou-Shenzhen line	Employees residing in Shenzhen
Housing fund	6%	7%	13%
Retirement pension	18%	18%	18%
Supplemental retirement pension	5%	5%	5%
Basic medical insurance	8%	8%	6%
Supplemental medical insurance	1%	1%	0.5%
Maternity medical insurance	0.4%	0.4%	0.5%
Other welfare fund	6%	6%	8%

#### **5. Training**

The training was mainly provided by the Company, including training on post standardization, adaptability and continuing education. In the first half of 2008, the Company completed 50% of its training plans for 2008. The expenses for these training programmes were approximately RMB5.60 million.

#### **6. Accounting Treatment Regarding the Differences between the Selling Prices and Costs of Employees' Housing**

As a policy brought forward from previous years, 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 a price approved by the government. The cumulative losses arising from the difference between the net book value and the proceeds from the sales of staff quarters to the employees was approximately RMB226.4 million as of 31 December 2008. Pursuant to the then policies of the Ministry of Finance, the aforesaid losses should be credited to retained earnings in the statutory accounts as of 1 January 2001, or in case of a debit balance, to offset the statutory public welfare fund, statutory surplus reserve, discretionary surplus reserve and capital surplus reserve upon approval of the Board of Directors. Such treatment complies with the PRC accounting principles and regulations applicable to the Company and its subsidiaries.

In the financial statements of the Company prepared in accordance with IFRS, the Company accounted the losses arising from the housing scheme as follows: losses from the sale of completed staff quarters to employees, or from the sale of premises under construction of which could be reasonably estimated for future services amounted to approximately RMB226.4 million. Such losses were amortized on a straight line basis over the estimated remaining average contractual period of employees of 15 years from the time of such sales. During the period from 1 January 2008 to 30 June 2008, the amortization charged to the deferred labour costs of the consolidated income statement was RMB7.5 million and the accumulated amortization as of 30 June 2008 amounted to RMB128.3 million.

As of 30 June 2008, the unamortized deferred labour costs in the balance sheet of the Company and its subsidiaries, were RMB98.1 million.

## CHAPTER 6: MATTERS OF IMPORTANCE

### I. Corporate Governance

During the period covered by this report, the Company has complied with the Company Law, Securities Law and Governance Measure of Listing Company of the P.R.C. and laws and regulations regarding securities supervision promulgated by regulatory authorities overseas where the Company is listed. The Company continues to improve its framework of corporation governance and standardize its operation.

The Company carried on with the specific activities related to corporate governance in line with the Notice Regarding Announcements of Specific Activities Related to Corporate Governance (No. 27 [2007] CSRC Announcements) issued by the China Securities Regulatory Commission (the “CSRC”). The Company reviewed its rectification of corporate governance situation as of the end of the reporting period and issued Explanation Regarding Rectification of Corporate Governance Situation. The Company also made self-inspections with respect to the embezzlement of funds by major shareholders of the Company or their related parties and found no embezzlement of non-operating funds existed for the period covered by this report. The Company submitted Self-inspection Report to CSRC Shenzhen Division. For more details, please refer to related announcements published on the website of the Shanghai Securities Exchange at [www.sse.com.cn](http://www.sse.com.cn) and that of the Hong Kong Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on 22 July 2008.

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 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 Audit Committee of the Company consists of three independent non-executive directors. The principal duties of the Audit Committee include reviewing and supervising the Company’s financial reporting procedures and internal control. The unaudited interim financial statements for the six months ended 30 June 2008 has been reviewed by the Audit Committee.

The Company has completed the assessment of the internal control over financial reporting for the year 2007 in accordance with the requirements of Section 404 of the United States Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). Management of the Company concluded that the Company’s internal control over financial reporting was effective as of 31 December 2007. For more details of the assessment, please refer to the related announcement published on “HKExnews” [www.hkexnews.hk](http://www.hkexnews.hk) on 26 June 2008.

## **II. Profit Distribution**

### **1. Execution of the profit distribution plan for 2007**

The profit distribution plan was considered and approved at the annual general meeting for 2007 held on 26 June 2008. Based on the share capital 7,083,537,000 shares as at the end of 2007, a final dividend of RMB0.8 per ten shares, including tax, was paid to the shareholders, totaling RMB566,682,960, on 25 July 2008.

### **2. Profit distribution plan for the six months ended 30 June 2008**

The Board of Directors has decided not to distribute any interim profit or transfer any reserve into share capital.

## **III. Material Litigation and Arbitration**

As brought forward from previous years, the Company held an investment in an associate, Guangzhou Tiecheng Enterprise Company Limited (“Tiecheng”). The carrying amount as at 31 December 2007 was approximately RMB87.1 million. 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 27 October 2000, Guangzhou Guantian together with its two related companies agreed to act as joint guarantors for certain debts of Guangzhou Guancheng Real Estate Company Limited (“Guangzhou Guancheng”) due 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, the 3 joint guarantors were ruled in a court judgement made in 2001 to be liable to that 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 15 December 2003, the High People’s Court of Guangdong Province accepted Guangzhou Guantian’s re-trial application for discharging the aforesaid guarantee. In December 2003, the High People’s Court of Guangdong Province delivered a civil judgement in which it was ruled that proceedings regarding this case shall be terminated. As a necessary procedure for the High People’s Court of Guangdong Province to decide whether to grant a re-trial, a hearing was held on 18 March 2004. In December 2005, the High People’s Court of Guangdong Province commenced procedures for re-trial. Up to the date of this report, the court has not yet delivered final judgement as the necessary procedures have not been completed. To avoid the possible loss resulting from the litigation, the Company

has obtained a letter of undertaking issued by Guangzhou Railway (Group) Company, who 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. Accordingly, the Company concludes that as of 30 June 2008, no material risk of impairment provision for the long-term equity interests in Tiecheng exists.

#### IV. Asset Transactions

No material asset acquisitions, mergers or disposals occurred in the reporting period or were initiated previously and lasted until such reporting period.

#### V. Material Connected Transactions

##### 1. Connected transactions related to daily operation

##### (1) Material connected transactions related to purchase of merchandise and receipt of labor services

Name of related party	Connected transactions	Pricing standards	Consideration of connected transaction (RMB'000)
GRGC and its subsidiaries	To provide train services for the Company	Determined in accordance with the "Comprehensive Services Agreement" entered into by the two parties	106,710
Yangcheng Railway Enterprise Development Company and Guangshen Railway Enterprise Development Company	To provide social services, including employees' housing, health care, education, security and other services, for the Company	Determined in accordance with the "Comprehensive Services Agreement" entered into by the two parties	190,218
GRGC	To lease the land use right along the Guangzhou-Pingshi Railway to the Company	Determined in accordance with the Leasing Agreement entered into by the two parties	25,000
GRGC and its subsidiaries	To provide materials and supplies for the Company	Determined in accordance with the "Comprehensive Services Agreement" entered into by the two parties	189,128
GRGC and its subsidiaries	To provide maintenance and repair services for the Company	Determined in accordance with the "Comprehensive Services Agreement" entered into by the two parties	79,646

(2) *Material connected transactions related to sale of merchandise and provision of services*

Name of related party	Connected transactions	Pricing standards	Consideration of connected transaction (RMB'000)
GRGC	The Company provides freight train maintenance services for it	Determined in accordance with the "Comprehensive Services Agreement" entered into by the two parties	98,788
GRGC and its subsidiaries	The Company provides train services for them	Determined in accordance with the "Comprehensive Services Agreement" entered into by the two parties	102,859

(3) *Explanation regarding connected transactions*

The Company entered into The Leasing Agreement with GRGC on 15 November 2004. Pursuant to the agreement, the land for the Guangzhou-Pingshi Railway line was leased to the Company by GRGC for a leasing term of 20 years. It has been agreed by the two parties that the annual land rent should not exceed RMB74 million (for details, please refer to the "Offer Prospectus" published on [www.sse.com.cn](http://www.sse.com.cn) on 21 December 2006 and the announcements of the Company published on 16 November and 31 December 2004 on Hong Kong Economic Times). During the six months ended 30 June 2008, the Company's land rents paid and payable were RMB25 million.

On 5 November 2007, the Company entered into three comprehensive services agreements with GRGC, Guangzhou Railway Group Yang Cheng Railway Enterprise Development Company and Guangshen Railway Enterprise Development Company, respectively, regarding conditional continuing connected transactions, together with the annual caps in relation to the continuing connected transactions for each of the three financial years ending 31 December 2010. For details, please refer to the "Announcement of Continuing Connected Transactions" published in the Securities Times, China Securities Journal and Shanghai Securities News and on [www.sse.com.cn](http://www.sse.com.cn) on 6 November 2007, the circular published on [www.hkex.com.hk](http://www.hkex.com.hk) and [www.sse.com.cn](http://www.sse.com.cn) on 9 November 2007 and 20 December 2007, respectively and the announcement of resolutions and voting results of the Extraordinary General Meeting of Shareholders published in the above-mentioned newspapers and websites on 28 December 2007.

As railway transportation is conducted on an inseparable network of rail lines, the Company must use the rail lines under the control of GRGC or its subsidiaries for the dispatching of certain of its passengers or freight. Thus the mutual provision of repair or other services is necessary between the Company and GRGC or its subsidiaries. The regular connected transactions occurring between the Company and GRGC or its subsidiaries are conducted on the basis of fairness and reasonableness and are priced with reference to the market price, industrial pricing standards or at cost plus a reasonable

profit margin. These transactions are strictly subject to timely disclosure and approval of independent shareholders as required by applicable regulatory rules, thus safeguarding the Company's interests to the greatest extent.

**2. Connected transactions in relation to acquisition or sale of assets**

No connected transactions in relation to acquisition or sale of assets occurred in the reporting period.

**3. Non-regular related claim and debt**

No non-regular related claim and debt occurred in the reporting period.

**4. Other material connected transactions**

No other material connected transactions occurred in the reporting period.

**VI. Material Contracts and Implementation**

**1. Trust**

The Company did not engage in any trust business in the reporting period.

**2. Contracted Business**

The Company did not engage in any contracted business in the reporting period.

**3. Leasing affairs**

The Company leased the land for the GP Railway line from GRGC for a leasing term of 20 years. The annual land rent should not exceed RMB74 million. During the six months ended 30 June 2008, the Company's land rents paid and payable were RMB25 million.

**4. Guarantee**

The Company did not have any guarantee outstanding in this period.

**5. Material trust investment affairs**

The Company did not entrust any entities to make any investment in this period.

**6. Other material contracts**

The Company did not enter into any other material contracts in this period.

**VII. Fulfillment of Publicly Announced Commitments**

During the reporting period, GRGC, the largest shareholder of the Company, announced the following commitments:

1. On 13 December 2006, the Company issued for the first time 2,747,987,000 A shares, each with a nominal value of RMB1.00, to the public at RMB3.76 per share and raised approximately RMB10.3 billion from the offering of

A shares. As the largest shareholder of the Company at that time, GRGC undertook prior to the A share issue that the 2,904,250,000 A shares it holds in the Company would not be transferred to or held in trust by other persons or entities, nor be repurchased by the Company, within 36 months of the date of listing of A shares.

2. GRGC or any of its subsidiaries will not engage, directly or indirectly, in any business activities that may compete with the railway transportation and related businesses of the Company within the service territory of the Company. After the acquisition of the transportation businesses and assets of Guangzhou-Pingshi Railway, GRGC or any of its subsidiaries will not compete with the Company within the service territory of the Company either.
3. GRGC will reduce the number of connected transactions as much as practicable in its operation relations with the Company. For necessary connected transactions, GRGC will perform these connected transactions on the basis of openness, justice and fairness without abusing its position as a large shareholder and behaving in a manner that is detrimental to the interests of the Company.
4. In relation to the case where Guangzhou Guantian, in which Tiecheng has equity interests, acted as a guarantor of borrowings of Guangzhou Guancheng from Guangzhou Siyou Enterprise Company, and the economic losses incurred to Tiecheng as a results of the civil liability Guangzhou Guantian has to bear, GRGC undertook to resolve the issue or to take up the liabilities so that the investment interests of the Company in Tiecheng will not be affected by the case.

In the reporting period, the above-mentioned commitments were fulfilled properly and no breach of any commitment occurred.

#### **VIII. Engagement and Disengagement of Accounting Firms**

As the New Accounting Standards of PRC that took effect on 1 January 2007 converge with the International Accounting Standards, in order to improve the auditing efficiency, the Company decided to engage PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. as the PRC auditors and re-engage PricewaterhouseCoopers as the international auditors of the Company, which were approved at the Annual General Meeting of shareholders held on 26 June 2008. The former PRC auditors of the Company were Deloitte Touche Tohmatsu CPA Ltd.

#### **IX. Punishment on the Company, Its Directors, Supervisors, Senior Management, Shareholders, Actual Controller or Acquirer and the Rectification**

In the reporting period, none of the Company, its directors, supervisors, senior management, shareholders, actual controller or acquirer was subject to any investigation, administrative punishment or public criticism by the CSRC or public condemnation by the stock exchanges the Company is listed.

#### **X. Explanation of Other Material Events, Their Influence and Solutions**

No other material events occurred in the reporting period.

## CHAPTER 7: FINANCIAL REPORT (UNAUDITED)

### Condensed Consolidated Interim Balance Sheet

As of 30 June 2008

	Note	As of 30 June 2008 RMB'000 (Unaudited)	As of 31 December 2007 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	5	22,844,428	19,995,286
Construction-in-progress	5	438,711	1,422,635
Prepayment for fixed assets and construction-in-progress		268,861	891,592
Leasehold land payments		600,362	607,971
Goodwill		281,255	281,255
Long-term receivables		44,547	48,547
Investments in associates	6	122,754	124,350
Available-for-sale investments		46,608	46,608
Deferred tax assets		353,949	362,256
Deferred staff costs		129,222	141,391
		<b>25,130,697</b>	23,921,891
<b>Current assets</b>			
Materials and supplies, at cost		148,369	153,674
Trade receivables, net	7	119,131	59,749
Due from related parties		168,524	83,925
Prepayments and other receivables, net		187,877	141,674
Cash and cash equivalents		1,422,936	2,352,351
		<b>2,046,837</b>	2,791,373
<b>Total assets</b>		<b>27,177,534</b>	26,713,264

		As of 30 June 2008	As of 31 December 2007
	Note	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	8	7,083,537	7,083,537
Reserves		14,149,744	14,042,224
		21,233,281	21,125,761
<b>Minority interest</b>		55,896	55,709
<b>Total equity</b>		21,289,177	21,181,470
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	9	3,200,000	2,850,000
Retirement benefit obligations	10	257,314	300,701
Deferred tax liabilities		23,245	23,335
		3,480,559	3,174,036
<b>Current liabilities</b>			
Trade payables	11	458,392	291,423
Payables for construction-in-progress		297,456	337,213
Due to related parties		362,964	1,022,125
Dividends payable		566,725	46
Taxes payable		89,574	89,996
Accruals and other payables		632,687	616,955
		2,407,798	2,357,758
<b>Total liabilities</b>		5,888,357	5,531,794
<b>Total equity and liabilities</b>		27,177,534	26,713,264
<b>Net current (liabilities)/assets</b>		(360,961)	433,615
<b>Total assets less current liabilities</b>		24,769,736	24,355,506

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed Consolidated Interim Income Statement**  
For the six months ended 30 June 2008

		For the six months ended 30 June	
	Note	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Revenues from railroad businesses			
Passenger		3,261,562	2,673,824
Freight		635,593	556,793
Railway network usage and services	18	1,336,766	1,203,487
		5,233,921	4,434,104
Revenues from other businesses		385,981	295,261
Total revenues		5,619,902	4,729,365
Operating expenses			
Railroad businesses		(4,341,620)	(3,626,601)
Other businesses		(370,430)	(295,247)
Total operating expenses		(4,712,050)	(3,921,848)
Other income, net		16,545	49,112
<b>Profit from operations</b>		924,397	856,629
Finance costs		(98,485)	(9,700)
Share of post-tax profits/(loss) of associates		460	(1,558)
<b>Profit before income tax</b>		826,372	845,371
Income tax expense	12	(151,982)	(100,144)
<b>Profit for the period</b>		674,390	745,227
<b>Attributable to:</b>			
Equity holders of the Company		674,203	745,802
Minority interests		187	(575)
		674,390	745,227
<b>Earnings per share for profit attributable to the equity holders of the Company during the period</b>			
— Basic and diluted	13	RMB0.095	RMB0.105
<b>Dividends</b>	14	—	—

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed Consolidated Interim Statement of Changes in Equity**  
*For the six months ended 30 June 2008*

Note	Reserves				Subtotal	Minority interest	Total
	Share capital	Share Premium	Surplus reserves	Retained earnings			
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Balance at 1 January 2008	7,083,537	10,294,490	1,751,729	1,996,005	14,042,224	55,709	21,181,470
Profit attributable to shareholders	—	—	—	674,203	674,203	187	674,390
Dividends	14	—	—	(566,683)	(566,683)	—	(566,683)
Balances at 30 June 2008	7,083,537	10,294,490	1,751,729	2,103,525	14,149,744	55,896	21,289,177
Balance at 1 January 2007	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	—	90,169	—	—	90,169	—	90,169
Profit attributable to shareholders	—	—	—	745,802	745,802	(575)	745,227
Appropriation from retained earnings	—	—	42	(42)	—	—	—
Dividends	14	—	—	(566,683)	(566,683)	—	(566,683)
Balances at 30 June 2007	7,083,537	10,292,638	1,614,759	1,447,362	13,354,759	50,347	20,488,643

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed Consolidated Interim Cash Flow Statement**  
*For the six months ended 30 June 2008*

	<b>For the six months ended 30 June</b>	
	<b>2008</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>2007</b> <i>RMB'000</i> <b>(Unaudited)</b>
Net cash from operating activities	<b>1,177,859</b>	1,185,409
Net cash used in investing activities	<b>(1,788,609)</b>	(6,032,432)
Net cash (used in)/from financing activities	<b>(318,665)</b>	1,054,201
Net decrease in cash and cash equivalents	<b>(929,415)</b>	(3,792,822)
Cash and cash equivalents at beginning of period	<b>2,352,351</b>	5,851,831
Cash and cash equivalents at end of period	<b>1,422,936</b>	2,059,009

The accompanying notes form an integral part of this condensed consolidated interim financial information.

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

(All amounts expressed in Rmb otherwise stated)

### 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 6 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 Company issued to the Guangzhou Railway Group 100% of its equity interest in the form of 2,904,250,000 ordinary 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.

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 on the Shanghai Stock Exchange through an initial public offering of A shares for cash of approximately RMB10,332,431,000.

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 PRC.

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

As of 30 June 2008, 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
<b>Directly held by the Company</b>				
Shenzhen Fu Yuan Enterprise Development Company	1 November 1991	100%	RMB18,500,000	Hotel management
Shenzhen Guangshen Railway Travel Service Ltd.	16 August 1995	100%	RMB2,400,000	Travel agency
Shenzhen Railway Station Passenger Services Company	18 December 1986	100%	RMB1,500,000	Catering services and sales of merchandise
Guangzhou East Station Dongqun Trade and Commerce Service Company	23 November 1992	100%	RMB1,020,000	Sales of merchandise
Shenzhen Longgang Pinghu Qun Yi Railway Store Loading and Unloading Company	11 September 1993	55%	RMB10,000,000	Cargo loading and unloading, warehousing, freight transportation
Dongguan Changsheng Enterprise Company	22 May 1992	51%	RMB38,000,000	Warehousing
Guangzhou Tielian Economy Development Company Limited ("Tielian")	27 December 1994	50.5%	RMB1,000,000	Warehousing and freight transport agency services
<b>Indirectly held by the Company</b>				
Shenzhen Railway Property Management Company Limited	13 November 2001	100%	RMB3,000,000	Property management
Shenzhen Nantie Construction Supervision Company	8 May 1995	100%	RMB2,000,000	Supervision of construction projects
Shenzhen Guangshen Railway Economic and Trade Enterprise Company	7 March 2002	100%	RMB2,000,000	Culinary management

This condensed consolidated interim financial information was approved for issue on 27 August 2008.

## 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with IAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group had net current liabilities of approximately RMB360,961,000 as at 30 June 2008. Notwithstanding the foregoing, the condensed consolidated interim financial information have been prepared on a going concern basis as the directors, having considered the current operation and business plan of the Group as well as any available banking facilities (Note 9), are of the opinion that the Group will have sufficient working capital to enable it to operate as a going concern.

## 3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not relevant for the Group.

- IFRIC-Int 11, “IFRS 2 — Group and treasury share transactions”
- IFRIC-Int 12, “Service concession arrangements”
- IFRIC-Int 14, “IAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interaction”

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted. The expected impact is still being assessed in details by management.

- IFRS 8, “Operating segments”, effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, “Segment reporting”, and requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes.
- IFRS 2 (amendment) “Share-based payment”, effective for annual periods beginning on or after 1 January 2009.
- IFRS 3 (amendment), “Business combinations” and consequential amendments to IAS 27, “Consolidated and separate financial statements”, IAS 28, “Investments in associates” and IAS 31, “Interests in joint ventures”, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IAS 1 (amendment), “Presentation of financial statements”, effective for annual periods beginning on or after 1 January 2009.
- IAS 23 (amendment), “Borrowing costs”, effective for annual periods beginning on or after 1 January 2009.
- IAS 32 (amendment), “Financial instruments: presentation”, and consequential amendments to IAS 1, “Presentation of financial statements”, effective for annual periods beginning on or after 1 January 2009.
- IFRIC — Int 13, “Customer loyalty programmes”, effective for annual periods beginning on or after 1 July 2008.
- IFRS 1 and IAS 27 (amendment) “Cost of an investment in a subsidiary, jointly controlled entity or associate”, and consequential amendments to IAS 18 “Revenue”, IAS 21 “The Effects of Changes in Foreign Exchange Rates” and IAS 36 “Impairment of Assets”, effective for annual periods beginning on or after 1 January 2009.

#### 4. Segment information

##### (i) Primary reporting format — Business Segments

As of 30 June 2008, the Group conducts the majority of its business activities in railway transportation (“Railroad Businesses”) and other related business operations. 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, construction-in-progress, leasehold land payments, prepayments for fixed assets and construction-in-progress, goodwill, investments in associates, long-term receivable, deferred staff costs, materials and supplies, trade receivables, amounts due from related parties, prepayments and other receivables and cash and cash equivalents, excluding deferred tax assets. Segment liabilities primarily consist of borrowings, retirement benefit obligations, trade payables, payables for fixed assets and construction-in-progress, amounts due to related parties and accruals and other payables, excluding income tax payable and deferred tax liabilities. Capital expenditure comprises addition from additions to fixed assets, construction-in-progress and prepayments for fixed assets and construction-in-progress.

The segment results for the six months ended 30 June 2008 are as follows:

	For the six months ended 30 June									
	Railroad businesses		Other businesses		Unallocated		Elimination		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues										
– External	5,233,921	4,434,104	385,981	295,261	–	–	–	–	5,619,902	4,729,365
– Inter-segment	–	–	–	–	–	–	–	–	–	–
	5,233,921	4,434,104	385,981	295,261	–	–	–	–	5,619,902	4,729,365
Other income	16,647	5,428	(102)	43,684	–	–	–	–	16,545	49,112
Segment results	892,301	812,931	32,096	43,698	–	–	–	–	924,397	856,629
Finance costs	–	–	–	–	(98,485)	(9,700)	–	–	(98,485)	(9,700)
Share of post-tax profits/(loss) of associates	–	–	460	(1,558)	–	–	–	–	460	(1,558)
Income tax expense	–	–	–	–	(151,982)	(100,144)	–	–	(151,982)	(100,144)
Profit for the period	892,301	812,931	32,556	42,140	(250,467)	(109,844)	–	–	674,390	745,227
Depreciation	560,985	467,171	5,072	5,186	–	–	–	–	566,057	472,357
Amortization of leasehold land payments	7,100	7,500	509	510	–	–	–	–	7,609	8,010
Amortization of deferred staff costs	12,169	12,543	–	–	–	–	–	–	12,169	12,543
Provision for doubtful accounts	336	(8)	–	–	–	–	–	–	336	(8)

The segment assets and liabilities at 30 June 2008 and capital expenditure for the six months ended 30 June 2008 are as follows:

	Railroad businesses		Other businesses		Unallocated		Elimination		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	26,612,832	26,113,137	210,753	237,871	–	–	–	–	26,823,585	26,351,008
Deferred tax assets	–	–	–	–	353,949	362,256	–	–	353,949	362,256
Total assets	26,612,832	26,113,137	210,753	237,871	353,949	362,256	–	–	27,177,534	26,713,264
Segment liabilities	5,714,347	5,341,957	61,191	76,506	–	–	–	–	5,775,538	5,418,463
Tax payables	–	–	–	–	89,574	89,996	–	–	89,574	89,996
Deferred tax liabilities	–	–	–	–	23,245	23,335	–	–	23,245	23,335
Total liabilities	5,714,347	5,341,957	61,191	76,506	112,819	113,331	–	–	5,888,357	5,531,794
Capital expenditure	1,765,389	2,311,952	43,452	16,846	–	–	–	–	1,808,841	2,328,798

## (ii) Secondary reporting format – Geographical Segments

For the six months ended 30 June 2008 (2007: 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.

## 5. Fixed assets and construction-in-progress

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Opening net book value at 1 January	21,417,921	11,043,634
Additions arising from acquisition of a business (Note 17)	—	11,043,136
Other additions	2,431,572	51,382
Disposal	(297)	(3,564)
Depreciation	(566,057)	(472,357)
Closing net book amount as of 30 June	23,283,139	21,662,231

## 6. Investment in associates

As of 30 June 2008, the Company's interest in an associated company, Guangzhou Tiecheng Enterprise Company Limited ("Tiecheng"), amounted to approximately RMB87,094,000.

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 of PRC 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. Due to the fact that 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 impaired.

In 2003, Guangzhou Guantian applied to the People's High Court of Guangdong Province for a re-trial to discharge its obligation under the aforesaid guarantee. In 2005, the People's Supreme Court granted an order for the People's High Court of Guangdong Province to launch such a re-trial and certain preparatory procedures were undertaken by the People's High Court of Guangdong Province. No final judgement had been made as at the date of approval of these financial statements. The Company concludes that no provision for impairment in its investment in Tiecheng was considered necessary in the consolidated financial statements as at 30 June 2008.

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 14 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.

## 7. Trade receivables, net

	As of 30 June 2008 RMB'000 (Unaudited)	As of 31 December 2007 RMB'000 (Audited)
Trade receivables	126,666	66,516
Less: Provision for doubtful accounts	(7,535)	(6,767)
	<b>119,131</b>	<b>59,749</b>

The credit period of trade receivables is generally within one year. The aging analysis of trade receivables, net of provision for doubtful debts, was as follows:

	As of 30 June 2008 RMB'000 (Unaudited)	As of 31 December 2007 RMB'000 (Audited)
Within 1 year	106,366	55,936
Over 1 year but within 2 years	12,576	2,162
Over 2 years but within 3 years	83	1,068
Over 3 years	106	583
	<b>119,131</b>	<b>59,749</b>

## 8. Share capital

As of 30 June 2008 and 31 December 2007, the total authorised number of ordinary shares is 7,083,537,000 shares with a par value of RMB1.00 per share:

	30 June 2008 and 31 December 2007 RMB'000
Authorised, issued and fully paid:	
A Shares subject to sale restrictions	
— shares held by state-owned legal person	2,904,250
Listed shares	
— H Shares	1,431,300
— A Shares	2,747,987
	4,179,287
	<b>7,083,537</b>

## 9. Borrowings

	As of 30 June 2008 RMB'000 (Unaudited)	As of 31 December 2007 RMB'000 (Audited)
Bank borrowings — Unsecured	3,200,000	2,850,000

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

	As of 30 June 2008 RMB'000 (Unaudited)	As of 31 December 2007 RMB'000 (Audited)
At floating rates	3,200,000	2,850,000

The effective interest rate of the bank borrowings as of 30 June 2008 was 6.82% p.a. (31 December 2007: 6.07%).

As of 30 June 2008, the carrying amounts of the Group's borrowings approximate to their fair values.

As of 30 June 2008, the Group had RMB5,100,000,000 unutilized banking facilities granted by various financial institutions (2007: approximately RMB5,450,000,000).

## 10. Retirement benefit obligations

	As of 30 June 2008 RMB'000 (Unaudited)	As of 31 December 2007 RMB'000 (Audited)
Retirement benefit obligations	340,362	377,409
Less: current portion included in accruals and other payables	(83,048)	(76,708)
	257,314	300,701

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
At 1 January	377,409	22,420
Liabilities arising from the acquisition of a business (Note 17)	—	410,000
Addition	31,892	—
Payment	(68,939)	(53,156)
At 30 June	340,362	379,264

Pursuant to an early retirement scheme implemented by the Group, 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.

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).

#### 11. Trade payables

The aging analysis of trade payables was as follows:

	As of 30 June 2008 RMB'000 (Unaudited)	As of 31 December 2007 RMB'000 (Audited)
Within 1 year	454,071	288,763
Over 1 year but within 2 years	3,510	1,064
Over 2 years but within 3 years	115	83
Over 3 years	696	1,513
	<b>458,392</b>	<b>291,423</b>

#### 12. Income tax expense

On 16 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 1 January 2008. For the enterprise of which the current income tax rate is lower than 25%, the new income tax rate will gradually increase from 15% to 25% from 1 January 2008 over 5 years. As a result above, enterprises established in the Shenzhen Special Economic Zone of the PRC ("Shenzhen") are subject to income tax at a reduced preferential rate of 18% during the period. The Company and the subsidiaries located in Shenzhen are subjected to income tax rate of 18%, while those subsidiaries located outside of Shenzhen are subjected to income tax rate of 25%.

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

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Current income tax	143,765	127,550
Deferred income tax	8,217	(27,406)
	<b>151,982</b>	<b>100,144</b>

### 13. Earnings per share

The calculation of basic earnings per share is based on the net profit for the six months ended 30 June 2008 attributable to shareholders of RMB674,203,000 (2007: RMB745,802,000), divided by the weighted average number of ordinary shares outstanding during the period of 7,083,537,000 shares (2007: 7,083,537,000 shares). There were no dilutive potential ordinary shares as of period end and therefore the diluted earning per share amount is the same as the basic.

### 14. Appropriations to reserves and proposed dividends

No appropriation from retained earnings had been made to the statutory reserves for the six months ended 30 June 2008. 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 2008, the Board of Directors declared a dividend of RMB0.08 per share in respect of the year ended 31 December 2007, totalling RMB566,682,960 (2007: RMB566,682,960), and it was approved by shareholders in the Annual General Meeting on 26 June 2008.

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2008 (2007: same).

### 15. Commitments

#### (a) Operating lease commitments

In connection with the acquisition of Guangzhou Railway Group Yangcheng Railway Enterprise Development Company ("Yangcheng Railway") mentioned in Note 17, the Company signed an agreement on 15 November 2004 with Guangzhou Railway (Group) Company for leasing the land use rights associated with the land on which the acquired assets of Yangcheng Railway are located. The agreement became effective upon the completion of the acquisition on 1 January 2007 and the lease term is 20 years, renewable at the discretion of the Company. According to the terms of the agreement, the rental for such lease would be agreed by both parties every year with a maximum amount not exceeding RMB74,000,000. For the six months ended 30 June 2008, the related lease rental paid and payable was RMB25,000,000 (2007: RMB25,000,000).

#### (b) Capital commitments

As of 30 June 2008, the Group had the following capital commitments which are authorized but not contracted for, and contracted but not provided for:

	As of 30 June 2008 RMB'000 (Unaudited)	As of 31 December 2007 RMB'000 (Audited)
Authorised but not contracted for	424,722	196,164
Contracted but not provided for	919,424	2,132,634

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.

## 16. 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.

- (a) For the six months ended 30 June 2008, the Group had the following material transactions undertaken with related parties:

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>Recurring Transactions:</b>		
<b>I. Income</b>		
Provision of train transportation and related services to other railway companies controlled by Ministry of Railways ("MOR")	1,336,766	1,203,487
Revenue received, processed and allocated by MOR		
— passenger transportation	3,033,011	2,504,276
— cargo forwarding railway usage fees	422,423	397,292
Provision of repairing service for cargo truck of Guangzhou Railway Group and its subsidiaries and associates	98,788	87,642
Provision of train transportation and related services to Guangzhou Railway Group and its subsidiaries and associates	102,859	44,210
<b>II. Charges and Payments</b>		
Services charges allocated from MOR for train transportation and related services offered by other railway companies controlled by MOR	1,327,385	926,394
Operating lease rentals paid/payable to MOR	85,833	70,607
Provision of train transportation and related services provided by Guangzhou Railway Group and its subsidiaries	106,710	65,019
Social services (employee housing, health care, educational and public security services and other ancillary services) provided by subsidiaries of Guangzhou Railway Group	190,218	157,128
Operating lease rental paid to Guangzhou Railway Group for the land use right	25,000	25,000
Provision of repairing and maintenance service provided by Guangzhou Railway Group and its subsidiaries	79,646	41,239
Purchase of materials and supplies from Guangzhou Railway Group and its subsidiaries	189,128	191,133
<b>Non-Recurring Transactions:</b>		
Payment for the acquisition of net assets of Yangcheng Railway (Note 17)	—	4,873,332
Provision of construction projects	46,597	30,398
Other service provided with subsidiaries of Guangzhou Railway Group	15,280	25,284

- (b) Compensation paid and payable to directors and supervisors of the Group amounted to RMB1,326,000 for the six months ended 30 June 2008 (2007: RMB1,250,000).

- (c) As of 30 June 2008, the Group had the following material balances maintained with related parties:

	As of 30 June 2008 RMB'000 (Unaudited)	As of 31 December 2007 RMB'000 (Audited)
Due from/(to) MOR and Guangzhou Railway Group	95,352	(78,262)
– Trade balance	115,330	(96,995)
– Non-trade balance	(19,978)	18,733
Due from subsidiaries of Guangzhou Railway Group	71,242	82,100
– Trade balance	58,606	17,843
– Non-trade balance	12,636	64,257
Due from an associate	1,930	1,825
– Non-trade balance	1,930	1,825
Prepayment for fixed assets	8,766	1,104
– Due from Guangzhou Railway Group	7,196	1,104
– Due from subsidiaries of Guangzhou Railway Group	1,570	—
Due to subsidiaries of Guangzhou Railway Group	(359,470)	(940,928)
– Trade balance	(169,365)	(157,001)
– Non-trade balance	(190,105)	(783,927)
Due to an associate	(3,494)	(2,935)
– Non-trade balance	(3,494)	(2,935)
Payable for construction in progress	(4,498)	(19,370)
– Due to subsidiaries of Guangzhou Railway Group	(3,206)	(12,520)
– Due to an associate	(1,292)	(6,850)

#### 17. The acquisition of net assets of Yangcheng Railway

On 15 November 2004, the Company entered into an agreement to acquire the railway transportation business of Yangcheng Railway which consists of all of its assets and liabilities related to its railway transportation business (“Yangcheng”) on the rail line running between the cities of Guangzhou and Pingshi in Southern China.

The purchase consideration of approximately RMB10,332,431,000 was determined based on an appraisal of Yangcheng performed by an independent appraisal firm as of 31 March 2006, and subject to certain adjustments in accordance with the agreement based on the finalization of the completion audit. The primary source of funding (at least 65%) for the acquisition was derived from the issuance of A shares of the Company.

On 1 January 2007, control of the assets and operations of Yangcheng was transferred to the Company. Accordingly, for accounting purposes, 1 January 2007 is considered by the directors of the Company to be the effective date of acquisition.

Prior to the A share issuance, Yangcheng Railway and the Group were both controlled by the MOR, as it indirectly held controlling interests in both the companies. Subsequent to the A share issuance in December 2006, the equity interest of the MOR in the Group was diluted to 41%. As a result, as on the acquisition date of 1 January 2007, Yangcheng Railway and the Group were no longer under common control. Under IFRS 3 “Business Combination”, the transaction does not constitute a business combination under common control as the Group and Yangcheng Railway are not ultimately controlled by the same party (the MOR) both before and after the business combination. Accordingly, the transaction has been accounted for using the purchase method of accounting with the acquired identifiable assets, liabilities and contingent liabilities stated at their respective fair values as at the date of acquisition.

**18. Comparative figures**

Revenue from railway network usage and services was recorded within the “Passenger” and “Freight” category of revenue in the prior year has been separately disclosed on the income statement in order to conform with the current year presentation.

## **CHAPTER 8: DOCUMENT AVAILABLE FOR INSPECTION**

Documents for review include:

- I. Interim Report signed by the legal representative;
- II. Financial Statements signed by the Chairman of the Board of Directors, General Manager and Chief Accountant;
- III. All the original of files or announcements disclosed in Securities Times, China Securities Journal and Shanghai Securities News in the reporting period;
- IV. Resolutions approved by the third meeting of the fifth session of the Board of Directors of the Company;
- V. Resolutions approved by the second meeting of the fifth session of the Supervisory Committee of the Company;

The documents are placed at Secretariat of the Company.

On behalf of the Board of Directors  
**He Yuhua**  
*Chairman of the Board of Directors*

Shenzhen, China, 27 August 2008