

# INTERIM REPORT

2013 年度  
中期報告

[ Stock Code: 00525 ]





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## IMPORTANT NOTICE

The board of directors of the Company ("the Board"), the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that the contents of this interim report are authentic, accurate and complete, and there are no misrepresentations or misleading statements contained in or material omissions from this interim report, and severally and jointly accept the related legal responsibility.

All Directors of the Company attended the meeting of the Board considering this interim report.

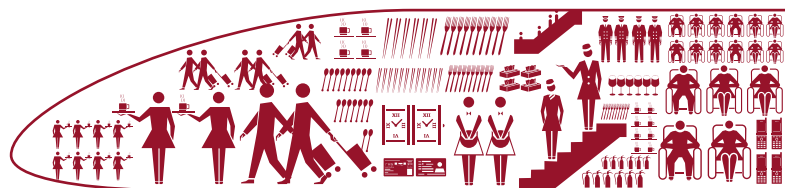
This interim financial report of the Company has not been audited.

Li Wenxin, Chairman of the Board, Shen Yi, General Manager, Tang Xiangdong, Chief Accountant, Lin Wensheng, Chief of Finance Department hereby declare that the authenticity, accuracy and completeness of the financial statements contained in this interim report are warranted.

The Board has decided not to distribute any interim profit or transfer any common reserve into share capital for the interim period of 2013.

There is no non-regular appropriation of the Company's fund by its controlling shareholders and their related parties.

There is no violation of the decision-making procedures with respect to the provision of external guarantee by the Company.



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# Chapter 1

## Definitions

### I. DEFINITIONS

In this report, unless the context otherwise requires, the expressions stated below have the following meanings:

The Company, Company, Guangshen Railway	Guangshen Railway Company Limited
Reporting period, current period	6 months from January 1 to June 30, 2013
Same period last year	6 months from January 1 to June 30, 2012
A shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 issued in the PRC and listed on the SSE for subscription in Renminbi
H shares	Overseas listed foreign shares of the Company with a par value of RMB1.00 issued in Hong Kong and listed on the SEHK for subscription in Hong Kong dollars
ADS	U.S. dollar-denominated American Depositary Shares representing ownership of 50 H shares issued by trustees in the United States under the authorization of the Company
CSRC	The China Securities Regulatory Commission
SSRB	The Shenzhen Securities Regulatory Bureau of the China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
SEHK	The Hong Kong Stock Exchange
NYSE	The New York Stock Exchange
SFO	The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
Listing Rules	The listing rules of SEHK and/or the listing rules of SSE (as the case may be)
Articles	The articles of associations of the Company
CRC	China Railway Corporation
GRGC, largest shareholder	Guangzhou Railway (Group) Company
GEDC	Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company
YCR	Guangzhou Railway Group YangCheng Railway Enterprise Development Company
GZIR	Guangdong Guangzhou Intercity Rail Transportation Company Limited

## Chapter 2

# Company Profile

### I. COMPANY INFORMATION

Chinese name of the Company	廣深鐵路股份有限公司
English name of the Company	Guangshen Railway Company Limited
Legal representative of the Company	Li Wenxin

### II. CONTACT PERSON AND CONTACT INFORMATION

Name	Company Secretary Guo Xiangdong	Representative of Securities Affairs Zheng Bei
Address	No. 1052, Heping Road, Shenzhen Guangdong Province, The People's Republic of China	
Tel	(86) 755-25588150	
Fax	(86) 755-25591480	
Email	ir@gsrc.com	

### III. BASIC INFORMATION

Registered address and place of business of the Company	No. 1052, Heping Road Shenzhen, Guangdong Province The People's Republic of China
Postal code of the Company's registered address and place of business of the Company	518010
Company website	<a href="http://www.gsrc.com">http://www.gsrc.com</a>
Company e-mail	ir@gsrc.com

### IV. PLACES FOR INFORMATION DISCLOSURE AND RESERVE ADDRESS

Newspapers for information disclosure of the Company	China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily
Websites publishing the interim report of the Company	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.gsrc.com">http://www.gsrc.com</a>
Reserve address of the Company's interim report	No. 1052, Heping Road Shenzhen, Guangdong Province The People's Republic of China





## V. SHARE INFORMATION OF THE COMPANY

Type of the Shares	Stock Exchange	Ticker Symbol	Share Code
A Share	Shanghai Stock Exchange	廣深鐵路	601333
H Share	The Stock Exchange of Hong Kong Limited	廣深鐵路	00525
ADS	The New York Stock Exchange, Inc.	—	GSH

## VI. OTHER RELEVANT INFORMATION

Domestic auditor	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office address	11/F PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, The People's Republic of China
	Name of signing auditors	Chen Anqiang Qiu Xiaoying
International auditor	Name	PricewaterhouseCoopers
	Office address	22nd Floor, Prince's Building, Central, Hong Kong
Legal advisor as to PRC law	Name	Beijing Haiwen & Partners
	Office address	21st Floor, Beijing Silver Tower, No. 2 Dong San Huan North Road, Chao Yang District, Beijing, The People's Republic of China
Legal advisor as to Hong Kong law	Name	Cleary Gottlieb Steen & Hamilton (Hong Kong)
Legal advisor as to United States law	Office address	39th Floor, Bank of China Tower, One Garden Road, Hong Kong
	Name	Shearman & Sterling LLP
A Share registrar	Office address	12th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong
	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
H Share registrar	Office address	36th Floor, China Insurance Building, No. 166, Lujiazui East Road, Pudong New district, Shanghai, The People's Republic of China
	Name	Computershare Hong Kong Investor Services Limited
Depository	Office address	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
	Name	JPMorgan Chase Bank, N.A.
Principal banker	Office address	13th Floor, No. 4 New York Plaza, New York, USA
	Name	Construction Bank of China Shenzhen Branch Jiabin Road Sub-branch
	Office address	1st to 4th Floors, Jinwei Building, Jiabin Road, Shenzhen, Guangdong Province, The People's Republic of China

## Chapter 3

# Summary of Accounting Data and Financial Indicators

### I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(Unit: RMB thousand)

	At the end of the reporting period	At the end of last year	Increase/ Decrease compared to the end of last year (%)
Total assets	32,743,212	32,867,182	(0.38)
Net assets (excluding non-controlling interest)	26,027,584	25,945,190	0.32
Net assets per share (RMB)	3.67	3.66	0.27

	Reporting period (From January to June)	Corresponding period of last year	Period-on- period increase/ decrease (%)
Total revenue	7,626,184	7,011,191	8.77
Total operating expenses	6,651,342	6,099,544	9.05
Profit from operations	958,010	990,032	(3.23)
Profit before tax	863,494	906,521	(4.75)
Consolidated profit attributable to shareholders	649,077	678,449	(4.33)
Basic earnings per share (RMB)	0.09	0.10	(10.00)
Earnings per ADS (RMB)	4.58	4.79	(4.38)
Net cash generated from operating activities	880,727	788,844	11.65
Net cash generated from operating activities per share (RMB)	0.12	0.11	9.09

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## Chapter 4

# Report of the Board

### I. THE BOARD'S DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

In the first half of 2013, the operating revenues of the Company were RMB7,626 million, representing an increase of 8.77% from RMB7,011 million of the same period last year, among which revenues from passenger transportation, freight transportation, railway network usage and other transportation related services, and other businesses were RMB3,985 million, RMB642 million, RMB2,499 million and RMB500 million, respectively, accounting for 52.26%, 8.41%, 32.77% and 6.56% of the total revenues, respectively. Profit from operation was RMB958 million, representing a year-on-year decrease of 3.23% from RMB990 million; consolidated profit attributable to equity holders was RMB649 million, representing a year-on-year decrease of 4.33% from RMB678 million.

#### I. Analysis of principal operations

##### 1. Changes in items of financial statements

Unit: RMB thousand

Item	Current period	Same period last year	Change (%)
Operating revenues	7,626,184	7,011,191	8.77
Operating expenses	6,651,342	6,099,544	9.05
Finance costs	94,497	91,777	2.96
Income tax expenses	215,743	228,947	(5.77)
Net cash flows from operating activities	880,727	788,844	11.65
Net cash flows from investing activities	(627,477)	(125,206)	401.16
Net cash flows from financing activities	(150)	(150)	—

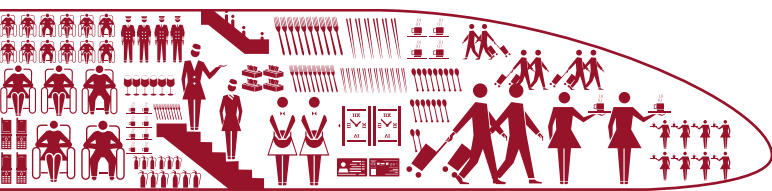
## 2. Revenue

### (1) Passenger transportation

Passenger transportation, which is the most important transportation business segment of the Company, includes transportation business of Guangzhou-Shenzhen inter-city express trains, long-distance trains and Through Trains in Hong Kong. As at June 30, 2013, the Company operated a total of 233.5 pairs of passenger trains on a daily basis according to its train schedule, among which there were 105 pairs of Guangzhou-Shenzhen inter-city express trains (including 19 pairs of back-up trains); 13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains) and 115.5 pairs of long-distance trains. The table below sets forth the revenues from passenger transportation and passenger delivery volumes for current period in comparison with those in the same period last year:

	January — June 2013	January — June 2012	Period-on- period increase/ decrease (%)
Passenger transportation revenues (RMB)	3,985,087,176	3,741,970,403	6.50
— Guangzhou-Shenzhen inter-city trains	1,173,608,070	1,195,451,112	(1.83)
— Through Trains	237,030,742	225,448,027	5.14
— Long-distance trains	2,574,448,364	2,321,071,264	10.92
Passenger delivery volume (persons)	44,835,998	42,415,698	5.71
— Guangzhou-Shenzhen inter-city trains	17,950,020	18,045,138	(0.53)
— Through Trains	1,866,106	1,810,641	3.06
— Long-distance trains	25,019,872	22,559,919	10.90
Revenue per passenger delivered (RMB)	(N/A)	(N/A)	—
— Guangzhou-Shenzhen inter-city trains	65.38	66.25	(1.31)
— Through Trains	127.02	124.51	2.02
— Long-distance trains	(N/A)	(N/A)	—
Total passenger-kilometers (passenger-kilometers)	14,648,460,000	14,121,254,000	3.73
Revenue per passenger-kilometer (RMB)	0.27	0.26	3.85

- **The increase in passenger transportation revenues was mainly due to:** increase in passenger delivery volume that led to increase in income from long-distance trains.
- **The increase in passenger delivery volume was mainly due to:** relatively significant period-on-period increase in the passenger delivery volume due to the opening of long-distance trains from Shenzhen East Station to various cities such as Nanning and Chengdu on December 21, 2012 and the replacement of new trains of Canton-Kowloon Through Trains on the same day, and the opening of long-distance trains from Shenzhen to Shanghai South and from Guangzhou to Yantai on July 1, 2012.



## (2) Freight transportation

Freight transportation is the important transportation business segment of the Company including the freight transportation business on the Shenzhen-Guangzhou-Pingshi Railway. The table below sets forth the revenues from freight transportation and freight tonnage for current period in comparison with those in the same period last year:

	January — June 2013	January — June 2012	Period-on- period increase/ decrease (%)
Freight transportation revenues (RMB)	641,557,365	672,522,267	(4.60)
— Outbound freight	238,336,712	234,640,804	1.58
— Inbound freight, including arrival and pass-through freight	371,283,088	412,745,638	(10.05)
— Other revenues from freight transportation	31,937,565	25,135,825	27.06
Tonnage of freight (tonnes)	28,262,406	30,555,883	(7.51)
— Outbound freight	9,843,277	10,993,654	(10.46)
— Inbound freight, including arrival and pass-through freight	18,419,129	19,562,229	(5.84)
Revenue per tonne (RMB)	22.70	22.01	3.13
— Outbound freight	24.21	21.34	13.45
— Inbound freight, including arrival and pass-through freight	20.16	21.10	(4.45)
Total tonne-kilometers (tonne-kilometers)	6,359,630,000	6,984,542,000	(8.95)
Revenue per tonne-kilometer (RMB)	0.10	0.10	—

- **The decrease in freight transportation revenues was mainly due to:** decrease in the inbound freight volume that led to decrease in the revenue from inbound freight transportation.
- **The decrease in freight volume was mainly due to:** sluggish market demand for bulk goods such as metal ores, non-metal ores and coal under the impact of decelerated domestic economic growth, the State's continuously increasing effort on adjusting the industry structure and other factors that led to decreases in both outbound and inbound freights volume.

## (3) Railway network usage and other transportation related services

Railway network usage and services provided by the Company mainly include locomotive traction, track usage, electric catenary usage, vehicle coupling and other services, and the other transportation services mainly include provision of railway operation services, locomotive and passenger car leasing, passenger services and other services. The table below sets forth the revenues from railway network usage and other transportation related services for current period in comparison with those of the same period last year:

	January — June 2013	January — June 2012	Period-on- period increase/ decrease (%)
Railway network usage and other transportation related services (RMB)	2,499,062,594	2,147,002,689	16.40
(1) Railway network usage services	1,807,330,166	1,446,517,603	24.94
— Locomotive traction	784,248,684	432,104,458	81.50
— Track usage	567,064,920	531,966,769	6.60
— Electric catenary usage	195,591,301	226,889,862	(13.79)
— Vehicle coupling	149,784,143	156,853,987	(4.51)
— Other services	110,641,118	98,702,527	12.10
(2) Railway operation services	587,601,080	549,960,200	6.84
(3) Other transportation services	104,131,348	150,524,886	(30.82)

- **The increase in revenue from railway network usage services was mainly due to:** increases in service volume and unit price of locomotive traction services that led to an increase in revenue from locomotive traction services.
- **The increase in revenue from railway operation services was mainly due to:** increase in the provision of railway operation services provided by the Company to GZIR under the increased frequency of trains run by GZIR.
- **The decrease in revenue from other transportation services was mainly due to:** a majority of locomotives and passenger cars of the Company leased to other railway bureaus (companies) were returned upon expiry during the reporting period that led to a decrease in revenue from the usage of locomotives and passenger cars.

## (4) Other businesses

Other businesses of the Company mainly include train repair, sales of materials and supplies, on-board catering services, sale of goods, labor services, leasing, loading and unloading and other businesses related to railway transportation. In the first half of 2013, revenues from other businesses of the Company were RMB500 million, representing an increase of 11.29% from RMB450 million of the same period last year, which was mainly attributable to an increase in revenues from on-board catering services and train repair.



### 3. Costs

Unit: RMB thousand

By industry	January — June 2013	January — June 2012	Period-on- period increase/ decrease (%)
Railway business	6,170,784	5,667,916	8.87
Other businesses	480,558	431,628	11.34
Total	6,651,342	6,099,544	9.05

- The increase in cost of railway business was mainly due to:** (1) the opening of Shenzhen-Shanghai South and Guangzhou-Yantai long distance trains by the Company from July 1, 2012, increases in the unit settlement prices for railway locomotive traction fees in China, and increases in expenses for railway network usage settlement; (2) increases in the number of employees providing railway operation services, increases in salaries across the industry, increases in housing fund and base of social security payments, and increases in salaries and benefits expenses; (3) increases in the railway operation services that led to increases in the related expenses and expenditures; (4) increases in fixed assets that led to corresponding increases in depreciation amount.
- The increase in cost of other businesses was mainly due to:** (1) increases in salaries across the industry, increases in housing fund and base of social security payments, and increases in salaries and benefits expenses; (2) development of other businesses that led to increases in material and water and electricity consumption and other related expenses.

### 4. Expenses

Unit: RMB thousand

Item	January — June 2013	January — June 2012	Period-on- period increase/ decrease (%)	Major reason for the changes
Finance costs	94,497	91,777	2.96	—
Income tax expenses	215,743	228,947	(5.77)	Decrease in total profit.

## 5. Cash flow

Unit: RMB thousand

Item	January — June 2013	January — June 2012	Period-on- period increase/ decrease (%)	Major reason for the changes
Net cash flows from operating activities	880,727	788,844	11.65	—
Net cash flows from investment activities	(627,477)	(125,206)	401.16	Significant decrease in other cash related to investing activities.
Net cash flows from financing activities	(150)	(150)	—	—

## (II) Analysis of operation by industry, product or geography

### 1. By industry

Unit: RMB thousand

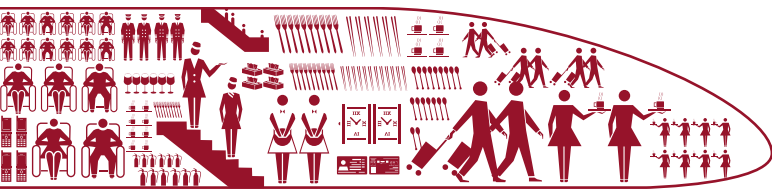
By industry	Revenue	Cost	Gross profit margin (%)	Period-on-period increase/decrease in revenue (%)	Period-on-period increase/decrease in cost (%)	Period-on-period increase/decrease in gross profit margin (%)
Railway business	7,125,707	6,170,784	13.40	8.60	8.87	(0.22)
Other businesses	500,477	480,558	3.98	11.29	11.34	(0.04)
Total	7,626,184	6,651,342	12.78	8.77	9.05	(0.22)

### 2. By geography

Unit: RMB thousand

Region	Operating revenue	Period-on-period increase/decrease in operating revenue (%)
PRC	7,626,184	8.77





### **(III) Analysis on investment position**

#### ***1. General analysis on investments in external equity interests***

During the reporting period, the Company had not made investments in securities such as stock, warrants or convertible bonds, and had not held or dealt in equity interests of other listed companies and non-listed financial enterprises.

#### ***2. Entrusted investment and derivatives investment on non-financial companies***

During the reporting period, there was no entrusted investment or entrusted loan or derivatives investment by the Company.

#### ***3. General use of raised proceeds***

During the reporting period, the Company had not raised any funds and no funds raised previously have been used during the reporting period.

#### ***4. Analysis on major subsidiaries and investee companies***

During the reporting period, the Company has not have net profit from a single subsidiary or investment income from a single investee company that equals to 10% or more of the net profit of the Company.

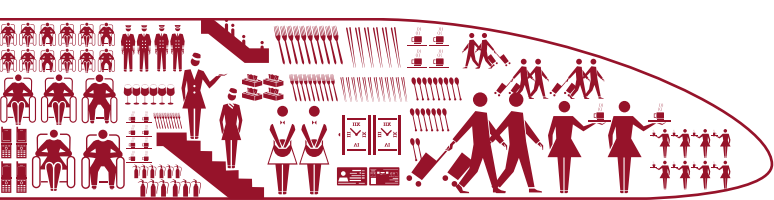
#### ***5. Use of non-raised proceeds***

During the reporting period, the Company has no significant projects of non-raised proceeds investment.

## II. OPERATING ENVIRONMENT AND OPERATION FOCUS FOR THE SECOND HALF OF 2013

During the second half of 2013, despite the unlikeliness of significant change in both domestic and overseas economic downturn situations, with completion and commencement of operation of a series of high-speed railways and inter-city railways and the gradual advancement of national rail freight organizational reform, railway passenger delivery volume in the PRC will maintain faster growth, and hopefully freight volume will rally. The Company will continue to follow the sound leadership and scientific decisions of the Board under the guidance of scientific development and to adapt to market changes, and on the other hand persevere in the principle of “reinforcing the foundation, enhancing the quality, expanding the market, invigorating the operation, enhancing the systems and regulating the management”, fulfill the responsibilities as a market corporate, adjust its mode of development, fortify the safety foundation, regulate the management of operation, enhance the quality of service, and strive to maintain the stability of transport production and continuous growth in transportation revenue. Accordingly, the Company will focus on the following tasks:

- (1) **In respect of safe production:** to perfect the management and coordination system for safety risks, step up supervision and control of material safety risks, implement the precautionary and control measures for safety risks, commence in-depth major safety check, commence safety regulation projects firmly, coordinate plans and budgets, and prioritize input into regulatory items under control projects for material safety risks to ensure transportation safety and stability.
- (2) **In respect of passenger transportation:** firstly, to further increase the marketing efforts for the Guangzhou-Shenzhen section of passenger transportation, to enhance the operating plan of Guangzhou-Shenzhen section, and to proactively explore new growth points for the Guangzhou-Shenzhen inter-city passenger transportation. Secondly, to fully develop the potential of Shenzhen East station in order to enhance the operating plans for long-distance trains in the Shenzhen region, and to improve the transportation capacity and transportation efficiency of long-distance trains. Thirdly, to persistently cater to the needs of travelers, improve the service mode of passenger transportation, perfect the organization of ticket-selling, and continue to improve the hardware of passenger transportation services, and enhance the quality of passenger transportation services.
- (3) **In respect of freight transportation:** on the basis of seriously considering and resolving new issues and problems arising from the previous stage of freight transportation organization reform, to further differentiate various implementation measures and ensure the in-depth progression of the reform.



### III. PLANS FOR PROFIT DISTRIBUTION OR COMMON RESERVE CAPITALIZATION

#### 1. Implementation or adjustment of cash dividend distribution plan devised during the reporting period

At the 2012 annual general meeting held on May 23, 2013, the profit distribution plan of 2012 was passed upon consideration, under which a final cash dividend for 2012 of RMB0.08 per share, including tax, was to be distributed to the shareholders of the Company, based on the total share capital of 7,083,537,000 shares as at December 31, 2012. For the detailed arrangements related to the distribution of dividends for A Shares, please refer to the "Announcement on Distribution of Dividends for 2012" published by the Company on the website of SSE (<http://www.sse.com.cn>) on July 9, 2013, whereas for the detailed arrangements related to the distribution of dividends for H Shares, please refer to the "Announcement of Poll Results of the Annual General Meeting held on 23 May 2013" published by the Company on the HKExnews website of SEHK (<http://www.hkexnews.hk>) on May 23, 2013.

#### 2. Profit distribution plan and common reserve capitalization plan for the interim period

The Board of the Company has decided not to distribute any profit or capitalize any common reserve for the interim period of 2013.

### IV. OTHER DISCLOSURES

#### 1. Changes in accounting policies

During the reporting period, except as disclosed in Note 3 to the financial statements of this interim report, the Company had no changes in accounting policies, accounting estimates or auditing method, and there was no correction of material accounting errors of previous periods.

#### 2. Liquidity and capital sources

During the reporting period, the principal capital sources of the Company were revenues generated from operating activities. The Company's capital was mainly used for operating and capital expenses, payment of taxes and so on. The Company has sufficient cash flow and believes that it has sufficient working capital, bank loans and other capital sources to meet its operation and development needs.

As at the end of the reporting period, apart from bonds payable at a nominal value of RMB3.5 billion and bearing a fixed interest rate of 4.79% per annum owned by the Company, there was no other forms of borrowings. Capital commitments and operating commitments of the Company as at the end of the reporting period are set out in note 17 to the financial statements.

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As at the end of the reporting period, the Company had no charge on any of its assets and had not provided any guarantees, and had no entrusted deposits, and the gearing ratio (calculated by total liabilities divided by total assets as at the end of the reporting period) of the Company was 20.36%.

**3. Material investments held, material acquisitions and disposals of subsidiaries and associates, and future plans of material investments or acquisition of capital assets**

During the reporting period, the Company had no material investment held, had not carried out any material acquisition or disposal of subsidiaries and associates, and had no definite plan for material investment or acquisition of capital assets.

**4. Risk of foreign exchange fluctuations and related hedges**

The Company's exposure to foreign currency risks is mainly related to USD and HKD. Apart from payments for imported purchases and dividend paid to foreign investors settled in foreign currencies, other major operational businesses of the Company are all settled in RMB. RMB is not freely convertible into other foreign currencies, and its conversion is subject to the exchange rates and regulations of foreign exchange control promulgated by the PRC government. Any foreign currency denominated monetary assets and liabilities other than denominated in RMB are subject to the risks of foreign exchange fluctuations.

The Company has not used any financial instruments to hedge its foreign currency risks. Currently, its foreign currency risks are minimized mainly through monitoring the size of transactions of foreign currencies and foreign currency denominated assets and liabilities.

**5. Contingent liabilities**

During the reporting period, the Company had no contingent liability.

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## Chapter 5

# Matters of Importance

## I. CORPORATE GOVERNANCE

### 1. Overview of corporate governance

Since the listing of the Company on the SEHK and the NYSE in 1996 and on the SSE in 2006, the Company has been continuously improving its corporate governance structure, perfecting the internal control and management systems, enhancing information disclosures and regulating its operation in accordance with the relevant domestic and overseas listing rules and regulatory requirements, after taking into account the actual status of affairs of the Company. General meeting, the Board and the Supervisory Committee of the Company have clearly defined powers and duties, each assuming and performing its specific responsibilities and making its own decisions in an independent, efficient and transparent manner. Currently, there is no material difference between the status quo of the Company's corporate governance structure and the regulatory documents of the regulatory authorities of the place of listing of the Company's stocks related to corporate governance of listed company.

During the reporting period, the Company has completed self-assessment of internal control and related auditing works for 2012 in accordance with the relevant requirements of domestic and overseas securities regulatory authorities on the internal control of listing companies, and has further perfected its internal control system, regulated the implementation of its internal control system, reinforced the supervision and inspection of its internal control system in accordance with the Basic Regulations on Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control jointly promulgated by five departments of the PRC, Section 404 of the United States Sarbanes-Oxley Act and the relevant requirements of domestic and overseas securities regulatory authorities in order to promote the healthy and sustainable development of the Company.

During the reporting period, as the national railway industry operated on a concentrated and unified commanding transportation management system, GRGC, the largest shareholder of the Company, required financial information of the Company in order to carry out administrative roles as the industry leader in accordance with legal and administrative regulations. Such information was provided in the monthly financial reports by the Company during the reporting period. Accordingly, the Company continued to comply with the Notice on listed companies regarding enhancement of supervision of unregulated governance activities such as disclosure of unreleased information to its shareholders and de facto controllers of SSRB (Shen Zheng Ju Gong Si Zi [2007] No. 39), and has obtained an undertaking letter from GRGC, in relation to enhancement on managing unreleased information. This undertaking letter is to remind the shareholder to comply with its obligations under the confidential undertaking and avoid inside trading. The Company has also submitted a list of insiders to relevant securities governing authorities.

Improvement of corporate governance is a long-term systematic project, which needs continuous improvement and enhancement. The Company will, as it has always had, continue to promptly update and improve its internal systems according to the relevant regulations, timely discover and solve problems, strengthen its management basis and enhance its awareness of standardized operation and level of governance to promote the regulated, healthy and sustainable development of the Company.

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## 2. The Board

The Board comprises nine members, including three independent non-executive Directors. The executive Directors have years of experience in the railway industry. The independent non-executive Directors come from various industries with different backgrounds and rich experiences and they all possess appropriate professional qualifications in accounting or related fields.

The Board has established the audit committee and the remuneration committee to supervise relevant affairs of the Company. Each committee has specific responsibilities, reports to and gives advice to the Board on a regular basis.

## 3. Audit committee

Members of the audit committee are appointed by the Board. It consists of three independent non-executive Directors, namely, Mr. Lo Mun Lam (chairman of audit committee), Mr. Liu Xueheng and Ms. Liu Feiming. They possess appropriate academic and professional qualifications or related financial management expertise. The secretary to the Board, Mr. Guo Xiangdong is the secretary of the audit committee.


According to the requirements of the Terms of Reference of Audit Committee of the Company, the principal duties of the audit committee include but are not limited to reviewing the financial performance of the Company and its subsidiaries, confirming the nature and scope of audit as well as supervising the establishment of the internal control and compliance with the relevant laws and regulations. It shall also discuss matters raised by the internal auditors, external auditors and regulatory authorities to ensure that appropriate auditing recommendations are implemented. The audit committee has been provided with adequate resources from the Company to perform its duties.

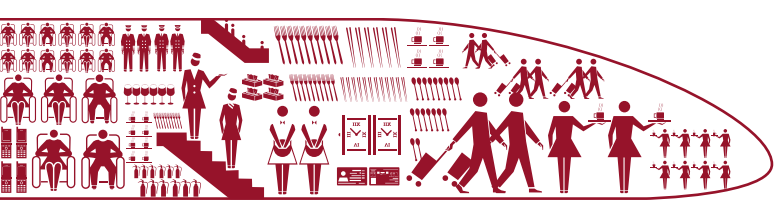
This interim report (including the unaudited interim financial statements for the 6 months ended June 30, 2013) has been reviewed by the audit committee.

## 4. Remuneration committee

Members of the remuneration committee are appointed by the Board. It consists of three independent non-executive Directors and two executive Directors, namely, Mr. Lo Mun Lam (chairman of remuneration committee), Mr. Liu Xueheng, Ms. Liu Feiming, Mr. Li Wenxin and Mr. Shen Yi.

According to the requirements of the Terms of Reference of Remuneration Committee of the Company, the principal duties of the remuneration committee include reviewing and making recommendations to the Board for the remuneration packages for the Directors and the Supervisors of the Company. The remuneration policy of the Company seeks to provide, in accordance with the Company's business development strategy, reasonable remuneration to attract and retain high caliber executives. The remuneration committee shall





obtain the benchmark information from internal and external sources in relation to market remuneration standard, packages offered in the industry and consider the overall performance of the Company when determining the Directors' and the Supervisors' emoluments and recommending the Directors' and the Supervisors' emoluments to the Board. The remuneration committee is provided with adequate resources from the Company to perform its duties.

## **5. Compliance with the Corporate Governance Code**

The Company is always committed to maintaining high standards of corporate governance. During the reporting period, apart from the provision of the Corporate Governance Code on the establishment of a nomination committee, as far as the Company and its Directors are aware, the Company has complied with the relevant code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules of the SEHK.

As at the end of the reporting period, the Board decided not to set up a nomination committee after prudent consideration of the policy environment and background of the industry to which the Company belongs as well as the corporate governance structure of the Company over a long time. According to the requirements of the Articles and the Procedures for Shareholders to Propose a Person for Election as Director, upon expiration of the term of a Director or there is a vacancy for Director, shareholders individually or collectively holding three percent or above of the issued shares of the Company may nominate a candidate for non-independent Director by way of written proposal to the Company; shareholders individually or collectively holding one percent or above of the issued shares of the Company may nominate a candidate for an independent Director by way of written proposal to the Company. Directors of the Company shall be elected at general meetings for a term of office of three years. Upon expiration of his term, Director shall be entitled to be reelected.

## **6. Securities transactions by Directors, Supervisors and senior management and interests on competitive business**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules of the SEHK and the Administrative Rules on Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof (Zheng Jian Gong Si Zi [2007] No. 56) of CSRC as its own code of conduct regarding securities transactions of the Directors. The Company formulated the Administrative Rules on Shares Held by the Directors, Supervisors and Senior Management Officers of Guangshen Railway Company Limited and the Changes Thereof, which was approved at the 22nd meeting of the fourth session of the Board.

After making specific enquiries with all the Directors, Supervisors and senior management, the Company confirms that during the reporting period, all the Directors, Supervisors and senior management have complied with the required standard set out in the above-mentioned code, rules and regulations and system requirements.

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After making specific enquiries with all the executive Directors, non-executive Directors and Supervisors, the Company confirms that during the reporting period, none of the executive Directors, non-executive Directors and Supervisors has held any interests in businesses that compete or may compete with the businesses of the Company directly or indirectly.

## II. MATERIAL LITIGATION, ARBITRATION AND MATTERS QUESTIONED BY GENERAL MEDIA

During the reporting period, the Company was not involved in any material litigation, arbitration or any matters questioned by the media.

## III. BANKRUPTCY, RESTRUCTURING AND INCIDENTS OF SUSPENSION OF LISTING OR TERMINATION OF LISTING

During the reporting period, the Company had no matters in relation to bankruptcy, restructuring and no incidents of suspension of listing or termination of listing.

## IV. TRANSACTIONS OF ASSETS AND MERGERS OF ENTERPRISES

During the reporting period, the Company had no transactions of assets or mergers of enterprises.





## V. MATERIAL CONNECTED TRANSACTIONS

### 1. Connected transactions related to daily operations

Unit: RMB thousand

Party involved in connected transaction	Relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Amount of connected transaction
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Provision of services	Revenues settled through the CRC	Determined by the CRC based on its standard charges applied to a nationwide basis	655,424
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Provision of services	Train services	Determined based on a pricing scheme set by the CRC or based on negotiation between the contracting parties with reference to full cost principle	155,921
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Receipt of services	Railway network usage fees settled through the CRC	Determined by the CRC based on its standard charges applied to a nationwide basis	809,975
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Receipt of services	Train services	Determined based on a pricing scheme set by the CRC or based on negotiation between the contracting parties with reference to full cost principle	345,478
GEDC and YCR	Subsidiaries of largest shareholder	Receipt of services	Consolidated transportation services	Levied based on contract prices determined based on cost plus a profit margin and explicitly agreed between both parties	34,410
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Receipt of services	Project construction services	Determined by the budget under the national railway engineering quota	44,038
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Receipt of services	Maintenance and repair services	Determined based on negotiation between the contracting parties with reference to full cost principle	127,880
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Purchase of Goods	Purchase of materials and supplies	Determined by the parties after negotiation with reference to procurement cost plus management fee	262,243
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Sale of goods	Sale of materials and supplies	Determined based on negotiation between the contracting parties with reference to full cost principle	1,270
GRGC	Largest shareholder	Leasing of land	Lease of the land use right for the railway of Guangzhou-Pingshi section	Determined in reference to the contract between the both parties	28,000

  
**Explanation regarding the daily continuing connected transactions:**

The conditional land leasing agreement entered into by the Company and GRGC on November 15, 2004 became effective on January 1, 2007, pursuant to which, the land use right 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. During the reporting period, the Company paid a rent of RMB28 million to GRGC.


On October 27, 2010, the Company entered into a conditional comprehensive service framework agreement regarding a continuous connected transaction ("Comprehensive Service Framework Agreement") with GRGC and agreed the annual caps of the continuing connected transaction for each of the three financial years ended December 31, 2013. On December 21, 2010, the Company convened 2010 Extraordinary General Meeting, during which shareholders approved the Comprehensive Services Framework Agreement and confirmed the annual caps of the connected transaction for 2011 to 2013. During the reporting period, the amounts of connected transactions between the Company and GRGC did not exceed the caps approved at the Extraordinary General Meeting.

As railway transportation business 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 part of its passengers or freight. Thus, the mutual provision of repair or other services is necessary between the Company and GRGC and its subsidiaries. The regular connected transactions occurring between the Company and GRGC and its subsidiaries are determined on the basis of fairness and reasonableness and are priced with reference to market price, industrial guidance price or at cost plus a mark-up. These transactions are strictly subject to timely disclosure and approval of independent shareholders as required by relative regulatory rules, thus safeguarding the Company's interests by the greatest extent.

According to the "Announcement on Change of De Facto Controller of the Largest Shareholder" on the website of SSE (<http://www.sse.com.cn>) and the "Announcement on Change of De Facto Controller of the Largest Shareholder of the Company due to Transformation of Ministry of Railways" on the HKExnews website of SEHK (<http://www.hkexnews.hk>) published by the Company on April 24, 2013, the former Ministry of Railways of the People's Republic of China (the "former MOR"), which was the de facto controller of GRGC, was dissolved on 14 March 2013, and its corporate functions were allocated to the newly incorporated CRC. During the reporting period, the Company has timely comprehended the effects of the reform of the former MOR on the Company's future connected transactions and commenced the related preparatory works. The Company will make follow-up announcements in relation to the relevant progress as and when appropriate.

**2. Connected transactions related to acquisition or disposal of assets**

During the reporting period, the Company had no connected transactions related to acquisition or disposal of assets.





### 3. Material connected transactions related to joint external investment

During the reporting period, the Company had no material connected transaction related to joint external investment.

### 4. Related claims and debts

Unit: thousand RMB

Related party	Relationship	Fund provided to related party		
		Opening balance	Addition	Closing balance
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited	Subsidiary	9,080	—	9,080
Guangzhou Tiecheng Enterprise Company Limited	Associate	14,060	120	14,180
Other entities/companies	Associate	30	120	150
Total		23,170	240	23,410
Addition to fund provided to the controlling shareholder and its subsidiaries by the Company during the reporting period				—
Balance of fund provided to the controlling shareholder and its subsidiaries by the Company				—
Impact of the related claim and debt on the operating results and financial position of the Company		No significant impact on the operating results and financial position of the Company		

## VI. MATERIAL CONTRACTS AND THE IMPLEMENTATION

### 1. Trust, contracted businesses and leasing affairs

During the reporting period, the Company did not engage in any trust, contracted businesses and leasing affairs which contribute over 10% (including 10%) of the Company's total profit for current period.

### 2. Guarantee

During the reporting period, the Company did not have any guarantee.

### 3. Other material contracts or transactions

During the reporting period, the Company did not enter into any other material contracts or transactions.

## VII. FULFILLMENT OF COMMITMENTS

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

1. GRGC and any of its subsidiaries will not engage, directly or indirectly, by any means, 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 operational assets and businesses of Guangzhou-Pingshi Railway, GRGC and any of its subsidiaries will not compete with the Company within the service territory of the Company either.
2. 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 the largest shareholder and behaving in a manner that is detrimental to the interests of the Company.

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

## VIII. ENGAGEMENT AND DISMISSAL OF ACCOUNTING FIRMS

On May 23, 2013, the Company held the 2012 Annual General Meeting of Shareholder at which resolutions were passed to duly appoint PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor and PricewaterhouseCoopers as the international auditor of the Company for 2013.

## IX. PUNISHMENT ON THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS, DE FACTO CONTROLLER, PURCHASER AND THE RECTIFICATION THEREOF

During the reporting period, none of the Company, its Directors, Supervisors, senior management, shareholders with a shareholding of more than 5%, de facto controller and purchaser was subject to any punishment by administrative institutions, judicial authorities, CSRC and relevant stock exchanges.

## X. EXPLANATION OF OTHER MATERIAL EVENTS

There was no other material event during the reporting period.

## Chapter 6

# Changes in Shares and Particulars of Shareholders

## I. CHANGES IN SHARE CAPITAL

During the reporting period, there was no change in the total amount and structure of share capital of the Company and there was no share with selling restrictions.

## II. PARTICULARS OF SHAREHOLDERS

### 1. Number of shareholders

Number of shareholders as at the end of the reporting period (Number)	363,794 (A shares: 363,310; H shares: 484)
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### 2. Particulars of the shareholding of the top ten shareholders

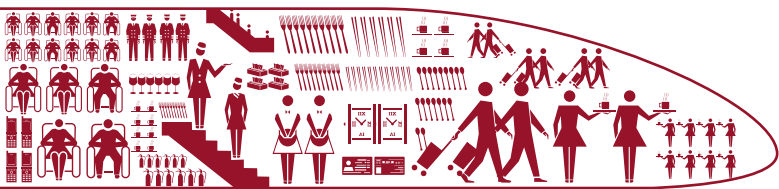
Unit: share

Name of shareholder (Full name)	Particulars of the shareholding of the top ten shareholders				
	Number of shares held at the end of the period	Percentage (%)	Number of shares with selling restriction held	Number of shares in pledge or frozen	Nature of Shareholder
Guangzhou Railway (Group) Company	2,629,451,300	37.12	—	None	State-owned legal person
HKSCC NOMINEES LIMITED (Note)	1,390,656,831	19.63	—	Unknown	Foreign-funded shareholder
National Social Security Fund 114 Portfolio	51,033,446	0.72	—	Unknown	Other
Taiyuan Iron & Steel (Group) Company Limited	50,776,147	0.72	—	Unknown	State-owned legal person
China Construction Bank — ChinaAMC Dividend Mixed Openend Securities Investment Fund	44,508,944	0.63	—	Unknown	Other
China Pacific Life Insurance Company Limited — Bonus — Personal Bonus	34,170,387	0.48	—	Unknown	Other
Industrial and Commercial Bank of China — UBS SDIC Stable Growth Flexible Allocation Mixed Securities Investment Fund	28,684,027	0.40	—	Unknown	Other
Industrial and Commercial Bank of China — Nanfang Constituent Selected Stock Securities Investment Fund	27,172,522	0.38	—	Unknown	Other
IFC — HSBC — JPMorgan Chase Bank, National Association	24,052,482	0.34	—	Unknown	Foreign-funded shareholder
Yale University	20,482,813	0.29	—	Unknown	Foreign-funded shareholder

Unit: share

Name of shareholder (Full name)	Particulars of the shareholding of the top ten holders of shares without selling restrictions	
	Number of shares without selling restrictions held	Class of shares
Guangzhou Railway (Group) Company	2,629,451,300	A shares
HKSCC NOMINEES LIMITED (Note)	1,390,656,831	H shares
National Social Security Fund 114 Portfolio	51,033,446	A shares
Taiyuan Iron & Steel (Group) Company Limited	50,776,147	A shares
China Construction Bank — ChinaAMC Dividend Mixed Openend Securities Investment Fund	44,508,944	A shares
China Pacific Life Insurance Company Limited — Bonus — Personal Bonus	34,170,387	A shares
Industrial and Commercial Bank of China — UBS SDIC Stable Growth Flexible Allocation Mixed Securities Investment Fund	28,684,027	A shares
Industrial and Commercial Bank of China — Nanfang Constituent Selected Stock Securities Investment Fund	27,172,522	A shares
IFC — HSBC — JPMorgan Chase Bank, National Association	24,052,482	A shares
Yale University	20,482,813	A shares
Statement regarding connected relationship or concerted action of the above shareholders	The Company is unaware whether the above remaining shareholders are connected or concerted as defined in Measures on Administration of Acquisitions of Listed Companies.	

Note: HKSCC NOMINEES LIMITED represents 香港中央結算(代理人)有限公司, which held 1,390,656,831 H shares of the Company, representing 97.16% of the H shares in issue of the Company. These H shares were held on behalf of various clients respectively.



**3. So far as the Directors, Supervisors and senior management of the Company are aware, at the end of the reporting period, the following persons, other than Directors, Supervisors and senior management of the Company, held interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong) as follows:**

Unit: share

Name of shareholder	Class of shares	Number of shares held	Capacity	Percentage of issued share capital of the same class (%)	Percentage of total share capital (%)
Guangzhou Railway (Group) Company	A shares	2,629,451,300(L)	Beneficial owner	46.52(L)	37.12(L)
FIL Limited	H shares	172,436,000(L)	Investment manager	12.05(L)	2.43(L)
Hillhouse Capital Management, Ltd.	H shares	105,192,000(L)	Investment manager	7.35(L)	1.49(L)
Gaoling Fund, L.P.	H shares	101,784,000(L)	Beneficial owner	7.11(L)	1.44(L)
Credit Suisse Group AG	H shares	92,445,814(L)	Interests of controlled company	6.46(L)	1.31(L)
The Bank of New York Mellon Corporation	H shares	57,127,555(S)	Interests of controlled company	3.99(S)	0.81(S)
		85,979,934(L)	Interests of controlled company	6.01(L)	1.21(L)
		62,617,184(P)	Approved lending agent	4.37(P)	0.88(P)

Note: The letter 'L' denotes a long position; 'S' denotes a short position; and 'P' denotes the lending pool.

### III. CHANGES IN THE LARGEST SHAREHOLDER AND ITS DE FACTO CONTROLLER

During the reporting period, there was no change in the largest shareholder of the Company, namely GRGC, which was established in the PRC.

On March 14, 2013, the de facto controller of GRGC, namely the former Ministry of Railways of the People's Republic of China (the "former MOR"), was dissolved in accordance with the proposal in relation to the institutional reform and functional transformation of the State Council and the "Reply of the State Council to Issues concerning the Establishment of China Railway Corporation" ("Reply"). In accordance with the Reply, the administrative functions of the former MOR were transferred to the Ministry of Transport and its subordinate body, the newly established State Railway Administration, whereas its commercial functions were transferred to the newly incorporated CRC, and its underlying assets, liabilities and staff were all

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transferred to CRC. GRGC was a railway corporation directly under the former MOR, and its interests would be transferred to the CRC (the "Transfer"). Upon completion of the Transfer, the de facto controller of the largest shareholder of the Company would be changed to CRC. Currently, the Company is in the course of ascertaining the progress of the Transfer and will make further disclosure concerning the progress in the due course. On April 24, 2013, the Company has issued the "Announcement on Change of De Facto Controller of the Largest Shareholder" on the website of SSE (<http://www.sse.com.cn>) and the "Announcement on Change of De Facto Controller of the Largest Shareholder of the Company due to Transformation of Ministry of Railways" on the HKExnews website of SEHK (<http://www.hkexnews.hk>).

#### **IV. OTHER CORPORATE SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR ABOVE**

As at the end of the reporting period, apart from the aforesaid largest shareholder, there was no other corporate shareholder with a shareholding of 10% or above in the Company (except for HKSCC NOMINEES LIMITED).

#### **V. PUBLIC FLOAT**

As of the end of the reporting period, the public float of the Company was in compliance with the requirements of the relevant rules on the sufficiency of public float.

#### **VI. REPURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY**

As of the end of the reporting period, there was no repurchase, sale or redemption by the Company, or any of its subsidiaries, of the listed shares of the Company.

#### **VII. PRE-EMPTIVE RIGHT**

Under the Articles of the Company and the PRC Laws, there is no pre-emptive right, which requires the Company to offer new shares to its existing shareholders on a pro rata basis.

#### **VIII. TRANSACTIONS INVOLVING ITS OWN SECURITIES**

As at the end of the reporting period, none of the Company and its subsidiaries has issued or granted any convertible securities, options, warrants or other similar rights, and redeemable securities.

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## Chapter 7

# Directors, Supervisors, Senior Management and Employees

### I. CHANGES IN SHAREHOLDINGS AND INTERESTS IN DEBENTURE OF DIRECTORS, SUPERVISORS AND SENIOR MANagements

During the reporting period, none of the Directors, Supervisors or senior management has held or dealt in the shares or debentures of the Company or its associated corporations, or has held the share option of the Company or its associated corporations or has been granted any shares with selling restrictions.

As at the end of the reporting period, there was no record of interests or short positions (including the interests and short positions which were taken or deemed to have under the provisions of the SFO) of the Directors, Supervisors or senior managements of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) in the register required to be kept under section 352 of the SFO. The Company had not received notification of such interests or short positions from any Director, Supervisors or senior managements of the Company as required to be made to the Company and the SEHK pursuant to the Model Code in Appendix 10 to the Rules Governing the Listing Rules of SEHK. None of the Company's Directors or Supervisors or their respective spouses or children under the age of 18 was granted by the Company any right to subscribe for any shares or debentures of the Company.

Other companies in which Directors and Supervisors of the Company were directors or employees did not have interests in shares and underlying shares of the Company required to be disclosed to the Company under Sections 2 and 3 of Part XV of the SFO.

### II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANagements

During the reporting period, there was no change in Directors, Supervisors and senior managements.

### III. INFORMATION OF EMPLOYEES

#### 1. Number of employees

As at the end of the reporting period, the Company had 34,683 employees in total, representing an increase of 110 persons compared to 34,573 employees at the end of 2012, which was mainly attributable to the opening of Beijing long-distance CRHs in December 2012 that led to a corresponding increase in the number of staff.

## **2. Remuneration policy**

The Company implements salary budget management, under which an annual salary budget is formulated at the beginning of each year jointly by the budget department and labor department of the Company. Budget is first discussed and approved at the meeting of the general manager's office, and then is organized for implementation by the labor department of the Company after being considered and approved by the Board.

Salary of the Company's staff is mainly comprised of basic salary, performance-based salary and benefit plans. Basic salary includes post salaries, skill salaries and various allowances and subsidies accounted for under salaries payable as required. Performance-based salary refers to salaries calculated on the basis of economic benefits and social benefits, or piece rates calculated on the basis of workload, or performance-based salary calculated on the basis of the performance of the staff at the position. Benefit plans include various social insurance and housing funds paid as required by the relevant policies.

In the process of staff salary allocation, the Company always adheres to the principles of allocation based on labor, efficiency-orientation and fairness. It follows that allocation of staff salary is determined on the premises of macro-control, on the basis of post labor assessment, and on the foundation of staff performance assessment, which fully bring out the importance of allocation arrangement in the incentive system of the Company and motivate the staff's initiative.

During the reporting period, the total salaries and benefits paid by the Company to its employees were approximately RMB2,074 million.

## **3. Training plan**

Training of the Company mainly includes training on post standardization, adaptability and continuing education. In the first half of 2013, a total of 283,326 person-times participated in trainings, and the training expenses were approximately RMB9.2913 million.

## **4. Employee insurance and benefits plan**

Pursuant to applicable national policies and industrial regulations, the Company provides the employees with a series of insurance and benefits plan that mainly include: housing fund, retirement pension (basic medical insurance, supplemental retirement pension), medical insurance (basic medical insurance, supplemental medical insurance, birth medical insurance), work-related injury insurance and unemployment insurance.

## Chapter 8

# Financial Statements (Unaudited)

### CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As of 30 June 2013

	<i>Notes</i>	<b>As of 30 June 2013 RMB'000 (Unaudited)</b>	<b>As of 31 December 2012 RMB'000 (Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	7	<b>23,796,436</b>	24,524,248
Construction-in-progress	7	<b>767,439</b>	679,528
Prepayments for fixed assets and construction-in-progress		<b>61,703</b>	49,336
Leasehold land payments		<b>518,195</b>	528,296
Goodwill		<b>281,255</b>	281,255
Investments in associates		<b>136,807</b>	136,826
Deferred income tax assets		<b>97,253</b>	109,161
Long-term prepaid expenses		<b>36,136</b>	40,120
Available-for-sale investments		<b>53,826</b>	53,826
Long-term receivable		<b>31,872</b>	30,863
		<b>25,780,922</b>	26,433,459
<b>Current assets</b>			
Materials and supplies, at cost		<b>414,884</b>	437,297
Trade receivables	8	<b>1,206,446</b>	1,000,025
Prepayments and other receivables, net		<b>239,847</b>	147,388
Short-term deposits		<b>4,173,000</b>	4,174,000
Cash and cash equivalents		<b>928,113</b>	675,013
		<b>6,962,290</b>	6,433,723
<b>Total assets</b>		<b>32,743,212</b>	32,867,182
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	9	<b>7,083,537</b>	7,083,537
Share premium		<b>11,564,581</b>	11,564,581
Other reserves		<b>2,402,266</b>	2,402,266
Retained earnings		<b>4,977,200</b>	4,894,806
		<b>26,027,584</b>	25,945,190
<b>Non-controlling interests</b>		<b>49,396</b>	50,849
<b>Total equity</b>		<b>26,076,980</b>	25,996,039

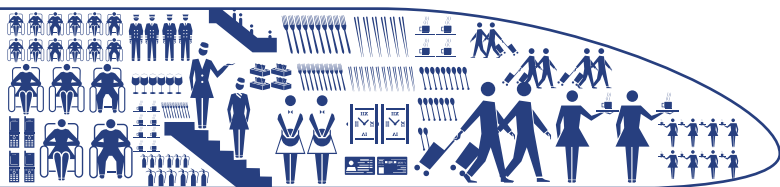
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET** *(continued)*  
AS OF 30 JUNE 2013

	<i>Notes</i>	As of 30 June 2013 <i>RMB'000</i> (Unaudited)	As of 31 December 2012 <i>RMB'000</i> (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income related to government grants		<b>91,310</b>	92,864
Bonds payable	<i>10</i>	<b>3,489,098</b>	3,485,473
Employee benefits obligations	<i>11</i>	<b>65,029</b>	113,901
		<b>3,645,437</b>	3,692,238
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>902,541</b>	1,131,624
Payables for fixed assets and construction-in-progress		<b>496,406</b>	915,081
Dividends payable		<b>566,825</b>	15
Income tax payable		<b>128,334</b>	229,271
Accruals and other payables		<b>926,689</b>	902,914
		<b>3,020,795</b>	3,178,905
<b>Total liabilities</b>		<b>6,666,232</b>	6,871,143
<b>Total equity and liabilities</b>		<b>32,743,212</b>	32,867,182
<b>Net current assets</b>		<b>3,941,495</b>	3,254,818
<b>Total assets less current liabilities</b>		<b>29,722,417</b>	29,688,277

The accompanying notes on pages 38 to 61 form an integral part of this condensed consolidated interim financial information.

**Li Wenxin**  
*Director*

**Shen Yi**  
*Director*



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	<i>Notes</i>	For the six months ended 30 June	
		2013 <i>RMB'000</i> (Unaudited)	2012 <i>RMB'000</i> (Unaudited)
Revenue from railroad businesses			
Passenger		<b>3,985,087</b>	3,741,970
Freight		<b>641,557</b>	672,522
Railway network usage and services and others		<b>2,499,063</b>	2,147,003
		<b>7,125,707</b>	6,561,495
Revenue from other businesses		<b>500,477</b>	449,696
Total revenue	6	<b>7,626,184</b>	7,011,191
Operating expenses			
Railroad businesses		<b>(6,170,784)</b>	(5,667,916)
Other businesses		<b>(480,558)</b>	(431,628)
Total operating expenses		<b>(6,651,342)</b>	(6,099,544)
Other (expense)/income and other (losses)/gains — net		<b>(16,832)</b>	78,385
<b>Profit from operations</b>		<b>958,010</b>	990,032
Finance costs		<b>(94,497)</b>	(91,777)
Share of results of associates		<b>(19)</b>	8,266
<b>Profit before income tax</b>		<b>863,494</b>	906,521
Income tax expense	14	<b>(215,743)</b>	(228,947)
<b>Profit for the period</b>		<b>647,751</b>	677,574

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** *(continued)*

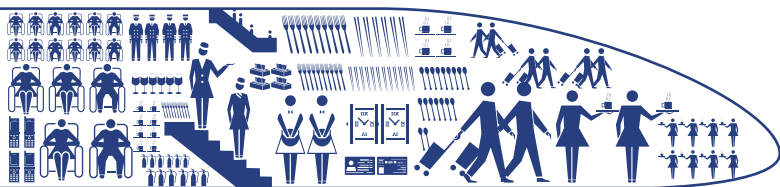
For the six months ended 30 June 2013

	<i>Notes</i>	For the six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
<b>Other comprehensive income</b>		—	—
<b>Total comprehensive income for the period, net of tax</b>		<b>647,751</b>	677,574
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>649,077</b>	678,449
Non-controlling interests		<b>(1,326)</b>	(875)
		<b>647,751</b>	677,574
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>649,077</b>	678,449
Non-controlling interests		<b>(1,326)</b>	(875)
		<b>647,751</b>	677,574
<b>Earnings per share for profit attributable to the equity holders of the Company during the period</b>			
— Basic and diluted	15	<b>RMB0.092</b>	RMB0.096
<b>Dividends</b>	16	—	—

The accompanying notes on pages 38 to 61 form an integral part of this condensed consolidated interim financial information.

**Li Wenxin**  
*Director*

**Shen Yi**  
*Director*



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to equity holders of the Company								Total equity RMB'000
	Share capital	Share premium	Statutory surplus reserve	Discretionary surplus Reserve	Other reserve	Retained earnings	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2013	7,083,537	11,564,581	2,098,207	304,059	—	4,894,806	25,945,190	50,849	25,996,039
Total comprehensive income	—	—	—	—	—	649,077	649,077	(1,326)	647,751
Special reserve-Safety Production Fund	—	—	—	—	—	—	—	—	—
Appropriation	—	—	—	—	100,419	(100,419)	—	—	—
Utilisation	—	—	—	—	(100,419)	100,419	—	—	—
Dividends relating to 2012	—	—	—	—	—	(566,683)	(566,683)	(127)	(566,810)
Balance at 30 June 2013	7,083,537	11,564,581	2,098,207	304,059	—	4,977,200	26,027,584	49,396	26,076,980
Balance at 1 January 2012	7,083,537	11,564,581	1,965,036	304,059	—	4,417,393	25,334,606	52,802	25,387,408
Total comprehensive income	—	—	—	—	—	678,449	678,449	(875)	677,574
Special reserve-Safety Production Fund	—	—	—	—	—	—	—	—	—
Appropriation	—	—	—	—	—	—	—	—	—
Utilisation	—	—	—	—	—	—	—	—	—
Dividends relating to 2011	—	—	—	—	—	(708,354)	(708,354)	—	(708,354)
Balance at 30 June 2012	7,083,537	11,564,581	1,965,036	304,059	—	4,387,488	25,304,701	51,927	25,356,628

The accompanying notes on pages 38 to 61 form an integral part of this condensed consolidated interim financial information.

**Li Wenxin**  
Director

**Shen Yi**  
Director

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Net cash from operating activities	<b>880,727</b>	788,844
Net cash used in investing activities	<b>(627,477)</b>	(125,206)
Net cash used in financing activities	<b>(150)</b>	(150)
Net increase in cash and cash equivalents	<b>253,100</b>	663,488
Cash and cash equivalents at beginning of period	<b>675,013</b>	1,366,757
Cash and cash equivalents at end of period	<b>928,113</b>	2,030,245

The accompanying notes on pages 38 to 61 form an integral part of this condensed consolidated interim financial information.

**Li Wenxin**  
Director

**Shen Yi**  
Director



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

*(All amounts expressed in Renminbi unless 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. On the same date, the Company assumed the business operations of certain railroad and other related businesses (collectively the "Businesses") that had been undertaken previously by its predecessor, Guangshen Railway Company (the "Predecessor") and 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 ("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 on the Shanghai Stock Exchange through an initial public offering of shares in order to finance the acquisition of the business and related assets and liabilities associated with the railway transportation business of Guangzhou Railway Group Yangcheng Railway Enterprise Development Company ("Yangcheng Railway Business"), a wholly owned subsidiary of Guangzhou Railway Group which operates a railway line between the cities of Guangzhou and Pingshi in the Southern region of the PRC.

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

The registered address of the Company is No. 1052 Heping Road, Shenzhen, Guangdong Province, the People's Republic of China. The business license for the Company will expire until 2056.

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

## 1. GENERAL INFORMATION *(Continued)*

As of 30 June 2013, the Company had direct or indirect interests in the following subsidiaries which are incorporated/established and are operating in the PRC:

Name of the entity	Date of incorporation/ establishment	Percentage of equity interest attributable to the Company		Paid-in capital	Principal activities
		Directly	Indirectly		
Dongguan Changsheng Enterprise Company Limited	22 May 1992	51%	—	RMB38,000,000	Warehousing
Shenzhen Fu Yuan Enterprise Development Company Limited	1 November 1991	100%	—	RMB18,500,000	Hotel management
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited	11 September 1993	55%	—	RMB10,000,000	Cargo loading and unloading, warehousing, freight transportation
Shenzhen Railway Property Management Company Limited	13 November 2001	—	100%	RMB3,000,000	Property management
Shenzhen Guangshen Railway Travel Service Ltd.	16 August 1995	75%	25%	RMB2,400,000	Travel agency
Shenzhen Shenhusheng Storage and Transportation Company Limited	2 January 1985	41.5%	58.5%	RMB2,000,000	Warehousing, freight transport and packaging agency services
Shenzhen Nantie Construction Supervision Company Limited	8 May 1995	67.46%	9.2%	RMB3,000,000	Supervision of construction projects
Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited	7 March 2002	—	100%	RMB2,000,000	Catering management
Shenzhen Railway Station Passenger Services Company Limited	18 December 1986	100%	—	RMB1,500,000	Catering services and sales of merchandise
Guangshen Railway Station Dongqun Trade and Commerce Service Company Limited	23 November 1992	100%	—	RMB1,020,000	Sales of merchandises
Guangzhou Tielian Economy Development Company Limited ("Tielian")	27 December 1994	50.5%	—	RMB1,000,000	Warehousing and freight transport agency services
Guangzhou Railway Huangpu Service Company Limited	15 March 1985	100%	—	RMB379,000	Cargo loading and unloading, warehousing, freight transportation

This condensed consolidated interim financial information was approved for issue on 22 August 2013.

This condensed consolidated interim financial information has not been audited.



### 3. ACCOUNTING POLICIES *(Continued)*

#### **(a) New and amended standards adopted by the Group *(Continued)***

tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

#### ***IFRS 13 Fair Value Measurement***

IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRS. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. The Group doesn't have any financial assets measured with fair value, so there is no impact to the disclosure of the Group.

Except as described above, the application of other new or revised IFRS in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.



## 4. FINANCIAL RISK MANAGEMENT *(Continued)*

### **(b) Liquidity risk**

- Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### **(c) Fair value estimation**

According to IFRS 13 for financial instruments that are measured in the balance sheet at fair value, it requires disclosure of fair value measurements by level of following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

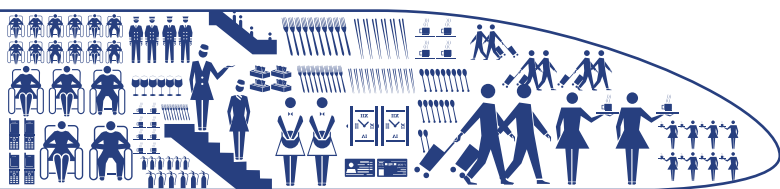
As at 30 June 2013 and 31 December 2012, the Group did not have any financial instruments that were measured at fair value.

The fair values of long-term receivable and bonds payable for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 5. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.



## 6. SEGMENT INFORMATION

The chief operating decision-makers have been identified as senior executives. Senior executives review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Senior executives consider the business from a perspective on revenue and operating results generated from railroad and related business conducted by the Company ("the Company's Business"). Other segments mainly include provision of on-board catering services, warehousing services, hotel management services and sales of merchandises provided by the subsidiaries of the Group.

Senior executives assess the performance of the operating segments based on a measure of the profit before income tax. Other information provided, except as noted below, to senior executives is measured in a manner consistent with that in the financial statements.

The segment results for the six months ended 30 June 2013 and 30 June 2012 are as follows:

	The Company's Business		For the six months ended 30 June				Total	
	2013	2012	All other segments		Elimination		2013	2012
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Segment revenue	<b>7,405,839</b>	6,828,404	<b>220,345</b>	182,787	—	—	<b>7,626,184</b>	7,011,191
Inter-segment revenue	—	—	—	—	—	—	—	—
<b>Total revenue</b>	<b>7,405,839</b>	6,828,404	<b>220,345</b>	182,787	—	—	<b>7,626,184</b>	7,011,191
<b>Segment result</b>	<b>861,273</b>	903,366	<b>2,658</b>	3,155	<b>(437)</b>	—	<b>863,494</b>	906,521
Finance costs	<b>94,402</b>	91,714	<b>95</b>	63	—	—	<b>94,497</b>	91,777
Share of (loss)/profits of associates	<b>(19)</b>	8,266	—	—	—	—	<b>(19)</b>	8,266
Depreciation	<b>718,747</b>	683,365	<b>2,216</b>	2,285	—	—	<b>720,963</b>	685,650
Amortisation of leasehold land payments	<b>7,501</b>	7,501	<b>460</b>	493	—	—	<b>7,961</b>	7,994
Amortisation of long-term prepaid expenses	<b>6,179</b>	49	<b>101</b>	3	—	—	<b>6,280</b>	52
(Reversal)/recognition of impairment of receivables	<b>(6,010)</b>	288	—	—	—	—	<b>(6,010)</b>	288

## 6. SEGMENT INFORMATION *(Continued)*

A reconciliation of segment result to profit for the period is provided as follows:

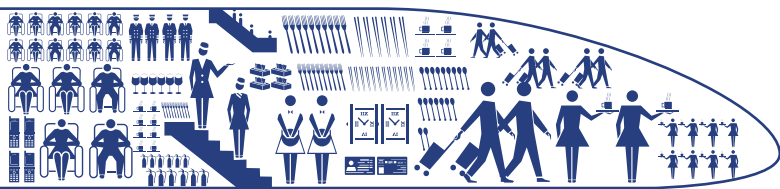
	The Company's Business		For the six months ended 30 June				Total	
	2013	2012	All other segments		Elimination		2013	2012
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Segment result	<b>861,273</b>	903,366	<b>2,658</b>	3,155	<b>(437)</b>	—	<b>863,494</b>	906,521
Income tax expense	<b>(213,935)</b>	(226,711)	<b>(1,808)</b>	(2,236)	—	—	<b>(215,743)</b>	(228,947)
Profit for the year	<b>647,338</b>	676,655	<b>850</b>	919	<b>(437)</b>	—	<b>647,751</b>	677,574
Additions to non-current assets (other than financial instruments and deferred tax assets)	<b>207,913</b>	165,937	<b>10,004</b>	392	—	—	<b>217,917</b>	166,329

The Group is domiciled in the PRC. All the Group's revenue are generated in the PRC, and the total assets are also located in the PRC.

	The Company's Business		All other segments		Elimination		Total	
	As of 30 June 2013	As of 31 December 2012	As of 30 June 2013	As of 31 December 2012	As of 30 June 2013	As of 31 December 2012	As of 30 June 2013	As of 31 December 2012
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>Total segment assets</b>	<b>32,684,159</b>	32,818,371	<b>236,290</b>	229,613	<b>(177,237)</b>	(180,802)	<b>32,743,212</b>	32,867,182
Total segment assets include:								
Investments in associates	<b>136,807</b>	136,826	—	—	—	—	<b>136,807</b>	136,826
<b>Total segment liabilities</b>	<b>6,677,692</b>	6,892,559	<b>105,968</b>	99,595	<b>(117,428)</b>	(121,011)	<b>6,666,232</b>	6,871,143

There are approximately RMB6,209,526,000 (2012: RMB5,520,998,000) of the revenue of the Group which were settled through the China Railway Corporation ("CRC"). Except that, no revenue derived from a single external customer exceeded 10% of the total revenue.





## 7. FIXED ASSETS AND CONSTRUCTION-IN-PROGRESS

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Opening net book amount as of 1 January	<b>25,203,776</b>	24,899,042
Additions	<b>203,255</b>	164,513
Disposal	<b>(122,193)</b>	(47,582)
Depreciation	<b>(720,963)</b>	(685,650)
Closing net book amount as of 30 June	<b>24,563,875</b>	24,330,323

As of 30 June 2013, the ownership certificates of certain buildings ("Building Ownership Certificates") with an aggregate carrying value of approximately RMB1,588,505,000 (2012: RMB1,614,967,000) had not been obtained by the Group. After consultation made with the Company's legal counsel, the directors consider that there is no legal restriction for the Group to apply for and obtain the Building Ownership Certificates and it should not lead to any significant adverse impact on the operations of the Group.

As of 30 June 2013, fixed assets with an aggregate residual value of approximately RMB57,230,000 (2012: RMB46,876,000) had been fully depreciated up to residual value but still in use.

## 8. TRADE RECEIVABLES

	As of 30 June 2013 RMB'000 (Unaudited)	As of 31 December 2012 RMB'000 (Audited)
Trade receivables	<b>1,212,679</b>	1,005,932
Including: receivables from related parties	<b>307,182</b>	226,938
Less: Provision for doubtful accounts	<b>(6,233)</b>	(5,907)
	<b>1,206,446</b>	1,000,025

## 8. TRADE RECEIVABLES *(Continued)*

The passenger railroad services are usually transacted on a cash basis. The Group does not have formal contractual credit terms agreed with its customers for freight services but the trade receivables are usually settled within a period less than one year. The aging analysis of trade receivables presented based on the date of revenue recognition, was as follows:

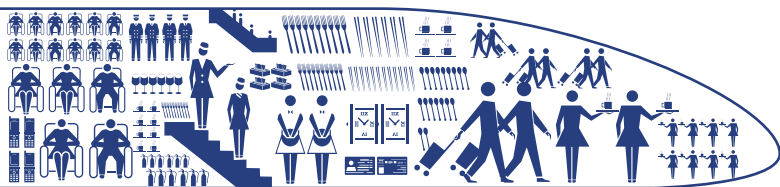
	As of 30 June 2013 RMB'000 (Unaudited)	As of 31 December 2012 RMB'000 (Audited)
Within 1 year	<b>1,154,245</b>	939,378
Over 1 year but within 2 years	<b>40,442</b>	48,881
Over 2 years but within 3 years	<b>6,151</b>	6,653
Over 3 years	<b>11,841</b>	11,020
	<b>1,212,679</b>	1,005,932

## 9. SHARE CAPITAL

As of 30 June 2013 and 31 December 2012, the total number of ordinary shares is 7,083,537,000 shares with a par value of RMB1.00 per share:

	30 June 2013 and 31 December 2012 RMB'000
Listed shares	
— H Shares	1,431,300
— A Shares	5,652,237
	7,083,537

There has been no movement of the authorised, issued and fully paid share capital during the period.



## 10. BONDS PAYABLE

	At 1 January 2013 <i>RMB'000</i> (Audited)	Addition <i>RMB'000</i>	Amortisation <i>RMB'000</i>	At 30 June 2013 <i>RMB'000</i> (Unaudited)
09 Guangshen Tie MTN1	3,485,473	—	3,625	3,489,098

The Company issued 3,500,000,000 bonds of medium term at a nominal value of RMB3,500,000,000 on 17 December 2009. The bonds will reach maturity five years from the issue date at their nominal value of RMB3,500,000,000 and bear an annual interest rate with 4.79%.

On the issue dates, the bonds are recognised based on the residual amounts of the principals after deduction of issuance costs of approximately RMB34,524,000. The bonds are subsequently carried at amortised cost using an average effective interest rate of 5.018%.

The fair value of bonds payable approximates to their carrying amount.

## 11. EMPLOYEE BENEFITS OBLIGATIONS

	As of 30 June 2013 <i>RMB'000</i> (Unaudited)	As of 31 December 2012 <i>RMB'000</i> (Audited)
Retirement benefits obligations	<b>175,013</b>	229,966
<i>Less:</i> current portion included in accruals and other payables	<b>(109,984)</b>	(116,065)
	<b>65,029</b>	113,901

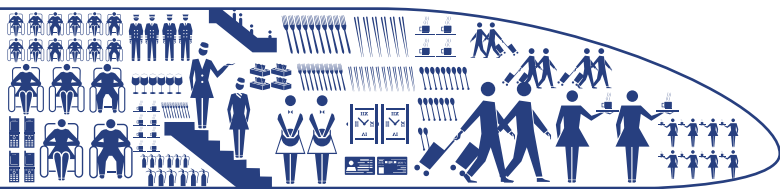
11. EMPLOYEE BENEFITS OBLIGATIONS *(Continued)*

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
At 1 January	<b>229,966</b>	237,613
Interest unwound	<b>4,563</b>	4,707
Payment	<b>(59,516)</b>	(41,103)
At 30 June	<b>175,013</b>	201,217

Pursuant to a redundancy plan implemented by the Group in 2006, selected employees who had met certain specified criteria and accepted voluntary redundancy were provided with an offer of early retirement benefits, up to their official age of retirement. Such arrangements required specific approval granted by management of the Group.

With the acquisition of the Yangcheng Railway Business in 2007, the Group has also assumed certain retirement and termination benefits obligations associated with the operations of Yangcheng Railway Business. The amount mainly includes the redundancy termination benefits similar to those mentioned above, as well as the obligation for funding post-retirement medical insurance premiums of retired employees before the acquisition.

These obligations have been provided for by the Group at amounts equal to the total expected benefit payments. Where the obligation does not fall due within 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 the obligation (the discount rate was determined with reference to market yields at the balance sheet date on high quality investments in the PRC).



## 12. TRADE PAYABLES

The aging analysis of trade payables based on the contracted payment date was as follows:

	As of 30 June 2013 <i>RMB'000</i> (Unaudited)	As of 31 December 2012 <i>RMB'000</i> (Audited)
Within 1 year	<b>792,626</b>	1,050,233
Over 1 year but within 2 years	<b>76,578</b>	50,645
Over 2 years but within 3 years	<b>25,879</b>	29,168
Over 3 years	<b>7,458</b>	1,578
	<b>902,541</b>	1,131,624

## 13. OPERATING PROFIT

The following items of unusual nature, size or incidence have been charged to the operating profit during the period:

	Six months ended 30 June 2013 <i>RMB'000</i> (Unaudited)	2012 <i>RMB'000</i> (Unaudited)
Loss on disposal of fixed assets — net	<b>(94,268)</b>	(4,908)
(Reversal)/recognition of impairment on receivables	<b>(6,010)</b>	288

## 14. INCOME TAX EXPENSE

Before 2008, enterprises established in the Shenzhen Special Economic Zone of the PRC were 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 were subject to income tax rate of 15%, while those subsidiaries located outside Shenzhen were subject to income tax rate of 33%.

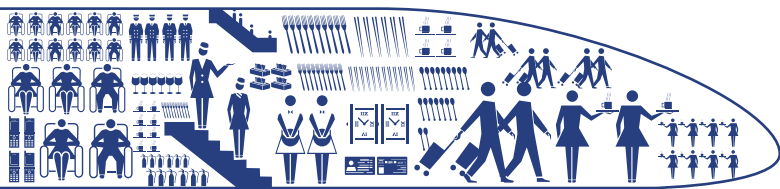
On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which became effective on 1 January 2008. Under the new CIT Law, the enterprise income tax rate was changed from 33% to 25% from 1 January 2008 onwards. While the enterprise income tax rate applicable to the Company and the subsidiaries located in Shenzhen would increase gradually to 25% within 5 years from 2008 to 2012, in 2013, the applicable income tax rate is 25% (2012: 25%).

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

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Current income tax	<b>203,835</b>	222,840
Deferred income tax	<b>11,908</b>	6,107
	<b>215,743</b>	228,947

## 15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the six months ended 30 June 2013 attributable to shareholders of RMB649,077,000 (2012: RMB678,449,000), divided by the weighted average number of ordinary shares outstanding during the period of 7,083,537,000 shares (2012: 7,083,537,000 shares). There were no dilutive potential ordinary shares as of period end and therefore the diluted earnings per share amount is the same as the basic.



## 16. 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 2013.

In March 2013, the Board of Directors declared a dividend of RMB0.08 per share in respect of the year ended 31 December 2012, totalling RMB566,682,960 (2012: RMB708,353,700), and it was approved by shareholders in the Annual General Meeting on 23 May 2013.

There was no interim dividend for the six months ended 30 June 2013 (2012: nil) proposed by the board of directors on 22 August 2013.

## 17. COMMITMENTS

### (a) Operating lease commitments

In connection with the acquisition of Yangcheng Railway Business, the Company signed an agreement on 15 November 2004 with Guangzhou Railway Group for leasing the land use rights associated with the land on which the acquired assets of Yangcheng Railway Business 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 Group. 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 2013, the related lease rental paid and payable was RMB28,000,000 (2012: RMB27,400,000).

### (b) Capital commitments

As of 30 June 2013, the Group had the following capital commitments which are authorised but not contracted for, and contracted but not provided for:

	As of 30 June 2013 RMB'000 (Unaudited)	As of 31 December 2012 RMB'000 (Audited)
Authorised but not contracted for	<b>1,593,327</b>	1,690,080
Contracted but not provided for	<b>171,479</b>	176,038

A substantial amount of these commitments is related to the reform of stations or facilities relating to the existing railway line of the Company. The related financing would be from self generated operating cash flows and bank facilities.

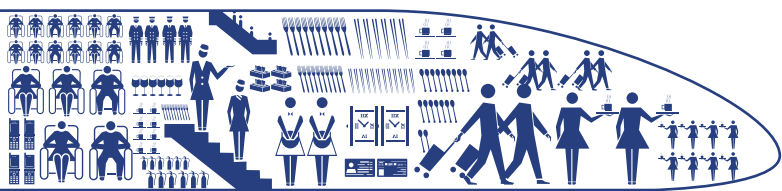
## 18. RELATED PARTY TRANSACTIONS

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.

- (a) For the six months ended 30 June 2013, the Group had the following material transactions undertaken with related parties:

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
<b>Provide Services:</b>		
Revenue collected by CRC for services provided to Guangzhou Railway Group and its subsidiaries (i)	655,424	539,191
Provision of train transportation services to Guangzhou Railway Group and its subsidiaries (ii)	155,921	196,272
Revenue from railway operation service provided to Guangzhou railway Group's subsidiaries (iv) (vii) (viii)	—	174,442
<b>Receive Services:</b>		
Cost settled by CRC for services provided by Guangzhou Railway Group and its subsidiaries (i)	809,975	702,223
Provision of train transportation services provided by Guangzhou Railway Group and its subsidiaries (ii)	345,478	365,420
Social services (employee housing and public security services and other ancillary services) provided by GEDC and Yangcheng Railway (iv)	34,410	20,350
Provision of construction services of Guangzhou Railway Group and its subsidiaries (ix)	44,038	30,430
Provision of repair and maintenance services by Guangzhou Railway Group and its subsidiaries (iii)	127,880	72,754
<b>Purchases</b>		
Purchase of materials and supplies from Guangzhou Railway Group and its subsidiaries (vi)	262,243	260,000
<b>Sales</b>		
Sales of materials and supplies to Guangzhou Railway Group and its subsidiaries (v)	1,270	2,967
<b>Others:</b>		
Relocation compensation fee paid to Guangzhou Railway Group	12,889	—
Operating lease rental paid to Guangzhou Railway Group for the leasing of land use rights (Note 17(a))	28,000	27,400





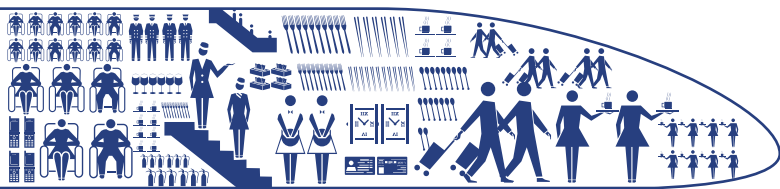
## 18. RELATED PARTY TRANSACTIONS *(Continued)*

- (a)** For the six months ended 30 June 2013, the Group had the following material transactions undertaken with related parties *(Continued)*:
- (i) Such revenue/charges are determined by the CRC based on its standard charges applied on a nationwide basis.
  - (ii) The service charges are determined based on a pricing scheme set by the CRC or based on negotiation between the contracting parties with reference to full cost principle.
  - (iii) The service charges are determined based on negotiation between the contracting parties with reference to full cost principle.
  - (iv) The service charges are levied based on contract prices determined based on cost plus a profit margin and explicitly agreed between both contract parties.
  - (v) The prices are determined based on mutual negotiation between the contracting parties with reference to full cost principle.
  - (vi) The prices are determined based on mutual negotiation between the contracting parties with reference to purchase cost plus a management fee.
  - (vii) Since March 2012, Guangshengang is no longer controlled by Guangzhou Railway Group, because Guangzhou Railway Group has disposed its investment in Guangshengang. As a result, Guangshengang was no longer considered as related party of the Group since the day Guangzhou Railway Group lost control of Guangshengang.
  - (viii) In November 2012, the Guangzhou Railway Group disposed of its investment in Guangdong Guangzhu Intercity Rail Transportation Company Limited. As a result, Guangdong Guangzhu Intercity Rail Transportation Company Limited was no longer considered as a related party of the Group since the day Guangzhou Railway Group lost control of Guangdong Guangzhu Intercity Rail Transportation Company Limited. However, the transactions with Guangdong Guangzhu Intercity Rail Transportation Company Limited during the period from January 1, 2012 to the date loss of control were still disclosed as related party transactions.
  - (ix) Determined by the budget under the national railway engineering quota.
- (b)** Compensation paid and payable to directors and supervisors, representing key management personnel, of the Group amounted to RMB1,157,215 for the six months ended 30 June 2013 (2012: RMB1,278,941).

18. RELATED PARTY TRANSACTIONS *(Continued)*

- (c) As of 30 June 2013, the Group had the following material balances maintained with related parties:

	As of 30 June 2013 RMB'000 (Unaudited)	As of 31 December 2012 RMB'000 (Audited)
Due from Guangzhou Railway Group	<b>263,497</b>	194,679
— Trade receivables <i>(i)</i>	<b>257,959</b>	189,307
— Prepayments and other receivables	<b>5,538</b>	5,372
Due to Guangzhou Railway Group	<b>117,535</b>	22,914
— Trade payables <i>(i)</i>	<b>116,444</b>	21,679
— Other payables	<b>1,091</b>	1,235
Due from subsidiaries of Guangzhou Railway Group	<b>148,498</b>	67,321
— Trade receivables <i>(i)</i>	<b>49,223</b>	37,631
<i>Less: impairment provision</i>	<b>—</b>	(19)
— Prepayments and other receivables	<b>99,275</b>	29,709
Due to subsidiaries of Guangzhou Railway Group	<b>226,839</b>	314,856
— Trade payables <i>(ii)</i>	<b>190,179</b>	282,266
— Other payables <i>(iii)</i>	<b>36,660</b>	32,590
Due from associates	<b>2,028</b>	1,784
— Prepayments and other receivables	<b>14,340</b>	14,096
<i>Less: impairment provision (v)</i>	<b>(12,312)</b>	(12,312)
Due to associates	<b>5,140</b>	5,376
— Trade payables	<b>2,064</b>	2,152
— Other payables <i>(iv)</i>	<b>3,076</b>	3,224
Prepayment for fixed assets and construction-in-progress	<b>38,410</b>	32,417
— Guangzhou Railway Group and its subsidiaries	<b>3,215</b>	1,092
— Associates	<b>35,195</b>	31,325
Payables for fixed assets and construction-in-progress	<b>95,687</b>	224,968
— Guangzhou Railway Group and its subsidiaries	<b>20,699</b>	45,883
— Associates	<b>74,988</b>	179,085
Dividends payable	<b>210,356</b>	—
— Guangzhou Railway Group	<b>210,356</b>	—



## 18. RELATED PARTY TRANSACTIONS *(Continued)*

(c) As of 30 June 2013, the Group had the following material balances maintained with related parties *(Continued)*:

- (i) The trade balances due from/to Guangzhou Railway Group, subsidiaries of Guangzhou Railway Group mainly represented service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC as described in 18(a).
- (ii) The trade payables due to subsidiaries of Guangzhou Railway Group mainly represented payables arising from unsettled fees for purchase of materials and provision of other services according to various service agreements entered into between the Group and the related parties (see Note 18(a) above).
- (iii) The other payables due to subsidiaries of Guangzhou Railway Group mainly represented the performance deposits received for construction projects and deposits received from ticketing agencies.
- (iv) The other payables due to associates mainly represented the performance deposits received for construction projects operated by associates.
- (v) Impairment loss provision set up against a receivable balance due from Zengcheng Lihua, which was brought forward from prior years.

As of 30 June 2013, all the balances maintained with related parties are unsecured, non-interest bearing and are repayable on demand.

18. RELATED PARTY TRANSACTIONS *(Continued)*

**(d) Commitment**

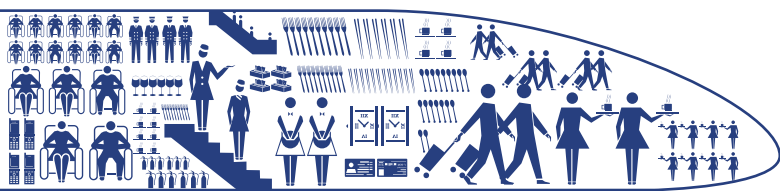
As of 30 June 2013, the Group had the following commitments with related parties which are contracted but not provided for:

**(i) Receive Services**

	As of 30 June 2013 <i>RMB'000</i>	As of 31 December 2012 <i>RMB'000</i>
Guangzhou Railway Group and its subsidiaries	<b>73,521</b>	26,221

**(ii) Operating lease rental**

	As of 30 June 2013 <i>RMB'000</i>	As of 31 December 2012 <i>RMB'000</i>
Guangzhou Railway Group	<b>999,000</b>	1,036,000



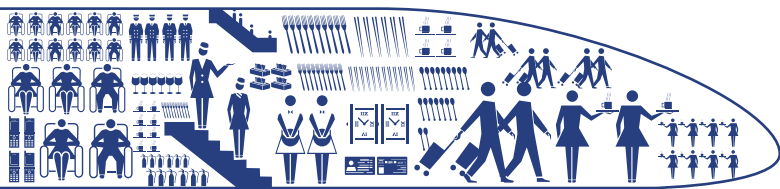
## 19. TRANSACTIONS WITH CRC

Before March 2013, the Ministry of Railway of the PRC (“MOR”) is the controlling entity of the Company’s single largest shareholder (i.e. Guangzhou Railway Group). In addition, it is the government authority which governs and monitors the railway business centrally within the PRC.

On 14 March 2013, pursuant to the approved plan on State Council institutional reform and transformation of government functions and Approval On Setting Up China Railway Company by the State Council (“Approval”), the previous controlling entity of Guangzhou Railway Group, MOR, had been dismantled. According to the Approval, the administrative function of MOR was transferred to the Ministry of Transport and the newly established National Railway Bureau, and its business functions and all related assets, liabilities and human resources were transferred to the CRC. Accordingly, the equity interests of Guangzhou Railway Group which was wholly controlled by MOR previously will be transferred to the CRC. Once the transfer is completes, the actual controlling entity of the Company’s largest shareholder will become CRC. In the current accounting period, although the transfer has not been completed, the transactions between the Group and CRC and its subsidiaries are disclosed, after considering the requirements of the accounting standards. In order to facilitate user’s comprehensive understanding of the Company’s business transactions, the Company discloses the transactions with CRC and its subsidiaries for the six months ended 30 June 2013 and the comparative figures.

## 19. TRANSACTIONS WITH CRC (Continued)

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Recurring Transactions:		
<b>Income</b>		
Revenue collected from CRC (i)		
— Passenger transportation	<b>3,887,099</b>	3,577,649
— Railway network usage and other transportation services (ii)	<b>1,861,169</b>	1,446,518
— Freight transportation	<b>337,548</b>	393,623
— Provision of repairing services for cargo trucks of the CRC	<b>123,710</b>	103,208
Revenue not collected from CRC		
— Wuhan-Guangzhou Passenger Railway Line Co., Ltd	<b>331,980</b>	322,590
— Guangshengang Passenger Special Line Company Limited	<b>104,940</b>	120,355
— Provision of railway related services for CRC's subsidiaries (iii)	<b>34,947</b>	32,643
— Sales of inventory and supplies to CRC's subsidiaries (iii)	—	1,871
	<b>6,681,393</b>	5,998,457
<b>Charges and payments</b>		
Cost collected from CRC		
— Services charges allocated from the CRC for equipment lease and other transportation services (ii)	<b>1,613,881</b>	1,342,331
— Operating lease rentals paid/payable to the CRC	<b>100,908</b>	98,000
Cost not collected from CRC		
— Servicing fees paid to CRC's subsidiaries (iii)	<b>19,913</b>	9,941
— Purchase of inventory and supplies from CRC's subsidiaries (iii)	<b>2,854</b>	5,568
	<b>1,737,556</b>	1,455,840



## 19. TRANSACTIONS WITH CRC *(Continued)*

The service charges are determined based on a pricing scheme set by the CRC or by reference to current market prices with guidance provided by the CRC.

- (i) The Company works in cooperation with the MOR and other railway companies owned and controlled by the MOR for the operation of certain long distance passenger train and freight transportation businesses within the PRC. The revenues generated from these long-distance passenger and freight transportation businesses are collected and settled by the MOR according to its settlement systems. The charges for the use of the rail lines and services provided by other railway companies are also instructed by the MOR and settled by the MOR based on its systems. Since 2013 March, the collecting, processing and distribution function of revenues which executed by MOR previously had been transferred to CRC. As of June 30, 2013, the cooperation mode and pricing model did not change.
- (ii) Amounts include the transactions collected by CRC for services provided to Guangzhou Railway Group and its subsidiaries as disclosed in 18(a).
- (iii) Don't include the transactions with Guangzhou Railway Group and its subsidiaries.

## 19. TRANSACTIONS WITH CRC *(Continued)*

As of 30 June 2013, the Group had the following material balances with CRC and its subsidiaries:

	As of 30 June 2013 RMB'000 (Unaudited)	As of 31 Dec 2012 RMB'000 (audited)
Due from CRC		
— Trade receivables	<b>188,299</b>	159,074
Due from subsidiaries of CRC		
— Trade receivables	<b>349,512</b>	363,665
— Prepayments and other receivables	<b>1,166</b>	341
Due to CRC		
— Trade payables	<b>65,195</b>	—
Due to subsidiaries of CRC		
— Trade payables	<b>39,863</b>	40,780
— Other payables	<b>282</b>	125
Due to subsidiaries of CRC		
— Payables for fixed assets and construction-in-progress	<b>6,767</b>	8,601

## 20. SUBSEQUENT EVENTS

Save as already disclosed in the notes to the financial statements, the Group had no other significant subsequent event.



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## Chapter 9

# Documents Available for Inspection

Documents for review include:

- (I) Accounting statements signed and stamped by the legal representative, person in charge of accounting affairs and responsible person of accounting firm;
- (II) All the original of files or announcements disclosed in Securities Times, China Securities Journal, Shanghai Securities News and Security Daily during the reporting period;
- (III) Interim reports announced on the Hong Kong securities market.

The documents are placed at the Secretariat to the Board of the Company.

**Guangshen Railway Company Limited**  
*Chairman: Li Wenxin*

August 22, 2013



