Guangshen Railway Company Limited

annual report 2001

CONTENTS

COMPANY PROFILE

Guangshen Railway Company Limited (the "Company") was established on March 6, 1996. The Company is a joint stock limited company engaging in railway passenger and freight transportation and related services. The Company is registered in Shenzhen, the People's Republic of China (the "PRC") in accordance with the Company Law of the PRC.

In May 1996, the H shares ("H Shares") and American Depositary Shares ("ADSs") issued by the Company were listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Exchange") and the New York Stock Exchange, Inc. ("New York Stock Exchange"), respectively. The Company is currently the only enterprise engaging in the PRC railway industry with its shares listed in Hong Kong and New York.

The Guangshen Railway, which is operated solely and independently by the Company, is 147 kilometres long. It traverses the Pearl River Delta in Guangdong Province, a region of rapid economic growth. The Guangshen Railway is favourably located with links to the major railway networks of southern China, including the Beijing-Guangzhou, Beijing-Jiujiang, Sanshui-Maoming, Pinghu-Nantou, and Pinghu-Yantian lines, as well as to the Kowloon-Canton Railway (the "KCR") in Hong Kong. It is the only railway channel linking Hong Kong with inland China. It is an important component of the transportation network of southern China.

The Company is mainly engaged in railway passenger and freight transportation businesses between Guangzhou and Shenzhen and certain long-distance passenger transportation services. The Company also operates the Hong Kong through train passenger service under a cooperative arrangement with the KCR. The Company provides consolidated services relating to railway facilities and technology. The Company also engages in commercial trading and other businesses that are consistent with the Company's overall business strategy.

The Guangshen Railway operated by the Company is currently one of the most modern railways in the PRC. It is equipped with the state-of-the-art equipment and facilities. Several aspects of its technical performance have reached or are moving towards international standards. It is currently the only railway line in the PRC that operates high-speed passenger trains with a speed of up to 210 kilometres per hour.

In 2001, there was a great development in the implementation of the Company's High Speed Programme. The Company operated 52 pairs of intercity express trains, nine pairs of through trains between Guangzhou and Kowloon (including six pairs of Guangzhou-Kowloon through trains, one pair of Zhaoqing-Kowloon through trains, one pair of Beijing (Shanghai)-Kowloon through trains and one pair of Dongguan-Kowloon through trains operated during holidays and on weekends). The launch of the new schedule of the Guangzhou-Shenzhen intercity express trains at every 15 minutes on average marks the initial realization of the Company's goal of "As-frequent-as-buses" High-speed Passenger Train Service Project ("As-frequent-as-buses" Train Project). The Company leased eight domestically made high-speed electric trains, the "Blue Arrow", which are capable of reaching a speed of 210 kilometres per hour, together with the X-2000 ("Xin Shi

Su") high-speed electric train purchased from Sweden, the high-speed electric trains became the Company's main vehicles for its "As-frequent-as-buses" Train Project.

In order to explore new growth potentials, the Company began to run the Shenzhen-Yueyang long-distance passenger train from July 1, 2001 and the Shenzhen-Beijing long-distance passenger train from October 21, 2001, indicating that the Company began to compete with other operators in the domestic long-distance passenger transportation market.

The Guangshen Railway is part of the PRC's main railway line that has close links with regional ports. Specifically, it connects with the Guangzhou Port in Guangzhou, and with Yantian Port, Shekou Port, Chiwan Port and Mawan Port in Shenzhen. The Company is well-equipped with various freight facilities and can effectively satisfy customers' needs for transporting car-load cargo, less-than-car-load cargo, containers, bulky and overweight cargo, dangerous cargo, fresh and live cargo, and oversized cargo. The Company enjoys extensive competitive advantages in transporting freight for medium to long distances in the PRC.

The Guangshen Railway is one of the best railways in the PRC in terms of overall performance. The Company's service territory covers regions including Guangzhou, Zhuhai, Zhongshan, Shunde, Zengcheng, Dongguan, Panyu, Shenzhen and Hong Kong. Its passenger and freight transportation services have become an integral part of the economy of Guangdong and Hong Kong, and of the daily life of the residents in these areas. The Company believes that, with China's accession to the World Trade Organization ("WTO"), the continued growth of the Chinese economy, especially the economic growth in the Pearl River Delta, and with the improved national transportation environment, the Company will have a promising development prospect.

FINANCIAL HIGHLIGHTS

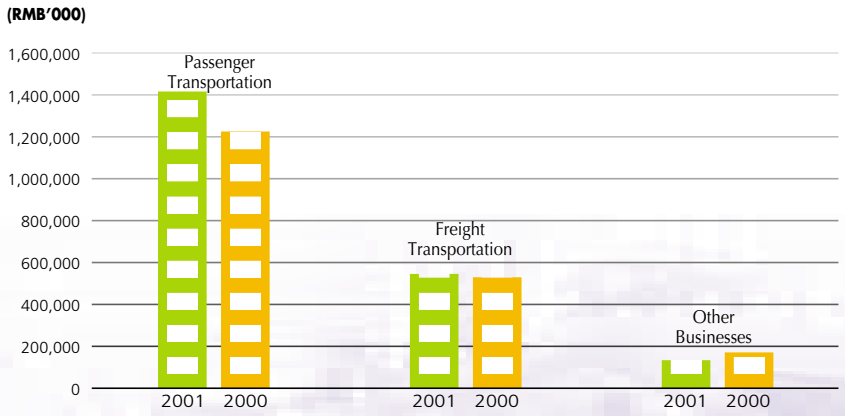
AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2001

(Expressed in thousands of Renminbi, except for per share and per ADS data)

	2001	2000
Revenues from railway businesses		
Passenger	**1,426,010**	1,237,289
Freight	**567,276**	549,694
Sub-total	**1,993,286**	1,786,983
Revenues from other businesses	**160,306**	193,415
Total revenues	**2,153,592**	1,980,398
Total operating expenses	**(1,599,481)**	(1,460,993)
Profit from operations	**554,111**	519,405
Profit before tax	**631,293**	590,687
Profit after tax	**531,996**	491,307
Minority interests	**1,499**	782
Net profit for the year	**533,495**	492,089
Earnings per share		
— Basic	**RMB0.12**	RMB0.11
— Diluted	**N/A**	N/A
Earnings per ADS	**RMB6.15**	RMB5.68

REVENUE ANALYSIS



CHAIRMAN'S STATEMENT

Chairman of the Board
MR. ZHANG ZHENGQING

Dear Shareholders,

I am pleased to present the audited operating results of Guangshen Railway Company Limited (the "Company") and its subsidiaries for the year ended December 31, 2001.

In the year 2001, there was a substantial development in the Company's High-Speed Programme. The Company started to fully roll out its "As-frequent-as-buses" Train Project. Under a new train schedule adopted on October 21, 2001, the "As-frequent-as-buses" Train Project was initially realized: a pair of intercity express trains is dispatched at an average interval of every 15 minutes. The full implementation of the "As-frequent-as buses" Train Project will enhance the capacity, speed, frequency, facilities, operation and services of our passenger trains, and significantly improve the ways we organize our passenger transportation.

To expand the passenger transportation business, the Company initiated the operation of the Shenzhen-Yueyang long-distance train from July 1, 2001 and the Shenzhen-Beijing long-distance train from October 21, 2001. This is the first time we started to operate passenger trains beyond the 147km long Guangshen Railway to seek growth opportunities. The Company accumulated experience and laid a solid foundation for its future participation in the long-distance passenger transportation market competition. The Company also started to run an additional pair of Dongguan-Kowloon through trains from June 28, 2001 during weekends and on Hong Kong public holidays.

Operating Results

For the year ended December 31, 2001, the total revenues of the Company and its subsidiaries were RMB2,153.6 million, net profit was RMB533.5 million, and earnings per share were RMB0.12. Such results were attributable to the Company's efforts to enhance its marketing strategies, increase the frequency of its passenger train services and implement the new train schedule. The results were achieved under a background of regional economic growth and increasingly keen competition.

The Board of Directors of the Company (the "Board") has recommended a final dividend of RMB433.6 million for the financial year ended December 31, 2001, which is equal to RMB0.10 per share, subject to approval of the shareholders at the annual general meeting of the Company ("AGM") to be convened in due course. The final dividend will be paid to the Company's shareholders after approval of the shareholders at the AGM. The notice of the AGM will be published and despatched to the shareholders of the Company in due course.

Dividend payable to holders of H Shares will be calculated in RMB and paid in Hong Kong dollars at the average of the closing exchange rates quoted by the People's Bank of China for the calendar week preceding the date on which the dividend is to be distributed.

Overview of the Company's Performance

During 2001, due to the regional economic growth in the Company's service territory, the demand for railway transportation increased continuously. The Company took advantage of such opportunities by enhancing its market promotion and planning, implementing its High Speed Programme, strengthening its modern operation and management system, and improving its passenger and freight transportation facilities. All these measures increased the Company's competitiveness as a whole, and an overall growth in the Company's core businesses of passenger and freight transportation was resulted.

Passenger Transportation

Since October 21, 2001, the Company has operated 101 pairs of passenger trains per day in total. These trains include nine pairs of through trains between Guangzhou and Kowloon, 52 pairs of intercity express trains and six pairs of regular-speed passenger trains between Guangzhou and Shenzhen and 34 pairs of long-distance passenger trains.

To reflect market changes, the Company made slight adjustments to its passenger fares during peak seasons. These adjustments include:

1. During the 33-day period from January 13, 2001 to January 22, 2001 and from January 26, 2001 to February 17, 2001, fares on the additional pairs of long distance passenger trains running in the operating areas of Guangzhou Railway (Group) Company (the "Parent Company") during the Chinese New Year holidays were on average approximately 20% higher than that of the national pricing standard. These ticket prices were determined in accordance with different standards implemented by different local railways along the route.

2. During the 10-day period from January 13, 2001 to January 22, 2001, for the three pairs of long-distance passenger trains added before the Chinese New Year holidays, fares were increased by 20% and 30% on premium-class passenger trains and regular-speed passenger trains, respectively.

3. During the 47-day period from January 13, 2001 to February 12, 2001, from April 30 to May 7, 2001, and from September 30, 2001 to October 7, 2001, fares were increased by RMB5 per single trip on all the high-speed passenger trains operating between Guangzhou and Shenzhen. Fares on "Xin Shi Su" high-speed electric trains between Guangzhou and Shenzhen were adjusted from RMB80 to RMB85 per single trip. Fares on other non-stop high-speed passenger trains between Guangzhou and Shenzhen were adjusted from RMB75 to RMB80 per single trip and fares on the high-speed passenger trains between Guangzhou and Shenzhen making stops at intermediary stations were adjusted from RMB70 to RMB75 per single trip.

4. During the 31-day period from January 13, 2001 to February 12, 2001, fares were increased by RMB5 per single trip on all the regular-speed trains operating on the Guangzhou (East)-Shenzhen, Guangzhou (East)/Shenzhen-Dongguan, Guangzhou (East)/Shenzhen-Zhangmutou, Guangzhou (East)-Pinghu, Guangzhou (East)/Shenzhen-Shilong routes.

5. Discounts to group tourists taking the Hong Kong through trains remained unchanged.

During 2001, there was a continued overall growth in the Company's passenger transportation business. The total number of passengers carried by the Company for the year was 38.842 million, representing an increase of 11.1% as compared to that of last year. A total of 15.333 million passengers were travelling on the Guangzhou-Shenzhen route, representing an increase of 2.9% over that of 2000; 2.047 million passengers were taking the Hong Kong through trains, representing an increase of 7.4% over that of 2000; 21.462 million passengers were taking the domestic long-distance trains, representing an increase of 18.3% over that of 2000. Passenger transport revenues for 2001 were RMB1,426.0 million, representing an increase of 15.3% over that of 2000.

Freight Transportation

In 2001, the Company, after a thorough study of the freight transportation market, took a series of measures to improve its freight transportation business. These measures include: (1) strengthening its marketing efforts and continuing with the practice of freight agency system for the entire journey; (2) joining the marketing efforts of its freight stations with local ports to promote and organize multi-model freight transportation services; (3) organizing and operating container trains and improving the management of container transportation; (4) strengthening its cooperation with different industries to establish a steady source of freight; (5) improving freight transportation services by using high technology and upgraded facilities; and (6) offering price discount to freight in large quantities from new customers with the approval of the Parent Company or the Ministry of Railways ("MOR").

The Company transported in total 29.012 million tonnes of freight for the year 2001. It represented an increase of 1.0% over that of 2000. Among the total tonnage of freight, 6.775 million tonnes were outbound freight representing an increase of 4.1% over that of 2000; inbound freight was in total 12.766 million tonnes, representing a decrease of 4.5% from 2000; pass-through freight was 9.471 million tonnes, representing an increase of 6.9% over that of 2000.

In 2001, the Company's outbound freight transportation business continued to increase due to: (1) the increase in demand for ore, oil and coal arising from the government's scheme to accelerate the development of western China and China's accession to the WTO; and (2) the adoption of a lower pricing measure.

In 2001, there was a decline in the Company's inbound freight transportation business. This resulted from: (1) the slowdown of the global economy led to the reduction in the amount of freight export to other countries; (2) adjustments of the industrial structure in the Pearl River Delta; and (3) competition from highway and water transportation. As a result of the developments in highways and ports, part of the inbound freight was handled by trucks and water transportation vehicles.

In 2001, the Company's freight transportation revenues were RMB567.3 million, representing an increase of 3.2% over 2000. Revenues generated from outbound freight transportation services were RMB92.1 million, representing a decrease of 3.2% when compared with that of 2000. Revenues generated from inbound and pass-through freight services were RMB271.2 million, representing an increase of 4.7% when compared with that of 2000. Revenues from the storage, loading and unloading services and other incomes were RMB204.0 million, representing an increase of 4.3% when compared with that of 2000.

Infrastructural Development

During 2001, the Company further upgraded its infrastructural facilities. These projects included (1) the construction of Huang Cun, Tang Mei, Nan She and Lin Cun crossing stations; (2) the replacement of 21 sets of wood ties and movable switch frogs; (3) the investment in the construction of the Immigration and Customs Inspection Building in Dongguan Station; and (4) the construction of ancillary projects in relation to the initial implementation of the "As-frequent-as-buses" Train Project.

Corporate Governance

In 2001, the Company fully implemented the ISO 9000 standards. It managed to optimise its transportation system, to further improve its passenger and freight transportation and the utilisation of its locomotives and passenger coaches, and to improve its operation and management. The Company carried out a reform on its transportation management mechanism and, following the principle of professional system management, reorganised its 16 transport stations and sections into five departments. The departments are directly responsible for the marketing of transportation services and operation and management of its own transportation business. Such reorganisation has helped to improve the marketing strategies, reduce management costs, increase transportation efficiency and maximise financial results of the Company.

Future Prospects

The Company will continue to maximise its operating results by further expanding its market share and capitalizing on its advanced technology and government policies. It will adopt strategies to further upgrade its transportation facilities and vehicles, to enhance marketing efforts, to expand its capital base, to introduce an advanced management mechanism, and to step up its staff training efforts. Our goal is to develop the Guangshen Railway into a highly profitable modern railway equipped with high technology and offering high-speed and frequent transportation services. We also plan to make the Guangshen Railway a safe, comfortable, fast and convenient passenger passage linking up the three major cities of Guangzhou, Shenzhen and Hong Kong. The Company intends to accelerate the growth of its passenger and freight transportation businesses and become a transportation enterprise with outstanding overall operating results. To achieve this goal, the Company plans to implement the following development projects in 2002:

1. To prepare for the future growth in passenger and freight transportation, to cope with the market competition, and to accelerate the growth in its core businesses of passenger and freight transportation, the Company has decided to commence the construction of a suburb passenger railway track between Guangzhou and Xintang (the fourth track between Guangzhou and Xintang), the construction of a technical support and maintenance depot for passenger vehicles and its ancillary construction works in northern Shenzhen, and purchase of electric train-sets. Upon completion, such efforts can: (1) effectively attract passengers and cargo from Guangzhou, Shenzhen and the Pearl River Delta and further promote the "As-frequent-as-buses" Train Project, and thus, increase the Company's revenues; (2) enable the Company to operate more long-distance passenger trains and freight trains to create new sources of income for the Company; and (3) increase the Company's transportation capacity and volumes. The total costs of these projects are estimated to be approximately RMB2,800 million. The fund for the projects will be made up of funds from the Company's internal resources, borrowings from banks and proceeds from the proposed issue of the Company's A Shares.

2. In relation to its passenger transportation business, the Company plans (1) to further improve its "As-frequent-as-buses" Train Project on the Guangzhou-Shenzhen route by increasing the frequency of its intercity express trains and making additional stops for passengers' convenience and to achieve better financial results; (2) to further improve the operation of domestically made high-speed passenger trains to offer safe, punctual, fast and comfortable express passenger services on the Guangzhou-Shenzhen route; (3) to make more rational arrangement of the Company's long-distance passenger services so as to make the best use of the Guangzhou-Shenzhen railway route. The Company also plans to add long-distance passenger train services as and if appropriate, to capitalize on the experience gained from the operation of the existing two pairs of long-distance passenger trains; (4) to take full advantage of the opportunities offered by the existing Line 1 of the Guangzhou subway system and Line 2, which is estimated to be operational in November 2002, to further integrate its railway system with the urban public transportation systems so as to expand its service coverage areas and to attract passengers; (5) to establish and improve its ticketing system of the Hong Kong through trains and to carry out research for efficient ticketing practices to suit the needs of the Guangzhou-Shenzhen intercity express train services, to provide online ticket reservation and sales services, to increase the efficiency of its ticketing service and to offer more convenient ticketing service; and (6) to improve the qualifications of its employees, put new equipment into use and establish a customer service centre.

3. In relation to its freight transportation business, the Company will: (1) continue to make efforts in organising and maintaining the sources of cargo in large quantities; (2) develop container freight transportation and further develop the logistics industry by capitalizing on the opportunities arising from the PRC's accession to the WTO, fully making use of the Company's favourable geographical location in the vicinity of the harbours; (3) develop the logistics business operation in Shenzhen and Dongguan; (4) conduct freight transport market research and marketing, and develop new freight transportation services to satisfy market needs; (5) enhance cooperation with ports, mines and factories, to capture new sources of freight transportation business; and (6) prepare for new development of freight transportation by strengthening the sales and marketing team, establishing a sound system for sales analysis to provide high-quality services to customers with new service facilities.

4. In respect of the use of capital, the Company has the following plans: (1) to issue not more than 700 million A shares of the Company by way of a public offering ("A Share Issue") to raise RMB1,560 million to finance the construction of a suburb passenger railway track between Guangzhou and Xintang (the fourth track between Guangzhou and Xintang), the construction of a technical support and maintenance depot for passenger vehicles and its ancillary construction works in northern Shenzhen, and the purchase of electric train-sets. The A Share Issue has been approved by the shareholders of the Company at the extraordinary general meeting held on April 23, 2002. The implementation of the A Share Issue requires approval of the China Securities Regulatory Commission. (2) Investment in the telecommunication business: to take advantage of the PRC's accession to the WTO and to explore new investment channels to maximize the return on its communication asset, the Company plans to make use of its existing communication asset to invest in Railway Communication and Information Company Limited by way of subscription. Such arrangement is subject to further negotiations. (3) Capital participation in Sino Rail Express Company Limited ("Sino Rail") to explore new investment channels and to maximize its financial performance. Sino Rail is engaged in an emerging industry and is a company of good reputation and profit. The Company plans to invest RMB13.61 million in Sino Rail for 7.56 million shares. Such plan is subject to further negotiations. (4) The Company plans to advance its strategies of expanding its capital base by ways of acquisitions and mergers. In order to expand new financial growth channels, the Company also plans to subscribe for shares in Zhuzhou Electric Locomotives Manufacturing Plant ("Zhuzhou Locomotives") and become one of the prinicipal promoters in the joint stock limited company to be established by Zhuzhou Locomotives. Zhuzhou Locomotives is engaged in research and manufacture of electric locomotives and plays a leading role in the locomotive manufacturing industry in the PRC. The Company's investment in Zhuzhou Locomotives can help to raise the operation skills of the Company's locomotives and increase the Company's income. In addition, the Company also plans to invest in or acquire state-owned railway passenger transportation companies in the future when the circumstances allow in order to expand its passenger transportation market.

The Company is operating its passenger and freight transportation businesses in a favourable economic environment. The economy of the service territory of the Company has enjoyed a continuous, steady and rapid growth with the PRC's entry into the WTO, the continued implementation of active financial and stable monetary policies and the further adjustments of the economic structure by the PRC government, the gradual opening of domestic markets and relaxation of control in foreign investment, the development of the western region of the PRC and the expansion of the scope of and accelerated pace of the economic cooperation between Guangdong and Hong Kong. The Company anticipates that there will be an overall growth in the Company's passenger and freight businesses in 2002.

In 2001, the Company achieved relatively good results despite keen competition. The achievements were attributable to our marketing efforts to enhance the competitiveness and improvement of our services. I would like to express my sincere gratitude to the management and employees of the Company for their diligence and hard work, as well as to our shareholders for their kind support and confidence in the Company. I believe that the Company will work harder to achieve better results for our shareholders in 2002.

Zhang Zhengqing
Chairman of the Board

Shenzhen, the PRC
April 23, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

MR. WU YIQUAN
Director and General Manager

This discussion and analysis should be read in conjunction with the audited consolidated financial statement and the accompanying notes appearing in the 2001 annual report of the Company. The consolidated results of the Company and its subsidiaries for the year ended December 31, 2001 were prepared in accordance with the International Financial Reporting Standards.

1. BUSINESS OVERVIEW

The principal businesses of the Company are railway passenger and freight transportation between Guangzhou and Shenzhen and certain long-distance passneger transportation services. The Company also operates the Hong Kong through trains under a cooperative arrangement with the KCR in Hong Kong. The Company provides services relating to railway facilities and technology. The Company also engages in commercial trading and other businesses that are consistent with the Company's overall business strategy. Other businesses include on-board and station sales, station dining services, as well as revenues from advertising and tourism.

2. RECENT DEVELOPMENTS

In 2001, the Company further developed its High Speed Programme. It operated 52 pairs of intercity express trains and nine pairs of Guangzhou-Kowloon through trains. The launch of the new schedule of the Guangzhou-Shenzhen intercity express trains which depart at every 15 minutes on average marks the initial realization of the Company's "As-frequent-as-buses" Train Project on the Guangzhou-Shenzhen route. The Company leased eight domestically made high-speed electric trains, the "Blue Arrow", which run at a speed up to 210 kilometres per hour. Together with the Xin Shi Su high-speed electric train purchased from Sweden, the high-speed electric trains have become the main trains used by the Company in its "As-frequent-as-buses" Train Project.

In order to explore new growth potentials, the Company began to run the Shenzhen-Yueyang long-distance trains from July 1, 2001 and the Shenzhen-Beijing long-distance trains from October 21, 2001. These new services demonstrated the Company's entry into the domestic long-distance passenger transport market.

3. REVIEW OF RESULTS OF OPERATIONS

The Company achieved impressive financial results in 2001. Total revenues increased by 8.7% from RMB1,980.4 million in 2000 to RMB2,153.6 million in 2001 as a result of the increase in both passenger transportation revenue and freight transportation revenue. However, the decrease of the revenue from other businesses slightly offset the increase of the total revenues. Revenues from passenger and freight transportation operations accounted for approximately 71.5% and 28.5%, respectively, of the total revenues generated by the railway business, and representing approximately 66.2% and 26.3%, respectively, of the total revenues of the Company.

Passenger Transportation

Passenger transportation is the largest business segment of the Company and it experienced a significant growth in 2001. Revenues generated from the passenger transportation business were RMB1,426.0 million in 2001, representing an increase of 15.3% from RMB1,237.3 million in 2000. The increase in the revenues from passenger transportation was mainly due to the increase in the number of passengers from 34.947 million in 2000 to 38.842 million in 2001 and increase in revenue per passenger from RMB35.40 in 2000 to RMB36.71 in 2001. The increase in the number of passengers and revenue per passenger was primarily attributable to the continued economic growth in the Pearl River Delta and the implementation of the "As-frequent-as-buses" Train Project. Starting from October 21, 2001, the intercity express trains operating between Guangzhou and Shenzhen run at an average interval of 15 minutes from a previous interval of 30 minutes. The total number of intercity express trains running between Guangzhou and Shenzhen also increased from 31 pairs to 52 pairs daily. At the same time, the total number of regular-speed passenger trains reduced from 16 pairs in 2000 to six pairs in 2001. During 2001, six pairs of long-distance passenger trains were added into the Company's service territory. These measures contributed to the growth of passenger transportation business of the Company.

The following table sets forth the revenues from passenger transportation and the volume of passengers for 2000 and 2001:

	Year ended December 31,		Increase (as compared
	2001	2000	with year 2000)
Revenues from passenger transportation *(in RMB thousands)*	**1,426,010**	1,237,289	15.3%
Total number of passengers *(thousand persons)*	**38,842**	34,947	11.1%
Revenue per passenger *(RMB)*	**36.71**	35.40	3.7%
Total passenger-kilometres *(millions)*	**3,257.9**	3,051.7	6.8%
Revenue per passenger-kilometres *(RMB)*	**0.44**	0.41	7.3%

Freight Transportation

Freight transportation business recorded a steady and continued growth in 2001. Revenues from freight transportation business in 2001 were RMB567.3 million, representing an increase of 3.2% from RMB549.7 million in 2000. The total tonnage of freight increased from 28.733 million tonnes in 2000 to 29.012 million tonnes in 2001, and the increase of revenue per tonne also increased from RMB19.13 in 2000 to RMB19.55 in 2001. This growth in freight transportation business in 2001 was mainly due to the continued domestic economic growth. As a result of the Company's adoption of price concession measures and enhancement of marketing strategies, the freight volume and revenues from freight transportation both increased despite increasingly keen competition from other modes.

Set out below are the revenues from the freight transportation business and the freight volume for 2000 and 2001:

	Year ended December 31,		Increase (as compared with year 2000)
	2001	2000	
Revenues from freight transportation *(RMB thousands)*	**567,276**	549,694	3.2%
Total tonnage *(thousands of tonnes)*	**29,012**	28,733	1.0%
Revenue per tonne *(RMB)*	**19.55**	19.13	2.2%
Total tonne-kilometres *(millions)*	**2,082.5**	2,071.6	0.5%
Revenue per tonne-kilometre *(RMB)*	**0.27**	0.27	—

Other Businesses

Revenues from the Company's other businesses decreased by 17.1% from RMB193.4 million in 2000 to RMB160.3 million in 2001. Revenues from other businesses accounted for 7.5% of the total revenues of the Company in 2001. Due to the increase in frequency and speed of its passenger trains, the waiting time and travelling time involved was reduced. It led to a decrease in revenues from the Company's other businesses as consumption of food and beverages and other goods both in stations and on board was reduced.

The table below sets forth a breakdown of the different categories of other businesses:

Unit: RMB thousands

Category of Activity *(in RMB thousands)*	**2001**	2000
On-board and station sales	**51,627**	58,030
Station services	**41,287**	65,934
Tourism, advertising and others	**67,392**	69,451
Total	**160,306**	193,415

TOTAL OPERATING EXPENSES

Total operating expenses were RMB1,599.5 million, representing an increase of approximately 9.4% from RMB1,461.0 million in 2000, due mainly to the increase in railway operating expenses.

Raliway operating expenses

The Company's total railway operating expenses increased by 12.6% from RMB1,297.5 million in 2000 to RMB1,460.6 million in 2001. The total railway operating expenses as a percentage of total railway operating revenue slightly increased from 72.6% in 2000 to 73.3% in 2001. Such increase was due primarily to the increase of depreciation expenses, labour and welfare expenses, materials and supplies expenses, and general and administrative expenses. Details are as follows:

Depreciation

Depreciation expenses increased by 12.2% from RMB305.3 million in 2000 to RMB342.5 million in 2001. It was due mainly to the further upgrading and expansion of the Company's railway networks as well as to the increase in corresponding capital expenditure.

Labour and benefits

Due to the increase in frequency of trains and the launching of newly-operated routes in 2001, there was an increase in workload and the number of employees. This resulted in an increase of labour and related welfare expenses by 23.0% from RMB260.7 million in 2000 to RMB320.6 million in 2001. In addition, the Company raised the remuneration packages offered to the employees to ensure that they were competitive and implemented a pay policy of linking performance to rewards under the existing pay and remuneration system.

Materials and supplies

Materials and supplies expenses consisted mainly of fuel, water and electricity expenditures. Materials and supplies expenses increased by 19.3% from RMB121.3 million in 2000 to RMB144.7 million in 2001. The increase was due primarily to an increase in fuel and electricity consumption resulting from the operation of two new long-distance trains in 2001 and the increase in frequency of the high-speed electric passenger trains.

General and administrative expenses

General and administrative expenses increased by 13.9% from RMB131.9 million in 2000 to RMB150.2 million in 2001. Provision for bad debts increased from RMB17.03 million in 2000 to RMB29.62 million in 2001 due primarily to provision for the rent and utility expenses overdue from tenants and certain overdue receivables from freight transportation customers.

Profit from operations

The profit from operations increased by 6.7% from RMB519.4 million in 2000 to RMB554.1 million in 2001. The operating profit from railway businesses increased from RMB489.5 million in 2000 to RMB532.7 million in 2001. However, the increase in profit from operations was slightly offset by the decrease of the operating profit of other businesses from RMB29.89 million in 2000 to RMB21.45 million in 2001.

Taxation

As the Company was registered and established in the Shenzhen Special Economic Zone, it is subject to income tax at a rate of 15%. Taxation payable by the Company and its subsidiaries was RMB99.30 million in 2001 and RMB99.38 million in 2000, reflecting an actual tax rate of 15.8% and 16.8%, respectively. The decrease of the income tax resulted from additional deferred tax assets was recognized in 2001.

Net Profit

Net profit of the Company and its subsidiaries increased from RMB492.1 million in 2000 to RMB533.5 million in 2001, representing an increase of 8.4%.

4. LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of capital have been cash flow from operations. Its principal uses of capital are to fund capital expenditures, investment and payment of taxes and dividends.

The Company generated approximately RMB886.0 million net cash flow from operating activities in 2001. Substantially all of the Company's railway business revenues were received in cash, with accounts receivable arising primarily from long-distance passenger and pass-through freight transactions originating from other railway companies whose lines connect to the Company's railway. Similarly, some accounts payable arise from payments for railway transportation services that the Company collected on behalf of other railway companies. Accounts receivable and payable were generally settled either quarterly or monthly between the Company and the other railway companies. Most of the Company's revenues generated from other businesses were received in cash. There were also accounts payable associated with purchase of materials and supplies in other businesses.

In 2001, other than the operating expenses, the Company's cash outflow were mainly related to the followings:

- capital expenditure of approximately RMB430.4 million, representing a decrease of 6% when compared with that of 2000; such expenditure was mainly used for the purchase of long-distance passenger coaches and renovation and expansion of other facilities; and
- payment of dividends of approximately RMB420.0 million.

Funds not needed for immediate use are kept in short and medium-term investments and bank deposits.

The Company's gearing ratio was 7.8% (the ratio of the total liabilities to the total assets) as of December 31, 2001. Temporary cash investments were approximately RMB1,377.0 million. Cash and cash equivalents were RMB365.5 million. The Company has no contingent liability.

The Company believes that it has sufficient fund to satisfy its current working capital requirements.

5. ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

Unit: RMB thousands

	2001	2000	**Increase (Decrease)**
Current assets	**2,471,529**	2,423,470	48,059
Non-current assets	**8,525,687**	8,494,094	31,593
Total assets	**10,997,216**	10,917,564	79,652
Current liabilities	**860,976**	879,793	(18,817)
Non-current liabilities	**—**	2,333	(2,333)
Total liabilities	**860,976**	882,126	(21,150)
Minority interests	**15,617**	14,755	862
Net assets	**10,120,623**	10,020,683	99,940
Shareholders' equity			
Share capital	**4,335,550**	4,335,550	—
Reserves	**5,785,073**	5,685,133	99,940
	10,120,623	10,020,683	99,940

Total assets were approximately RMB10,997.2 million as of December 31, 2001, representing an increase of RMB79.76 million when compared with RMB10,917.6 million as of December 31, 2000. Current assets were RMB2,471.5 million as of December 31, 2001, representing an increase of RMB48.1 million from RMB2,423.5 million as of December 31, 2000. Non-current assets were approximately RMB8,525.7 million as of December 31, 2001, representing an increase of RMB31.6 million from RMB8,494.1 million as of December 31, 2000.

Total liabilities amounted to RMB861.0 million as of December 31, 2001, representing a decrease of RMB21.2 million from RMB882.1 million as of December 31, 2000. Current liabilities were RMB861.0 million as of December 31, 2001, representing a decrease of RMB18.8 million from RMB879.8 million as of December 31, 2000. Non-current liabilities were nil as of December 31, 2001, representing a decrease of RMB2.333 million when compared with that of 2000 as a result of the recognition of deferred tax assets in 2001.

Shareholders' equity amounted to RMB10,120.6 million as of December 31, 2001, representing an increase of RMB99.9 million from RMB10,020.7 million as of December 31, 2000. There was no change in share capital during 2001. Reserves amounted to RMB5,785.1 million in 2001, representing an increase of RMB99.9 million when compared with RMB5,685.1 million as of December 31, 2000. It was due to an increase of RMB533.5 million in the net profit in 2001, less RMB433.6 million of dividends declared in 2001.

6. CASH FLOW

Cash and cash equivalents in 2001 increased by approximately RMB35.45 million. The table below sets forth the major items in the consolidated cash flow statements for 2001 and 2000 and the amount and percentage of changes from 2000 to 2001.

Principal items in Cash-flow Statement	**2001**	2000	**Increase/ (decrease)**	**Changes (%)**
	(in RMB thousands)			
Net cash generated from operating activities	**886,016**	729,189	156,827	21.5%
Net cash used in investing activities	**(430,425)**	(458,087)	27,662	(6.0%)
Net cash used in financing activities	**(420,137)**	(520,453)	100,316	(19.3%)
Net increase/(decrease) of cash and cash equivalents	**35,454**	(249,351)	284,805	—

Cash flow from operations and working capital

The Company's net cash generated from operating activities in 2001 was approximately RMB886.0 million, representing an increase of RMB156.8 million from RMB729.2 million in 2000. The increase resulted primarily from an increase of RMB41.32 million in profit before taxation after deducting minority interests, an increase of RMB37.15 million in depreciation, an increase of RMB20.87 million in non-cash disposals of fixed assets loss, and an increase of RMB12.59 million in provision for doubtful accounts.

In addition, the operating cash flow was affected by a net increase in working capital. The increase in working capital was attribuable to a decrease of RMB4.597 million in accounts receivable, a decrease of RMB51.11 million in receivable from the Parent Company, an increase in accounts payable of RMB7.901 million, and an increase of RMB102.3 million in accrued expenses and other payables. The increase in the working capital was slightly offset by an increase of RMB141.1 million in prepayments and other current assets, an increase of RMB4.158 million in materials and supplies, a decrease of RMB28.08 million in due from affiliates, and a decrease of RMB5.084 million in due to affiliates.

Cash flow from investing activities

The total cash used in investing activities was approximately RMB430.4 million in 2001, representing a decrease of RMB27.7 million from RMB458.1 million in 2000. Cash used for investing activities in 2001 included RMB553.5 million for capital expenditure and long-term investments and the increase in interests in associates of RMB17.57 million. The cash outflow was partially offset by a decrease of RMB74.73 million in temporary cash investments and of RMB65.93 million in interest received.

Cash flow from financing activities

Net cash used in financing activities in 2001 was approximately RMB420.1 million. It consisted of payment of dividends of RMB420 million and distribution to minority shareholders of RMB0.18 million.

7. COMMITMENT

Capital commitments

As of December 31, 2001, the Company had the following capital commitments:

	2001	2000
	RMB'000	*RMB'000*
Authorised and contracted for	**15,640**	55,340
Authorised but not contracted for	**—**	—
	15,640	55,340

In 2001, the Company had capital commitments of approximately RMB15.64 million for purchase of railway equipment for the Company's High Speed Programme.

Operating lease commitments

	2001	2000
	RMB'000	*RMB'000*
Machinery and equipment		
— not more than one year	**—**	91,125
— more than one year but less than five years	**399,375**	455,625
	399,375	546,750

Total future minimum lease payments under non-cancelable operating leases as of December 31, 2002 were approximately 399.4 million.

8. FOREIGN EXCHANGE RISK

Under PRC law, Hong Kong dollar-denominated income from the Guangzhou-Kowloon through trains must be deposited to PRC banks in exchange for RMB at the rate set by the People's Bank of China. Subsequent payment of Hong Kong dollar-denominated and U.S. dollar-denominated dividends to the holders of H Shares and ADSs, respectively, can only be made after reconverting RMB at the applicable People's Bank of China rate into the relevant foreign currencies. Some of the Company's vendor contracts and equipment leases for the provision of equipment, parts and services, particularly with respect to the high-speed passenger train project, are also payable by the Company in foreign currencies. While the exchange rates used by the Company as set by the People's Bank of China is comparatively stable, in case the foreign currencies generated from transit train services are converted into RMB and subsequently reconverted into foreign currencies for the payment of dividends, the Company will be subject to foreign exchange risk. Despite all these, the management believes that the contingent exposures relating to foreign exchange rate fluctuations have not had and are not likely to have a material effect on the Company's financial position. Besides, the PRC government also has in a number of occasions pledged not to devalue RMB. Due to these reasons, the Company does not enter into any hedging transactions with respect to the Company's exposure to foreign currency movements. Furthermore, the Company is not aware of any effective financial hedging products that serve as protection against a possible Renminbi devaluation.

9. INTEREST RATE RISK

Funds not needed for immediate use are placed as temporary cash deposits or fixed deposits in banks and in the Railway Deposit-taking Centre of the MOR. The Company does not hold any market risk-sensitive instruments for trading purposes. As of December 31, 2001, the Company had no loans outstanding. Accordingly, the Company is not exposed to any material interest rate risks.

10. BUSINESS PROSPECTS

The Company plans to implement the following development projects in 2002:

1. The Company has decided to commence the construction of the suburb passenger railway track between Guangzhou and Xintang (the fourth track between Guangzhou and Xintang), the construction of a technical support and maintenance depot for passenger vehicles and its ancillary construction works in northern Shenzhen, and purchase of electric train-sets.

2. In relation to its passenger transportation business, the Company plans (1) to further improve its "As-frequent-as-buses" Train Project on the Guangzhou-Shenzhen route; (2) to further improve the operation of domestically made high-speed passenger trains; (3) to make more rational arrangement of the Company's long-distance passenger service on the Guangzhou-Shenzhen railway route; (4) to establish closer link of its railway system with the urban public transportation systems; (5) to establish and improve its ticketing system of the Hong Kong through trains and to establish online ticketing reservation and sales services; and (6) to establish a customer service centre.

3. In relation to its freight transportation business, the Company will: (1) continue to make efforts in organizing and maintaining the source of cargo in large quantities; (2) develop container freight transportation and further develop the logistics industry; (3) develop the logistics in Shenzhen and Dongguan; (4) conduct freight transport market research, and develop new products for the freight transportation; (5) enhance cooperation with ports, mines and factories; and (6) prepare for the new development of freight transportation by strengthening the sales team and establishing a sound system for sales analysis

4. Regarding the use of capital, the Company has the following plans: (1) issue of not more than 700 million A shares of the Company; (2) investment in the telecommunication business. The Company plans to subscribe shares in Railway Communication and Information Company Limited; (3) capital participation in Sino Rail; and (4) expanding its capital by ways of acquisitions and mergers. The Company plans to become one of the principal promoters of a joint stock limited company to be established by Zhuzhou Locomotives, and to invest in or acquire state-owned railway passenger transportation companies when circumstances allow.

Details of the above plans are set out on page 9 to page 10 of the Chairman's Statement.

REPORT OF DIRECTORS

The Board is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries for the year ended December 31, 2001.

PRINCIPAL ACTIVITIES AND RESULTS

The Company and its subsidiaries mainly engage in railway passenger and freight transportation, provision of railway facilities and technical services, and sales of food, beverages and merchandise in train stations and on board.

The consolidated operating results of the Company and its subsidiaries for the year ended December 31, 2001 and the financial positions of the Company and its subsidiaries as of December 31, 2001 are set out in the consolidated income statement and balance sheets prepared in accordance with International Financial Reporting Standards ("IFRS") published on page 45 and page 44 of this annual report, respectively.

PROPOSED PROFIT APPROPRIATION

For the year ended December 31, 2001, the appropriations of profit as dividends and reserves as proposed by the Board are set out in Note 32 and Note 17 to the financial statements, respectively.

DIVIDENDS

The Company did not declare any interim dividend for the six months ended June 30, 2001.

On April 23, 2002, the Board proposed a distribution of a final dividend of RMB0.10 per share to the shareholders of the Company for the year ended December 31, 2001. Details of the dividend distribution will be subject to the approval of the shareholders at the AGM.

The specific date and procedure concerning the payment of final dividend to holders of H Shares will be announced after the approval of the shareholders at the AGM.

In accordance with the articles of association of the Company (the "Articles of Association"), the dividend for domestic shares will be paid in RMB while the dividend for H Shares will be calculated in RMB and paid in Hong Kong dollars. The exchange rate will be based on the average of the closing exchange rates for Hong Kong dollars as announced by the People's Bank of China during the calendar week preceding the date on which the dividend is to be distributed.

OVERDUE TIME DEPOSITS

As of December 31, 2001 the Company and its subsidiaries deposited approximately RMB1,742 million with financial institutions, of which RMB31.37 million was overdue and was not paid back to the Company and its subsidiaries upon maturity. The Company has obtained a judgement in its favour regarding the unpaid overdue overdue time deposits. However, as the debtor was under restructuring, the court ordered a stay of execution of the judgement obtained by the Company. The said overdue time deposit accounts approximately 0.3% of the Company's net assets and 1.8% of the Company's cash and deposits, respectively, and has no material impact on the capital usage and operations of the Company. The Company is closely monitoring the development of this matter.

Except this overdue time deposit, the Company has no other overdue time deposits. The Company has not encountered any difficulty in withdrawal of the deposits which have been placed with commercial banks in the PRC and the MOR's Railway Deposit-taking Centre.

ENTRUSTED DEPOSITS

As of December 31, 2001, the Company did not have any entrusted deposits placed with any financial institutions in the PRC.

BANK BORROWINGS

As of December 31, 2001, the Company had no bank loans or borrowings.

CONTINGENT LIABILITY

The Company did not have any contingent liability as of December 31, 2001.

CHARGE ON ASSETS AND GUARANTEE

As of December 31, 2001, the Company had not charged any of its assets and had not provided any guarantee.

INTEREST CAPITALIZED

There was no interest capitalized in the construction-in-progress or fixed assets of the Company and its subsidiaries during the year.

FIXED ASSETS

Changes in fixed assets of the Company and its subsidiaries during the year are set out in Note 3 to the financial statements.

TAXATION

As the Company was registered and established in the Shenzhen Special Economic Zone of the PRC, it is subject to income tax at a reduced rate of 15%. The reduced rate is 18% lower than that of the standard rate for PRC companies of 33%. Details regarding taxation of the Company and its subsidiaries are set out in Notes 9 and 21 to the financial statements.

RESERVES

Changes in the reserves of the Company and its subsidiaries during the year are set out in Note 17 to the financial statements.

STATUTORY COMMON WELFARE FUND

Details of the Company's statutory common welfare fund are set out in Note 17 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as of December 21, 2001 are set out in Note 6 to the financial statements.

EQUIPMENT AND MAINTENANCE

The Company owns 12 diesel high-speed locomotives, five high-speed electric locomotives, 18 shunting locomotives, one high-speed electric passenger train, 84 semi-high-speed passenger coaches, 41 regular-speed passenger coaches and 98 long-distance express passenger train coaches. The lease of 21 passenger coaches from Yangcheng Railway Company by the Company (such coaches were subsequently transferred to Guangzhou Railway Group Company Passenger Transportation Company") were terminated on October 21, 2001. The freight cars used by the Company are all leased from the MOR, to which the Company paid uniform rental fees and depreciation fees based on the national standards set by the MOR.

The Company has actively made use of its advanced and new technology to renovate its passenger service facilities and to upgrade its passenger transport services. In 2001, the Company leased eight "Blue Arrow" electric train-sets from Guangzhou China Railway Rolling Stock Sales and Service Company Limited to facilitate the development of the Company's "As-frequent-as-buses" Train Project. The Company also purchased new coaches from Guangzhou China Railway Rolling Stock Sales and Service Company Limited for its long-distance passenger transportation services operating between Shenzhen and Yueyang and between Shenzhen and Beijing.

INFORMATION RELATING TO THE ORIGINAL ISSUE AND LISTING

20,536,760 ADSs (each ADS represents 50 H Shares) of the Company were listed on the New York Stock Exchange on May 13, 1996 (New York time) and 217,812,000 H Shares were listed on the Hong Kong Stock Exchange on May 14, 1996 (Beijing time). Pursuant to the over-allotment options exercised by the underwriters, the Company also issued 186,650,000 H Shares in the form of ADSs on May 24, 1996. The aggregate number of issued H Shares was thereby increased to 1,431,300,000 (par value of RMB1.00 per share).

	H Shares listed in Hong Kong (HK$/share)	**ADSs listed in New York** (US$/share)
Issue price	2.91	19.00
Highest traded price during 2001	1.75	10.53
Lowest traded price during 2001	0.90	6.06
Opening price on the first trading day of 2001	0.97	6.19
Closing price on the last trading day of 2001	1.28	8.4
Total transaction volume for 2001	3,702,923,252	2,658,200

A SHARE ISSUE

The A Share Issue was approved by the shareholders of the Company at the extraordinary general meeting held on April 23, 2002. Details are as follows:

(1) Class of securities to be issued: Domestic listed RMB denominated ordinary shares ("A Shares").

(2) Number of A Shares to be issued: not more than 700 million A shares of nominal value of RMB1.00 each.

(3) Proposed place of listing: the Shanghai Stock Exchange.

(4)	Target subscribers and markets:	Target subscribers: Natural person and institutional investors (except those prohibited by the PRC laws or regulations) who have opened A share shareholders account in the Shanghai Stock Exchange within the PRC. Target Markets: All securities trading centres in the PRC that are within the system network of the Shanghai Stock Exchange.
(5)	Issuing mechanism:	A "book-building" process will be conducted to determine the issue price and a combination of offline placing and online issue will be adopted.
(6)	Use of proceeds:	The proceeds of the A Share Issue are intended to be used to finance the following projects: (i) the construction of the suburb passenger railway track between Guangzhou and Xintang; (ii) the construction of the technical support and maintenance depot for passenger vehicles and its ancillary construction works in the northern part of Shenzhen; (iii) the purchase of the electric train-sets. The total construction costs of the three projects are estimated to be approximately RMB2,800 million. The details of the A Share Issue will be disclosed in the prospectus to be issued.
(7)	Conditions for implementation:	The A Share Issue was approved at the extraordinary general meeting. Upon the approval of the relevant authorities of the PRC government in respect of the establishment of the three projects, the Board will, subject to compliance with the Company Law of the PRC and the relevant policies and regulations, submit the A Share Issue to the China Securities Regulatory Commission for approval and to proceed with its implementation accordingly.

Upon implementation of the A Share Issue, the total share capital of the Company will be increased to not more than 5,036 million shares.

SHARE CAPITAL STRUCTURE

As of December 31, 2001, the Company's share capital consisted of:

Type of share capital	Number of shares ('000)	Percentage of share (%)
State-owned Domestic Shares	2,904,250	66.99
H Shares	1,431,300	33.01
Total	4,335,550	100.00

There was no change in the Company's share capital during the year.

SUBSTANTIAL SHAREHOLDERS

As of December 31, 2001, holders of over 10% of the Company's shares were as follows:

Name of shareholder	Number of shares ('000)	Percentage of share (%)
Guangzhou Railway (Group) Company	2,904,250	66.99
HKSCC Nominees Limited	1,379,462	31.82

As of December 31, 2001, holders of H Shares representing over 10% of the Company's issued share capital as recorded in the Central Clearing System of HKSCC Nominees Limited were as follows:

Name of shareholder	Number of shares ('000)	Percentage of H Shares (%)
Hong Kong and Shanghai Banking Corporation (Nominees) Limited	705,513	49.29

Other than the information stated above, the Company is not aware of any interests required to be disclosed by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance (Cap 396 of the Laws of Hong Kong) ("SDI Ordinance") as of December 31, 2001.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year ending December 31, 2001, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

USE OF PROCEEDS

The total net proceeds from the Company's initial public offering in May 1996 were equivalent to RMB4,214 million, and have been fully utilized by the Company as of December 31, 1998. The net proceeds were mainly used in the Guangzhou-Shenzhen High Speed Programme and its ancillary projects (including the electrification project), the purchase of high-speed rolling stock, repayment of debt to the Parent Company and as working capital, which were essentially in accordance with the "use of proceeds" section in the Company's prospectus issued in 1996.

PRE-EMPTIVE RIGHTS

Under the Articles of Association and the laws of the PRC, no pre-emptive rights exist that require the Company to offer new shares to existing shareholders in proportion to their shareholdings.

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS OF CONNECTED TRANSACTIONS

The independent non-executive directors of the Company confirmed that the connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) that were entered into by the Company during 2001 were entered into in the ordinary and usual course of its business on normal commercial terms or on terms that were fair and reasonable so far as the shareholders were concerned, or in accordance with the terms of an agreement governing such transactions or, where there was no such agreement, on terms no less favourable than those offered to independent third parties.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Information relating to the Company's directors, supervisors and senior management as of April 23, 2002 is as follows:

Name	Age	Position	Nationality
Directors:			
Zhang Zhengqing	60	Chairman of the Board	Chinese
Li Daihua	59	Director	Chinese
Wu Yiquan	58	Director and General Manager	Chinese
Li Qingyun	38	Director and Deputy General Manager	Chinese
Wu Houhui	53	Director	Chinese
Shen Jun	52	Director	Chinese
Li Peng	56	Director and Chairman of the Trade Union	Chinese
*Chang Loong Cheong	56	Director	Hong Kong, the PRC
*Deborah Kong	42	Director	Australian
Supervisors:			
Gu Hongxi	55	Chairman of the Supervisory Committee	Chinese
Zhao Genrong	57	Supervisor	Chinese
Chen Yunzhong	50	Supervisor	Chinese
Yao Muming	49	Supervisor	Chinese
Zeng Xiangqiu	60	Supervisor	Chinese
Zhu Delin	40	Supervisor	Chinese
Other Senior Management:			
Yan Ping	42	Deputy General Manager	Chinese
Chen Jianfu	57	Deputy General Manager	Chinese
Luo Qingming	45	Deputy General Manager & Chief Engineer	Chinese
Ye Yongming	46	Deputy General Manager	Chinese
Yao Xiaocong	49	Chief Accountant and Company Secretary	Chinese

* *Independent non-executive directors who are also Hong Kong residents.*

On February 8, 2001, resolutions were passed at the extraordinary general meeting to discharge Mr. Sun Renkun as Supervisor and to appoint Mr. Chen Yunzhong as Supervisor of the Company.

On March 13, 2001, resolutions were passed at the seventh meeting of the second Board of the Company to appoint Mr. Yan Ping as Deputy General Manager.

INTERESTS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT IN THE SHARE CAPITAL OF THE COMPANY

None of the directors or supervisors or senior management or any of their spouses or children under the age of 18 had, as at December 31, 2001, any interest in any shares or debentures of the Company or any associated corporation (within the meaning of the SDI Ordinance) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they have taken or are deemed to have taken under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which are required to be entered in the register under Section 29 of the SDI Ordinance, or any interests in warrants to subscribe for shares in the Company or any associated corporation (as so defined) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (for the purpose of this paragraph, the aforesaid rules and regulations are also applicable to the Supervisors of the Company)

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the directors of the second session of the Board had entered into a service agreement with the Company for an initial term of three years commencing on March 6, 1999. No other service contract exists or has been proposed between the Company or any of its subsidiaries and any of the directors or supervisors. Apart from the above, the Company has not entered into any service contract with any director or supervisor which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

CONTRACTS ENTERED INTO BY THE DIRECTORS AND SUPERVISORS

No director or supervisor has any material interest in any of the major contracts entered into by the Company or any of its subsidiaries during the year.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS

The remuneration of the directors and supervisors and senior management staff of the Company are set out in Note 9 to the financial statements of this annual report.

IMPACT OF THE RECENT ECONOMIC DEVELOPMENTS

The Company believes that there are no material factors that will have an negative effect on the Company's businesses and financial position in 2001.

"AS-FREQUENT-AS-BUSES" TRAIN PROJECT

The Company started to implement its "As-frequent-as-buses" Train Project on the Guangzhou-Shenzhen route on October 21, 2001. The number of intercity express trains operated by the Company between Guangzhou and Shenzhen has since increased from 31 pairs to 52 pairs, and the number of regular-speed trains between Guangzhou and Shenzhen decreased from 16 pairs to 6 pairs. With increased frequency, convenient stops and enhanced speed, the new train service has contributed to the increase in passenger revenues and profits.

NEWLY ADDED LONG-DISTANCE PASSENGER TRAINS

The Company started to operate a pair of long-distance passenger trains between Shenzhen and Yueyang in July 2001 and another pair of long-distance passenger trains between Shenzhen and Beijing in October 2001. Before the operation of these two trains, all the long-distance trains departing from the Company's railway were operated and arranged by other railway transportation companies. The two newly added long-distance trains helped the Company to establish a new image and a new brand name of the Company's service and also developed a new source of revenue for the Company.

NEWLY ADDED HOLIDAY THROUGH TRAINS BETWEEN DONGGUAN AND KOWLOON

The Company started to operate a pair of holiday through trains between Dongguan and Kowloon on June 28, 2001 during weekends and on Hong Kong public holidays. The operation of such trains has helped to meet the needs of passengers from Hong Kong and Macau who travel to the Pearl River Delta on holidays or for shopping in this region.

PRICING FORMULA

In 2001, the Company has made the following adjustments to its passenger and freight transportation pricing formula:

1. With the approval of the Parent Company or the MOR, the Company continued to offer a 10% to 30% price reduction on freight in large quantities solicited from competitors.

2. During the Chinese New Year holidays, the Company made different upward adjustments to passenger fares based on different classes of fares of long-distance domestic trains.

3. During the Chinese New Year holidays, the Labour Day holidays and the National Day holidays, the Company increased the fare on the high-speed passenger trains between Guangzhou and Shenzhen by RMB5 per single trip.

4. During the Chinese New Year holdings, the Company increased the fare on the Guangzhou-Shenzhen regular-speed passenger trains by RMB5 per single trip.

5. According to the new regulations on the range of cargo charges promulgated by the MOR on April 1, 2001, a basic inbound and outbound fee was added to the outbound freight transported through the Beijing-Jiujiang Line.

EXCHANGE RISK

The Company has certain amount of deposits denominated in Hong Kong dollar and US dollar income derived from the provision of transportation services was also received in Hong Kong dollars. If there are significant fluctuations in the exchange rates of Hong Kong dollar or US dollar to RMB, the operation of the Company will be affected.

MATERIAL LITIGATION

The Company and its subsidiaries were not involved in any material litigation or dispute in 2001.

PASSENGER TRAIN SETTLEMENT METHOD

From January 1, 2001, the MOR started to separate the settlement of passenger services, freight services and network facilities and implemented a new settlement method for passenger trains. This new settlement method stipulates that all passenger transport revenues generated from relevant passenger train services (including revenues generated from luggage and parcel trains) are considered passenger transport revenues and belonged to the railway administration (or company) which operated that train. This railway administration (or company) in turn pays relevant railway administrations (or companies) fees for the use of their railway track, hauling fees, in-station passenger service fees, water supply fees, power supply fees, consumption of electricity for electric locomotives and contact wire service fees, and so on.

The implementation of the new settlement method does not make any change to the existing settlement method on transportation revenues generated by the passenger trains between Guangzhou and Shenzhen, the Beijing-Hong Kong long-distance passenger train, the Shanghai-Hong Kong long-distance passenger train, the Zhaoqing-Hong Kong through train, through trains from Guangzhou East to Hong Kong, or freight transportation revenues. However, it changes the settlement method of revenues generated from long-distance passenger trains departing from, arriving at or passing through the Company's rail line. Before the implementation of this new settlement method, the Company received transportation revenues from those railway administrations (or companies) that operated long-distance train services in accordance with relevant standard of special pricing formula implemented by the Company. With the implementation of the new settlement method, those railway administrations (or companies) operating these long-distance train services on the Company's line shall pay to the Company the following fees: (1) the part of revenues generated from ticket prices which are higher than national railway standards due to the special pricing formula of the Company; and (2) fees including railway line usage fees, in-station passenger service fees, haulage service fees, power supply fees consumed by electric locomotives, usage fees of contact wires, and water supply fees. The implementation of this new settlement method has caused no negative impact on the revenues generated by the Company.

EMPLOYEES, EMPLOYEE PAYMENT POLICY AND TRAINING PLANS

As of December 31, 2001, the Company had in total 9,132 employees.

The Company's employees are paid on the basis of their positions and performance. The employees' salaries are determined in accordance with the operating income, workload, costs, safety and quality. The Company paid RMB320.6 million in total as labour and benefits of railway business operation expenses for the year.

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

The Company carried out training programmes for approximately 2,005 employees during 2001. 644 of them were trained for the implementation of ISO 9000 standards or management of the team leaders, whereas the others were trained for office automation, human resources management, operation and management of high-speed electric trains, management of equipments and materials, modern financial and accounting management, and etiquette. The training courses were mainly organized by the Company's Employee Training Centre. The Company also employed certain outside experts for these purposes. The total direct cost for the training programme in 2001 was approximately RMB1.564 million.

ACCOUNTING TREATMENT REGARDING THE DIFFERENCES BETWEEN THE SELLING PRICES AND COSTS OF EMPLOYEES' HOUSING

In 2000, the Company constructed and purchased new residential properties for its employees to improve the living conditions of its employees. Under a housing benefit scheme, the Company sold these residential properties to its employees at a price approved by the government. The losses arising from the sale of these staff quarters represents the difference between the net book value of the staff quarters sold and the proceeds collected from the employees. As of December 31, 2001, the estimated loss resulted from the selling of residential properties was not more than RMB226.4 million in total. Pursuant to the prevailing policies issued by the Ministry of Finance, the aforesaid losses should be credited to retained earnings in the statutory accounts as of January 1, 2001, or in case of a debit balance, to offset against statutory public welfare fund, statutory surplus reserve, discretionary surplus reserve and capital surplus reserve upon the approval by the Board. Such treatment conforms with the accounting rules and regulations applicable to the Company and its subsidiaries in the PRC.

In the financial statements as of December 31, 2001 of the Company prepared in accordance with IFRS, the Company accounted for the housing losses as follows: losses of approximately RMB226.4 million from the sale of completed staff quarters to employees, or from premises under construction of which the losses could be reasonably estimated and for the future services (which were amortised on a straight line basis over the estimated remaining average service lives of 15 years). During the year ended December 31, 2001, the housing losses charged to the consolidated income statement was RMB15.72 million (2000: RMB14.48 million).

As of December 31, 2001, the unamortized deferred losses, which were accorded as deferred staff costs in the balance sheet of the Company and its subsidiaries, were RMB196.2 million. In the opinion of the directors of the Company, had the housing losses been written off in 2001, the consolidated net assets of the Company and its subsidiaries as of December 31, 2001, would have been reduced by approximately RMB196.2 million.

Other than employees' housing and welfare mentioned above, the Company had not implemented any other plans in relation to the employees' housing in 2001.

MAJOR SUPPLIERS AND CUSTOMERS

Most of the locomotives, passenger coaches and major railway supplies and equipment of the Company are supplied directly or indirectly by the MOR. The Company also purchases some of these equipments from foreign vendors and other domestic suppliers. In 2001, the Company purchased 98 long-distance express passenger coaches from Guangzhou China Railway Rolling Stock Sales and Service Company Limited. The Company's five largest customers accounted for less than 30% of the Company's turnover and the Company's five largest suppliers accounted for less than 30% of the Company's purchases.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company and its directors hereby state that, to the best of their knowledge, the Company has, throughout the financial year ended December 31, 2001, complied with the Code of Best Practice which incorporates the items set out in Appendix 14 of the Listing Rules.

By Order of the Board

Zhang Zhengqing

Chairman

Shenzhen, the PRC, April 23, 2002

REPORT OF THE SUPERVISORY COMMITTEE

Chairman of the Supervisory Committee
MR. GU HONGXI

Dear shareholders,

During the year ended December 31, 2001, all members of the Supervisory Committee (the "Committee") carried out their duties faithfully in accordance with the Company Law of the PRC and the Articles of Association of the Company, adhered to the principle of honesty and good faith and carried out their work cautiously and positively for the purpose of protecting the interests of both the Company and its shareholders. Two meetings were held by the Supervisory Committee during the period under review, in which resolutions concerning certain major issues were passed and delivered to the Board. The supervisors attended all meetings of the Board during the period under review and offered advice and suggestions on operations and management, investment decisions and development plans of the Company. The Committee has, in the spirit of being responsible to the interests of the shareholders of the Company, carefully reviewed the Report of Directors, the financial report and dividend policy to be presented by the Board to the AGM.

The Company achieved a net profit of RMB533.5 million in 2001. The Committee believes that it was the result of the adoption of the market-oriented measures and through the exploration of internal potentials and efficient control of costs. In the coming year, the Committee shall offer its support to the Company's management in the "As-frequent-as-buses" Train Project being implemented between Guangzhou and Shenzhen, the project of the issue of not more than 700 million A shares, the construction project of the suburb passenger railway track between Guangzhou and Xintang (the fourth track between Guangzhou and Xintang), the construction project of the technical support and maintenance depot for passenger vehicles and its ancillary construction works in northern Shenzhen, and the purchase of electric train-sets. As these three projects are crucial to the Company's future development, the Committee hopes that the Company's management will carry out these projects orderly and steadily in accordance with relevant rules and regulations and in a stable way so as to enhance the Company's competitiveness.

The Committee is satisfied with the achievement of the Company in the past year and is confident of the Company's future. We would like to express our gratitude to the Board, the senior management headed by the General Manager, and all the employees and shareholders for your confidence in and support for our work.

By Order of
The Supervisory Committee
Gu Hongxi
Chairman

Shenzhen, the PRC, April 23, 2002

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Zhang Zhengqing, age 60, is the Chairman of the Board of the Company and the Chairman of the Board of Directors and the General Manager of Guangzhou Railway (Group) Company. He is a graduate of Lanzhou Railway Institute and a senior engineer. Since 1985, Mr. Zhang has served as the President of Urumqi Railway Administration, the President of Harbin Railway Administration, the deputy Dispatcher in Chief of the MOR, the Dispatcher in Chief of the MOR and, concurrently, the President of the Locomotive Bureau of the MOR.

Li Daihua, age 59, is a Director of the Company. He is a graduate of Human Resources Management Academy. Since 1958, Mr. Li has served in various technical and managerial positions in various railway departments, and has served as a member of the senior management of Changsha Railway Company, Yangcheng Railway Company, Liuzhou Railway Administration and the Guangzhou Railway (Group) Company.

Wu Yiquan, age 58, is a Director and the General Manager of the Company. He is a graduate of Nanjing Communications College and an engineer. Mr. Wu served in various managerial positions up to the level of the Deputy General Manager in Yangcheng Railway Company from 1973 to 1993. Since 1994, Mr. Wu has served as the Deputy General Manager of Guangzhou Railway (Group) Company and the General Manager of the Changsha Railway Company.

Li Qingyun, age 38, joined the Company in September, 1999, and is currently a Director and Deputy General Manager of the Company. Mr. Li graduated from North Communications University in 1989. He holds a Master's Degree majoring in railway transportation and organization. He served in managerial positions in various technical and transportation departments of Guangzhou Railway (Group) Company from 1989 to August, 1999.

Wu Houhui, age 53, is a Director of the Company. He is a graduate of Dalian Railway College. Mr. Wu served in various managerial positions in the Parent Company from 1984 to 2000 up to the position as a director of the Enterprise Management Office in the Parent Company. Since November, 2000, Mr. Wu has served as Deputy Chief Economist of the Parent Company.

Shen Jun, age 52, is a Director of the Company. He is a graduate of the Nanjing Railway Transportation Academy. Since 1968, Mr. Shen has served in financial and accounting positions in various railway departments and, since 1992, has served as an Assistant Director, the Deputy Director and the Director of the audit department of Guangzhou Railway (Group) Company. Since August 1999, Mr. Shen has served as the Director of the Financial Department of Guangzhou Railway (Group) Company.

Li Peng, age 56, is a Director and the Chairman of the Trade Union of the Company. Mr. Li is a graduate from the East China Civil Engineering Institute, and has served in various executive and labour organizational positions in Yangcheng Railway Company since 1977. He was the Deputy General Manager of the predecessor, Guangshen Railway Company, and the Guangshen Railway Enterprise Development Company from 1992 to 1997. Mr. Li joined the Company in December 1997.

Chang Loong Cheong, age 56, holds a management certificate from the Hong Kong Management Association and is an independent Director of the Company. Mr. Chang is also a Director of Shanghai Xinhua Iron & Steel Company Limited and Orient International (Shanghai) Limited. Mr. Chang has been a Manager of Cathay Restaurant in Lagos, Nigeria, a member of the senior management of Island Navigation Corporation International Limited and Orient Overseas Container Line Limited in West Africa, and the General Manager and a Director of Noble Ascent Company Limited.

Deborah Kong, age 42, is an independent Director of the Company. Ms. Kong is currently an executive director of Centennial Resources Company Limited. Ms. Kong holds a Bachelor of Arts degree from Sydney University and has attended a one-year master degree course of finance of Macquarie University in Australia. She is a member of the People's Political Consultative Conference of Shandong Province in the PRC.

SUPERVISORS

Gu Hongxi, age 55, is the Chairman of the Supervisory Committee of the Company. He is a graduate of Zhejiang University. Mr. Gu joined the railway department in 1974, and he has served as the Deputy Director of Changsha Railway Sub-administration and the Director of the welfare and education departments of Guangzhou Railway (Group) Company. Since December 1995, Mr. Gu has served as the Chief Economist of Guangzhou Railway (Group) Company.

Zhao Genrong, age 57, is a Supervisor of the Company. Mr. Zhao is a graduate of North Communications University. He served in various financial positions in Hengyang Railway Sub-administration from 1968. Since 1983, Mr. Zhao has served as the Deputy Director and then the Director of the financial department of Guangzhou Railway (Group) Company. Since August, 1999, Mr. Zhao has served as the Director of the audit department of Guangzhou Railway (Group) Company.

Chen Yunzhong, age 50, is a Supervisor of the Company. Mr. Chen graduated from Guangzhou Railway Driver's School, Guangdong Jinan University and the Central Administration Academy. He was a member of the senior management of Hainan Railway Company. Mr. Chen joined the Company in July, 2000, and is currently a member of the senior management of the Company.

Yao Muming, age 49, is a Supervisor of the Company. Mr. Yao is a graduate of Huanan Normal University, and has served as the Deputy Director of the Guangzhou and Zhuhai Animal and Plant Quarantine Bureaus. He joined the Company in 1997 and is a member of the Company's senior management.

Zeng Xiangqiu, age 60, is a Supervisor of the Company. Mr. Zeng is a graduate of North Communications University and is now a senior engineer. From 1968 to 1992, Mr. Zeng served in technical and managerial positions relating to signaling and communications and railway civil engineering at the Kunming Railway Administration and Guangshen Railway Company, predecessor to the Company. From 1992 to 2001, he served concurrently as the Director of the Equipment Department of Guangshen Railway Company and the Company.

Zhu Delin, age 40, is a Supervisor of the Company. Mr. Zhu is a graduate of the Hunan Light Industry Academy. Since 1982, Mr. Zhu has served in technical positions relating to signaling and communications in various railway departments. He joined the Signaling and Communications Section of the Company in 1988, and then served as a Chief Engineer and a Deputy Section Chief of Signaling and Communications Section. Since 2001, Mr. Zhu has served as the Manager of the Track Maintenance & Signaling Department of the Company.

OTHER SENIOR MANAGEMENT

Yan Ping, age 42, is now a Deputy General Manager of the Company. Mr. Yan graduated with a Master Degree of Economics from the North-East Finance and Economics University. He is a senior engineer, and has been the General Manager of Tie Long Company of Dalian Sub-Railway Bureau, Section Chief of Diversified Businesses Section of Shenyang Railway Bureau and the Stationmaster of Dalian Railway Station of Dalian Sub-Railway Bureau. In August 2000, Mr. Yan joined the Company as Stationmaster of Guangzhou East Railway Station.

Chen Jianfu, age 57, is a Deputy General Manager of the Company. Mr. Chen is a graduate of the Cadres Academy of the Central Party Committee, where he majored in business and economic management. He has served as a deputy division chief, then the Section Chief, and the Deputy Chief, and the Chief of the Locomotive Section of Changsha Railway Company. Mr. Chen joined the Company in April, 1999 and has served in the Company since then.

Luo Qingming, age 45, is currently a Deputy General Manager and the Chief Engineer of the Company. Mr. Luo graduated from Changsha Railway Institute in 1982, where he majored in railway engineering. He has served as an engineer, the Chief Engineer, a deputy section chief, and the Section Chief of the Engineering Section of the Company. He received a government allowance awarded by the State Council of the PRC in 1999 for his achievement in his field.

Ye Yongming, age 46, is currently a Deputy General Manager of the Company. Mr. Ye graduated with a master degree from Guangdong Provincial Administration Academy. He joined the Company in 1975. Since 1983, he has served in various managerial positions at Shenzhen North Station as Assistant Stationmaster, Deputy Stationmaster, and then Stationmaster.

Yao Xiaocong, age 49, is the Chief Accountant and Company Secretary of the Company. Mr. Yao graduated from the Guangzhou Railway Management Academy. He has served in financial and accounting positions in various railway departments since 1975, giving him over 20 years of experience in financial and accounting areas. Mr. Yao was the Director of the financial sub-department of Yangcheng Railway Company before he joined the Company in 1997.

CORPORATE INFORMATION

REGISTERED NAME OF THE COMPANY	廣深鐵路股份有限公司
ENGLISH NAME OF THE COMPANY	Guangshen Railway Company Limited
REGISTERED ADDRESS OF THE COMPANY	No. 1052 Heping Road Shenzhen, Guangdong Province The People's Republic of China Postal Code: 518010
COMPANY WEB SITE	www.gsrc.com
AUTHORIZED REPRESENTATIVES	Zhang Zhengqing Yao Xiaocong
COMPANY SECRETARY	Yao Xiaocong
DOMESTIC AUDITORS	Pan-China (Schinda) Certified Public Accountants 16th Floor, Securities Building No. 5020 Binhe Road Shenzhen The People's Republic of China
INTERNATIONAL AUDITORS	Arthur Andersen & Co 21st Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong

LEGAL ADVISER AS TO PRC LAW	Haiwen & Partners Room 1016, Beijing Silver Tower No. 2 Dong San Huan North Road Chao Yang District Beijing The People's Republic of China
LEGAL ADVISER AS TO HONG KONG LAW	Koo and Partners 22nd Floor Bank of China Tower 1 Garden Road Hong Kong
LEGAL ADVISER AS TO THE UNITED STATES LAW	Shearman & Sterling 12th Floor Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
PRINCIPAL BANKER	China Construction Bank Shenzhen Railway Branch 1st to 4th Floors Jinwei Building Jiabin Road Shenzhen The People's Republic of China

HONG KONG SHARE REGISTRAR

Hong Kong Registrars Limited
2nd Floor
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

DEPOSITARY

JP Morgan Chase Bank
60 Wall Street
New York, NY 10260-0060
USA

PLACES OF LISTING

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

PUBLICATIONS

The Company's 2001 interim and annual reports were published in August 2001 and April 2002, respectively. As required by the United States securities laws, the Company will file an annual report together with the Form 20-F with the U.S. Securities and Exchange Commission before June 30, 2002. Copies of the interim and annual reports as well as the Form 20-F, once filed, will be available at:

Guangshen Railway Company Limited
Secretariat to the Board of Directors
No. 1052 Heping Road
Shenzhen, Guangdong Province
The People's Republic of China
Postal Code: 518010
Tel: (86-755) 5588146 or (86-755) 5598693
Fax: (86-755) 5591480

AUDITORS' REPORT

ANDERSEN

Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

TO THE SHAREHOLDERS OF

GUANGSHEN RAILWAY COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the accompanying balance sheets of Guangshen Railway Company Limited (the "Company") and its subsidiaries (the "Group") as of December 31, 2001, and the related statements of income, changes in equity, and cash flows for the year then ended. These financial statements set out on pages 44 to 97 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of the Group as of December 31, 2001, and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO

Certified Public Accountants

Hong Kong,

April 23, 2002

BALANCE SHEETS

As of December 31, 2001

(Expressed in thousands of Renminbi)

	Notes	Consolidated 2001	Consolidated 2000 (Note 36)	Company 2001	Company 2000 (Note 36)
Non-current assets					
Fixed assets	3	**7,031,040**	7,074,907	**6,909,668**	6,943,246
Construction-in-progress	4	**446,399**	369,285	**438,733**	345,898
Leasehold land payments	5	**673,746**	695,231	**667,523**	695,231
Interests in subsidiaries	6	**—**	—	**172,369**	159,882
Interests in associates	7	**141,122**	122,222	**139,744**	117,870
Long-term investments	8	**32,000**	30,000	**32,000**	30,000
Deferred tax assets	9	**5,193**	—	**5,193**	—
Deferred staff costs	10	**196,187**	202,449	**196,187**	202,449
		8,525,687	8,494,094	**8,561,417**	8,494,576
Current assets					
Materials and supplies		**34,191**	30,033	**12,819**	9,064
Accounts receivable, net	11	**67,440**	87,444	**45,088**	60,865
Due from Parent Company	26	**29,499**	80,604	**28,492**	83,183
Due from affiliates, net	26	**276,013**	247,932	**275,940**	246,728
Prepayments and other receivables, net	12	**322,276**	196,073	**273,622**	166,958
Temporary cash investments	13, 28	**1,376,602**	1,451,330	**1,376,602**	1,451,330
Cash and cash equivalents		**365,508**	330,054	**284,467**	249,327
		2,471,529	2,423,470	**2,297,030**	2,267,455
Current liabilities					
Accounts payable	14	**69,048**	61,147	**55,121**	59,002
Accounts payable for construction of fixed assets		**199,780**	345,471	**181,460**	300,198
Due to affiliates	26	**58,650**	63,734	**58,823**	63,662
Dividends payable	22	**13,598**	—	**13,598**	—
Taxes payable	21	**65,682**	57,552	**62,105**	54,580
Accrued expenses and other payables	15	**454,218**	351,889	**411,119**	302,061
		860,976	879,793	**782,226**	779,503
Net current assets		**1,610,553**	1,543,677	**1,514,804**	1,487,952
Total assets less current liabilities		**10,136,240**	10,037,771	**10,076,221**	9,982,528
Non-current liabilities					
Deferred tax liabilities	9	**—**	2,333	**—**	2,333
Minority interests		**15,617**	14,755	**—**	—
Net assets		**10,120,623**	10,020,683	**10,076,221**	9,980,195
Representing:					
Share capital	16	**4,335,550**	4,335,550	**4,335,550**	4,335,550
Reserves	17	**5,785,073**	5,685,133	**5,740,671**	5,644,645
		10,120,623	10,020,683	**10,076,221**	9,980,195

The financial statements were approved by the Board of Directors of the Company on April 23, 2002.

Zhang Zhengqing
Chairman

Wu Yiquan
Director

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2001

(Expressed in thousands of Renminbi, except for per share data)

	Note	**2001**	2000 (Note 36)
Revenues from railroad businesses			
Passenger		**1,426,010**	1,237,289
Freight		**567,276**	549,694
Sub-total		**1,993,286**	1,786,983
Revenues from other businesses		**160,306**	193,415
Total revenues		**2,153,592**	1,980,398
Operating expenses			
Railroad businesses			
Labour and benefits		**(320,569)**	(260,671)
Equipment leases and services	26	**(262,320)**	(263,348)
Materials and supplies	26	**(144,651)**	(121,337)
Repair costs, excluding materials and supplies	26	**(94,545)**	(93,471)
Depreciation		**(342,534)**	(305,300)
Amortisation of leasehold land payments		**(15,453)**	(15,394)
Fees for social services	26	**(57,157)**	(58,300)
General and administrative expenses	26	**(150,162)**	(131,885)
Others		**(73,238)**	(47,758)
Sub-total		**(1,460,629)**	(1,297,464)
Other businesses			
Cost of sales		**(108,930)**	(121,535)
General and administrative expenses	26	**(29,922)**	(41,994)
Sub-total		**(138,852)**	(163,529)
Total operating expenses		**(1,599,481)**	(1,460,993)
Profit from operations		**554,111**	519,405
Other income, net		**78,660**	74,916
Financial expenses		**(2,087)**	(3,887)
Share of profits of associates		**609**	253
Profit before tax	20	**631,293**	590,687
Taxation	21	**(99,297)**	(99,380)
Profit after tax		**531,996**	491,307
Minority interests		**1,499**	782
Net profit for the year	23	**533,495**	492,089
Earnings per share			
— Basic	24	**RMB0.12**	RMB0.11
— Diluted	24	**N/A**	N/A

The accompanying notes are an integral part of this financial statement.

STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2001
(Expressed in thousands of Renminbi)

	Note	Share capital	Reserves: Share premium	Reserves: Statutory surplus reserve	Reserves: Statutory public welfare fund	Reserves: Discretionary surplus reserve	Reserves: Retained earnings	Total
Consolidated								
Balances at January 1, 2000		4,335,550	3,984,135	321,646	315,099	286,709	805,721	10,048,860
Net profit for the year		—	—	—	—	—	492,089	492,089
Appropriation from retained earnings	17	—	—	53,802	53,607	54,950	(162,359)	—
Dividends	22	—	—	—	—	—	(520,266)	(520,266)
Balances at January 1, 2001		4,335,550	3,984,135	375,448	368,706	341,659	615,185	10,020,683
Net profit for the year		—	—	—	—	—	533,495	533,495
Appropriation from retained earnings	17	—	—	56,660	55,862	—	(112,522)	—
Dividends	22	—	—	—	—	—	(433,555)	(433,555)
Balances at December 31, 2001		4,335,550	3,984,135	432,108	424,568	341,659	602,603	10,120,623
Company								
Balances at January 1, 2000		4,335,550	3,984,135	306,521	306,521	251,571	814,455	9,998,753
Net profit for the year		—	—	—	—	—	501,708	501,708
Appropriation from retained earnings	17	—	—	52,625	52,625	54,950	(160,200)	—
Dividends	22	—	—	—	—	—	(520,266)	(520,266)
Balances at January 1, 2001		4,335,550	3,984,135	359,146	359,146	306,521	635,697	9,980,195
Net profit for the year		—	—	—	—	—	529,581	529,581
Appropriation from retained earnings	17	—	—	55,064	55,064	—	(110,128)	—
Dividends	22	—	—	—	—	—	(433,555)	(433,555)
Balances at December 31, 2001		4,335,550	3,984,135	414,210	414,210	306,521	621,595	10,076,221

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2001

(Expressed in thousands of Renminbi)

	Note	**2001**	2000
NET CASH INFLOWS FROM OPERATING ACTIVITIES	25(a)	**986,796**	797,200
Interest paid		**(2,087)**	(3,887)
Income tax paid		**(98,693)**	(64,124)
Net cash inflows from operating activities		**886,016**	729,189
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, net of related payables		**(551,508)**	(564,759)
Increase in interests in associates		**(17,572)**	(33,513)
Decrease in temporary cash investments		**74,728**	61,450
Increase in long-term investments		**(2,000)**	—
Interest received		**65,927**	78,735
Net cash used in investing activities		**(430,425)**	(458,087)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		**(419,957)**	(520,266)
Distribution to minority shareholders		**(180)**	(187)
Net cash used in financing activities		**(420,137)**	(520,453)
Net increase (decrease) in cash and cash equivalents		**35,454**	(249,351)
Cash and cash equivalents at beginning of year		**330,054**	579,405
Cash and cash equivalents at end of year	25(b)	**365,508**	330,054

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

1. ORGANISATION AND OPERATIONS

Guangshen Railway Company Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") on March 6, 1996 to take over and operate certain railroad and other businesses (the "Businesses").

Prior to the formation of the Company, the Businesses were carried on by the Company's predecessor, Guangshen Railway Company (the "Predecessor"), and certain of its subsidiaries, and in certain cases, by Guangzhou Railway (Group) Company (the "Parent Company") and certain of its subsidiaries, which were all under the common control and jurisdiction of the PRC Ministry of Railways (the "MOR"). The Predecessor was controlled by and under the administration of the Parent Company. Pursuant to a restructuring agreement entered into among the Parent Company, the Predecessor and the Company on March 8, 1996 and with effect from March 6, 1996 (the "Restructuring Agreement"), the Company issued to the Parent Company 100% of its equity interest in the form of 2,904,250,000 shares of ordinary shares (the "State-owned Domestic Shares") in exchange for the assets and liabilities of the Businesses (the "Restructuring").

In May 1996, the Company issued 1,431,300,000 shares, represented by 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 to finance the capital expenditures and working capital requirements of the Company and its subsidiaries (the "Group").

The principal activities of the Group are railroad passenger and freight transportation. The Group also operate certain other businesses, principally services in the stations and sales of food, beverages and merchandise aboard the trains and in the stations.

The directors of the Company considered Guangzhou Railway (Group) Company, a company incorporated in the PRC, to be the ultimate holding company.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Group are as follows:

(a) Basis of presentation

The accompanying financial statements are prepared under the historical cost convention, and in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. This basis of accounting differs from that used in the management accounts of the Group which were prepared in accordance with generally accepted accounting principles and relevant financial regulations in the PRC ("PRC GAAP").

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

The impact of IFRS adjustments on consolidated net profit and consolidated net assets are set forth in Note 33.

As supplemental information for North American shareholders, the differences between IFRS and generally accepted accounting principles in the United States of America ("US GAAP") are set forth in Note 34.

(b) Principles of consolidation

The consolidated financial statements include those of the Group and also incorporate the Group's interest in associates on the basis as set out in Note 2(f) and 2(g) below. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.

All significant intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(c) Fixed assets and depreciation

Fixed assets are stated at cost or revalued amount less accumulated depreciation and accumulated impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the fixed assets have become ready for its intended use, such as repairs and maintenance and overhaul costs, are recognised as expenses in the period in which they are incurred. In situations where it is probable that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of the asset.

Depreciation is calculated using the straight-line method to write off the cost or revalued amount, after taking into account the estimated residual value of 4% to 10% of cost, of each asset over its estimated useful life. The estimated useful lives are as follows:

Buildings	25 to 40 years
Leasehold improvements	lease terms
Track, bridges and service roads	44 years
Locomotives and rolling stock	16 years
Communications and signaling systems	8 to 20 years
Other machinery and equipment	7 to 25 years

The useful lives of assets and depreciation method are reviewed periodically.

When assets are sold or retired, their cost or revalued amounts and accumulated depreciation and amortisation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(c) Fixed assets and depreciation *(cont'd)*

Certain fixed assets are stated at revalued amount less accumulated depreciation and accumulated impairment loss. Valuation by directors is performed annually. Any increase in valuation is credited to the revaluation reserve in shareholders' equity; any decrease is first offset against an increase on earlier valuation in respect of the same asset and is thereafter charged to the income statement. Increase on revaluation directly related to a previous decrease in carrying amount for the same asset that was recognised as an expense is credited to income to the extent that it offsets the previously recorded decrease.

Upon the disposal of revalued asset, the realised portion of the revaluation reserve is transferred from the valuation reserve to retained earnings.

(d) Construction-in-progress

Construction-in-progress represents plant and facilities, including railroad stations and maintenance facilities, under construction and machinery pending for installation, and is stated at cost. This includes cost of construction, the costs of plant and equipment, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing.

Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for use.

(e) Leasehold land payments

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land for its rail line, stations and other businesses. The premium paid for such leasehold lands represents pre-paid lease payments, which are amortised over the lease term of 36.5 to 50 years.

(f) Subsidiaries

A subsidiary is a company which the Company controls. This control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(f) Subsidiaries *(cont'd)*

In the Company's financial statements, interests in subsidiaries are carried at cost less provision for impairment in value. The results of the subsidiaries' operations are accounted for to the extent of dividends received and receivable. An assessment of interests in subsidiaries is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

(g) Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Company has significant influence. Significant influence exists when the Company has the power to participate in, but not control, the financial and operating decisions of the associate.

Interests in associates are accounted for in the consolidated financial statements using the equity method. When the Group's share of losses exceeds the carrying amounts of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment.

In the Company's financial statements, interests in associates are carried at cost less provision for impairment in value. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

(h) Long-term investment

Long-term investments represent available-for-sale investments and are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Long-term investments are subsequently carried at cost subject to impairment review.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(i) Deferred staff costs

The Group have finalised a scheme for selling staff quarters to its staff in 2000. Under the scheme, the Group sold certain staff quarters to their employees at preferential prices as housing benefits to the employees. The total housing benefits, which represented the difference between the net book value of the staff quarters sold and the proceeds collected from the employees, are expected to benefit the Group over 15 years, which is the estimated remaining average service lives of the employees participating in the scheme. Upon the sales of staff quarters to the employees, the housing benefits incurred are recorded as deferred staff costs and amortised over the remaining average service lives of the employees participating in the scheme.

(j) Temporary cash investments

Temporary cash investments represent short-term deposits with original maturities ranging from three months to one year and are stated at cost.

(k) Materials and supplies

Materials and supplies consist mainly of items for repair and maintenance of track, and are stated at weighted average cost. Materials and supplies are expensed when used.

(l) Receivables

Receivables are stated at face value, after provision for doubtful accounts.

(m) Cash and cash equivalents

Cash represents cash on hand and deposits with banks or other financial institutions that are repayable on demand.

Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(n) Operating leases

Leases are classified as operating leases whenever substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor.

Lease payments under operating leases are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. Aggregate benefit of incentives on operating leases is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(o) Provision

A provision is recognised when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(p) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised on the following bases:

(i) Rendering of services and sales of goods

Railroad revenues are recognised when services are performed. Revenues from other businesses include sales aboard the trains and in the stations of food, beverages and other merchandise and revenues from operating restaurants in major stations. Revenues from operating restaurants are recognised when services are rendered.

Sales aboard the trains and in the stations of food, beverages and merchandise are recognised upon delivery, when the significant risks and rewards of ownership of these goods have been transferred to the buyers.

Revenues are net of turnover tax.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(p) Revenue recognition *(cont'd)*

(ii) Interest income

Interest income from bank deposits is recognised on a time proportion basis that takes into account the effective yield on the assets.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(q) Taxation

The Group provide for income tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. Taxation of the Group is based on the relevant tax laws and regulations applicable to enterprises established in the PRC.

Deferred taxation is provided under the balance sheet liability method in respect of significant temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

(r) Foreign currency transactions

The Group maintain their books and records in RMB. Transactions in other currencies are translated into the reporting currency at exchange rates prevailing at the time of the transactions. Exchange rate differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognised in the income statements in the period on which they arise. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchange differences are recognised in the consolidated income statement in the period in which they arise.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(s) Employee benefits

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are to be made monthly to a government agency based on 10% of the standard salary set by the provincial government, of which 5% is borne by the Company or its subsidiaries and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Group account for these contributions on an accrual basis and charge the related contributions to income in the year to which the contributions relate.

(t) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalent, temporary cash investments, accounts receivable and payable, other receivables and payables and long-term investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company or its subsidiary has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(u) Impairment of assets

(i) Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date. For financial assets carried at amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans, receivables, an impairment or bad debt loss is recognised in the consolidated income statement. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in income. However, the increased carrying amount is only recognised to the extent it does not exceed what amortised cost would have been had the impairment not been recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(u) Impairment of assets *(cont'd)*

(ii) Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement or treated as a revaluation decrease for fixed assets that are carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation reserve for the same asset. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

(iii) Reversal of impairment losses

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the income statement or as a revaluation increase. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised for that asset in prior years.

(v) Segments

Business segments: for management purposes the Group are organised into railroad transportation and other business operations. The divisions are the basis upon which the Group report their primary segment information. Financial information on business segments is presented in Note 27.

Intersegment transactions: segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated in consolidation.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(w) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(x) Subsequent events

Post-year-end events that provide additional information about the Group and the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(y) New accounting development

In 2001, the Group adopted IFRS 39 "Financial Instruments: Recognition and Measurement" which are effective for financial statements covering periods beginning on or after January 1, 2001. The adoption of this accounting policy did not have a material impact on the reported financial position or results of the Group and the Company.

3. FIXED ASSETS

Movements in fixed assets of the Group were:

	2001							2000
	Buildings RMB'000	Leasehold improvements RMB'000	Tracks, bridges and service roads RMB'000	Locomotives and rolling stock RMB'000	Communications and signaling systems RMB'000	Other machinery and equipment RMB'000	Total RMB'000	Total RMB'000 (Note 36)
Cost/valuation								
Beginning of year	2,108,498	—	4,102,845	849,462	510,683	1,426,443	8,997,931	8,421,813
Additions	1,631	38,500	7,591	56,048	8,492	99,140	211,402	286,934
Transfer from construction-in-progress	152,761	—	52,068	200,475	10,106	9,157	424,567	501,998
Disposals	(196,345)	—	(92,488)	(101,774)	(38,557)	(11,966)	(441,130)	(212,814)
End of year	2,066,545	38,500	4,070,016	1,004,211	490,724	1,522,774	9,192,770	8,997,931
Representing:								
At cost	539,905	38,500	1,210,664	802,612	125,692	1,157,195	3,874,568	3,323,584
At professional valuation	1,526,640	—	2,859,352	201,599	365,032	365,579	5,318,202	5,674,347
	2,066,545	38,500	4,070,016	1,004,211	490,724	1,522,774	9,192,770	8,997,931
Accumulated depreciation								
Beginning of year	285,600	—	852,322	215,657	250,614	318,831	1,923,024	1,664,477
Charges for the year	61,043	5,775	91,185	53,905	50,304	83,737	345,949	308,795
Disposals	(1,214)	—	(11,447)	(56,637)	(34,336)	(3,609)	(107,243)	(50,248)
End of year	345,429	5,775	932,060	212,925	266,582	398,959	2,161,730	1,923,024
Net book value								
End of year	1,721,116	32,725	3,137,956	791,286	224,142	1,123,815	7,031,040	7,074,907
Beginning of year	1,822,898	—	3,250,523	633,805	260,069	1,107,612	7,074,907	6,757,336

Had the fixed assets been carried at cost less accumulated depreciation, the carrying amounts at year end would have been:

Cost	1,228,006	38,500	3,291,415	980,490	459,797	1,407,323	7,405,531	7,210,123
Accumulated depreciation	(193,242)	(5,775)	(589,598)	(172,868)	(250,128)	(358,480)	(1,570,091)	(1,393,360)
	1,034,764	32,725	2,701,817	807,622	209,669	1,048,843	5,835,440	5,816,763

3. FIXED ASSETS *(cont'd)*

Movements in fixed assets of the Company were:

	2001							2000
	Buildings RMB'000	Leasehold improvements RMB'000	Tracks, bridges and service roads RMB'000	Locomotives and rolling stock RMB'000	Communications and signaling systems RMB'000	Other machinery and equipment RMB'000	Total RMB'000	Total RMB'000 (Note 36)
Cost/valuation								
Beginning of year	2,000,910	—	4,028,300	848,949	506,937	1,376,641	8,761,737	8,189,407
Additions	1,565	38,500	7,591	56,049	8,492	90,625	202,822	280,307
Transfer from construction-in-progress	152,346	—	52,068	200,475	10,092	9,157	424,138	499,460
Disposals	(196,345)	—	(92,488)	(101,262)	(38,557)	(3,085)	(431,737)	(207,437)
End of year	1,958,476	38,500	3,995,471	1,004,211	486,964	1,473,338	8,956,960	8,761,737
Representing:								
At cost	514,711	38,500	1,207,638	801,811	121,653	1,116,368	3,800,681	3,258,196
At professional valuation	1,443,765	—	2,787,833	202,400	365,311	356,970	5,156,279	5,503,541
	1,958,476	38,500	3,995,471	1,004,211	486,964	1,473,338	8,956,960	8,761,737
Accumulated depreciation								
Beginning of year	244,810	—	822,051	215,335	249,188	287,107	1,818,491	1,570,792
Charges for the year	55,600	5,775	89,753	53,905	49,882	80,399	335,314	292,849
Disposals	(1,214)	—	(13,403)	(56,315)	(34,336)	(1,245)	(106,513)	(45,150)
End of year	299,196	5,775	898,401	212,925	264,734	366,261	2,047,292	1,818,491
Net book value								
End of year	1,659,280	32,725	3,097,070	791,286	222,230	1,107,077	6,909,668	6,943,246
Beginning of year	1,756,100	—	3,206,249	633,614	257,749	1,089,534	6,943,246	6,618,615

Had the fixed assets been carried at cost less accumulated depreciation, the carrying amounts at year end would have been:

Cost	1,128,958	38,500	3,216,870	980,490	456,037	1,367,461	7,188,316	6,993,094
Accumulated depreciation	(149,716)	(5,775)	(555,939)	(172,868)	(248,285)	(340,973)	(1,473,556)	(1,305,852)
	979,242	32,725	2,660,931	807,622	207,752	1,026,488	5,714,760	5,687,242

3. FIXED ASSETS *(cont'd)*

On March 6, 1996, the fixed assets of the Group were revalued by Vigers Hong Kong Limited (the "Valuer"), a qualified independent valuer in Hong Kong, using a replacement cost approach and open market value approach. The replacement cost approach considers the cost to replace in new condition the assets appraised for similar assets, and includes purchase price, delivery charge and installation cost. The purchase price is based on the open market value. The Valuer assumed that the assets will be used for the purposes for which they are presently used and did not consider alternative uses. The revaluation surplus of fixed assets amounting to approximately RMB1,492,185,000 was recorded by the Group as of March 6, 1996, and depreciation on the increment to fixed assets commenced on that date. Upon the Restructuring, the revaluation surplus was converted to shares alloted to the Parent Company.

The directors of the Company are of the opinion that the carrying values of fixed assets as of December 31, 2001 approximated to their fair values.

4. CONSTRUCTION-IN-PROGRESS

	Consolidated		**Company**	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of year	**369,285**	653,958	**345,898**	622,011
Additions	**629,107**	217,325	**626,536**	223,347
Disposals	**(127,426)**	—	**(109,563)**	—
Transfer to fixed assets	**(424,567)**	(501,998)	**(424,138)**	(499,460)
End of year	**446,399**	369,285	**438,733**	345,898

As of December 31, 2001, there was no interest capitalised in the construction-in-progress as the Group had no bank borrowings.

5. LEASEHOLD LAND PAYMENTS

Movements in leasehold land payments of the Group and the Company were as follows:

	Consolidated		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Note 36)		(Note 36)
Cost				
Beginning of year	**769,724**	769,724	**769,724**	769,724
Additions	**6,327**	—	**—**	—
Disposals	**(13,964)**	—	**(13,964)**	—
End of year	**762,087**	769,724	**755,760**	769,724
Accumulated amortisation				
Beginning of year	**74,493**	59,099	**74,493**	59,099
Charges for the year	**15,453**	15,394	**15,349**	15,394
Disposals	**(1,605)**	—	**(1,605)**	—
End of year	**88,341**	74,493	**88,237**	74,493
Net book value				
End of year	**673,746**	695,231	**667,523**	695,231
Beginning of year	**695,231**	710,625	**695,231**	710,625

6. INTERESTS IN SUBSIDIARIES

In the balance sheet of the Company, interests in subsidiaries as of December 31, 2001 comprised the following:

	Company	
	2001	2000
	RMB'000	RMB'000
Unlisted shares	**104,748**	110,780
Due from subsidiaries	**67,621**	49,102
	172,369	159,882

The amounts due from subsidiaries were unsecured, interest free and had no fixed repayment dates.

The Company's directors are of the opinion that the recoverable amount of the subsidiaries was not less than the Company's carrying value of the subsidiaries as of year end.

As of December 31, 2001, the Company had direct or indirect interests in the following principal subsidiaries which were 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-up capital**	**Principal activities**
Directly held by the Company				
Shenzhen Fu Yuan Enterprise Development Company	November 1, 1991	100%	RMB18,500,000	Hotel management
Shenzhen Guangshen Railway Civil Engineering Company ("Guangshen Civil Engineering")	March 1, 1984	100%	RMB15,000,000	Construction of railroad properties

6. INTERESTS IN SUBSIDIARIES *(cont'd)*

Name of the entity	Date of incorporation/ establishment	Percentage of equity interest attributable to the Company	Paid-up capital	Principal activities
Directly held by the Company *(Cont'd)*				
Shenzhen Guangshen Railway Travel Service Ltd.	August 16, 1995	100%	RMB2,400,000	Travel agency
Shenzhen Jian Kai Trade Company	December 6, 1993	100%	RMB2,000,000	Construction materials trading
Shenzhen Xiang Qun Enterprise Company	June 30, 1994	100%	RMB2,000,000	Sales of merchandise
Shenzhen Jing Ming Industrial & Commercial Company Limited	January 18, 1994	100%	RMB2,110,000	Maintenance of water and electrical equipment
Shenzhen Railway Station Travel Service Company *(i)*	January 1, 1990	70%	RMB6,720,000	Food services and sales of merchandise
Shenzhen Longgang Pinghu Qun Yi Railway Store Loading and Unloading Company	September 11, 1993	55%	RMB10,000,000	Cargo loading and unloading, warehousing, freight transportation
Shenzhen Huasheng Container Transportation Company Limited *(i)*	December 4, 1991	53%	RMB20,000,000	Warehousing
Dongguan Changsheng Enterprise Company	May 22, 1992	51%	RMB5,686,000	Warehousing

6. INTERESTS IN SUBSIDIARIES *(cont'd)*

Name of the entity	Date of incorporation/ establishment	Percentage of equity interest attributable to the Company	Paid-up capital	Principal activities
Indirectly held by the Company				
Shenzhen North Station Auto Repair Plant	April 19, 1993	100%	RMB3,500,000	Repair and maintenance of vehicles
Shenzhen North Station Loading and Unloading Transportation Company	September 20, 1993	100%	RMB3,750,000	Cargo loading and unloading, freight transportation
Shenzhen North Station Railway Industry Technology Development Company	March 10, 1993	100%	RMB1,640,000	Maintenance of equipment
Shenzhen Yuezheng Enterprise Company Limited	June 24, 1996	91%	RMB1,000,000	Freight transport agency, cargo loading and unloading, warehousing
Guangzhou Donglian Travel Service Company Limited *(i)*	April 6, 1991	70%	RMB6,393,965	Food services
Shenzhen Hongdali Auto Repair Company Limited	January 3, 1995	60%	RMB1,300,000	Repair and maintenance of vehicles
Shenzhen Road Multi-modal Transportation Company Limited	March 17, 1994	60%	RMB1,000,000	Freight transportation

(i) Sino-foreign contractual joint ventures

7. INTERESTS IN ASSOCIATES

Interests in associates as of December 31, 2001 comprised the followings:

	Consolidated		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares	**117,477**	118,133	**115,664**	116,580
Due from associates	**88,787**	67,718	**88,331**	64,467
Due to associates	**(2,742)**	(578)	**(1,851)**	(378)
	203,522	185,273	**202,144**	180,669
Less: Provision for impairment in value	**(29,689)**	(29,689)	**(29,689)**	(29,689)
Provision for doubtful accounts	**(32,711)**	(33,362)	**(32,711)**	(33,110)
	141,122	122,222	**139,744**	117,870

The amounts due from/to associates are unsecured, interest free and had no fixed repayment terms.

7. INTERESTS IN ASSOCIATES *(cont'd)*

As of December 31, 2001, the Company had direct or indirect interests in the following companies which were established and are operating in the PRC:

Name of the entity	Date of incorporation/ establishment	Percentage of equity interest attributable to the Company	Paid-up capital	Principal activities
Directly held by the Company				
Guangzhou Tiecheng Enterprise Company Limted	May 2, 1995	49%	RMB10,000,000	Properties management and trading of merchandise
Guangzhou Tielian Economy Development Company Limited	December 27, 1994	34%	RMB1,000,000	Warehousing and freight transport agency
Zengcheng Lihua Stock Company Limited (i)	July 30, 1992	27%	RMB100,000,000	Real estate, warehousing, cargo loading and unloading
Indirectly held by the Company				
Guangzhou Dongqun Advertising Company Limited	March 6, 1996	40%	RMB500,000	Design and production of advertisements
Guangzhou Huangpu Yuehua Freight Transportation Joint Venture Company Limited	July 20, 1990	33.3%	RMB6,610,000	Cargo loading and unloading, warehousing, freight transport agency

(i) Joint stock company with limited liability

8. LONG-TERM INVESTMENTS

Long-term investments mainly represented the Company's investments in:

(i) Shenzhen Innovation Technology Investment Co., Ltd., representing its 4.29% equity interest in the company, and;

(ii) Shenzhen Huatie Enterprise Company Limited, representing 10% equity interest in the company.

No quoted market prices are available for the above unlisted companies as of December 31, 2001. The directors of the Company are of the opinion that the carrying value of the long-term investment approximated the recoverable amount of the long-term investment as of December 31, 2001.

9. DEFERRED TAX ASSETS (LIABILITIES)

Components of deferred tax assets (liabilities) were as follows:

	2001	2000
	RMB'000	RMB'000
Deferred tax assets (liabilities):		
— Provision for doubtful accounts	**1,842**	(2,333)
— Losses on disposals of fixed assets	**3,351**	—
	5,193	(2,333)

10. DEFERRED STAFF COSTS

	2001	2000
	RMB'000	RMB'000
Deferred staff costs, at cost	**226,369**	216,910
Less: Accumulated amortisation	**(30,182)**	(14,461)
	196,187	202,449

11. ACCOUNTS RECEIVABLE, NET

	Consolidated		**Company**	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accounts receivable	**91,480**	96,077	**67,938**	67,474
Less: Provision for doubtful accounts	**(24,040)**	(8,633)	**(22,850)**	(6,609)
	67,440	87,444	**45,088**	60,865

11. ACCOUNTS RECEIVABLE, NET *(cont'd)*

The aging analysis of accounts receivable was as follows:

	Consolidated		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**54,314**	41,956	**50,725**	38,167
Over 1 year but within 2 years	**9,017**	16,545	**2,070**	5,269
Over 2 years but within 3 years	**3,740**	14,112	**3,740**	14,112
Over 3 years	**24,409**	23,464	**11,403**	9,926
	91,480	96,077	**67,938**	67,474

12. PREPAYMENTS AND OTHER RECEIVABLES, NET

	Consolidated		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments and other receivables	**356,284**	215,217	**304,220**	179,889
Less: Provision for doubtful accounts	**(34,008)**	(19,144)	**(30,598)**	(12,931)
	322,276	196,073	**273,622**	166,958

13. TEMPORARY CASH INVESTMENTS

		Consolidated		Company	
		2001	2000	**2001**	2000
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Temporary cash investments in banks *(see Note 29)*	*(a)*	**1,126,450**	1,147,301	**1,126,450**	1,147,301
Temporary cash investments in the MOR's Railway Deposit-taking Centre	*(b)*	**250,152**	304,029	**250,152**	304,029
		1,376,602	1,451,330	**1,376,602**	1,451,330

(a) Temporary cash investments in banks consist of short-term deposits denominated in RMB, Hong Kong dollars ("HK$") and United States dollars ("USD") with original maturities ranging from six months to one year, placed with banks in the PRC. The annual interest rate of RMB deposits was 2.16% in 2001 (2000: from 2.16% to 2.88%), the annual interest rates of HK$ deposits ranged from 1.25% to 3.91% in 2001 (2000: from 5.13% to 6.45%) and the annual interest rates of USD deposits were LIBOR plus a floating rate ranged from -0.2% to 0.1% (2000: from -0.2% to 0.1%). Total interest earned from such deposits amounted to approximately RMB46,875,000 for the year (2000: approximately RMB44,382,000).

(b) Temporary cash investments in the MOR's Railroad Deposit-taking Center consist of short-term deposits denominated in RMB and USD with original maturities ranging from six months to one year. The annual interest rates of RMB deposits ranged from 2.25% to 5.00% in 2001 (2000: from 2.16% to 3.78%) and the annual interest rates of USD deposits were LIBOR plus a floating rate ranged from -0.2% to 0.1% (2000: from -0.2% to 0.1%). Total interest earned from such deposits amounted to approximately RMB11,887,000 (2000: approximately RMB28,792,000) for the year (see Note 26).

14. ACCOUNTS PAYABLE

The aging analysis of accounts payable was as follows:

	Consolidated		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**63,134**	52,766	**49,324**	52,665
Over 1 year but within 2 years	**2,857**	8,104	**2,618**	6,255
Over 2 years but within 3 years	**3,057**	—	**3,179**	—
Over 3 years	**—**	277	**—**	82
	69,048	61,147	**55,121**	59,002

15. ACCRUED EXPENSES AND OTHER PAYABLES

	Consolidated		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**211,929**	81,356	**196,500**	44,020
Accrued expenses	**98,349**	118,981	**93,163**	117,222
Salary and welfare payables	**42,657**	43,170	**39,032**	40,575
Other payables	**101,283**	108,382	**82,424**	100,244
	454,218	351,889	**411,119**	302,061

16. SHARE CAPITAL

As of December 31, 2001, the authorised capital of the Company consisted of ordinary shares of par value RMB1.00 per share:

	Number of shares	**Nominal value**	**Percentage of share capital**
	'000	RMB'000	
Authorised, issued and fully paid or credited as fully paid:			
State-owned Domestic Shares	2,904,250	2,904,250	67%
H Shares	1,431,300	1,431,300	33%
	4,335,550	4,335,550	100%

17. RESERVES

According to the articles of association of the Company, when distributing net profit of each year, the Company shall set aside 10% of its net profit after tax based on the Company's local statutory accounts for the statutory surplus reserve (except where the reserve has reached 50% of the Company's registered share capital) and 5% to 10% for the statutory public welfare fund at a percentage determined by the directors. The Company may make appropriation from its net profit to the discretionary surplus reserve provided it is approved by a resolution of a shareholders' general meeting. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends without prior approval from a shareholders' general meeting under certain conditions.

When the statutory surplus reserve is not sufficient to make good for any losses of the Company from previous years, current year net profit shall be used to make good the losses before allocations are set aside for the statutory surplus reserve or the statutory public welfare fund.

The statutory public welfare fund is used to build or acquire capital items, such as dormitories and other facilities for the Company's employees and cannot be used to pay for welfare expenses. Title of these capital items will remain with the Company.

17. RESERVES *(cont'd)*

The statutory surplus reserve, the discretionary surplus reserve and the share premium may be converted into share capital provided it is approved by a resolution at a shareholders' general meeting and the balance of the statutory surplus reserve does not fall below 25% of the registered share capital. The Company may either distribute new shares in proportion to the number of shares held by shareholders, or increase the par value of each share.

The directors proposed the following appropriations to reserves:

	2001		2000	
	Percentage	**RMB'000**	Percentage	RMB'000
The Company				
Statutory surplus reserve	**10%**	**55,064**	10%	52,625
Statutory public welfare fund	**10%**	**55,064**	10%	52,625
Discretionary surplus reserve	**—**	**—**	10%	54,950
	20%	**110,128**	30%	160,200
Subsidiaries				
Statutory surplus reserve		**1,596**		1,177
Statutory public welfare fund		**798**		982
		2,394		2,159
		112,522		162,359

In accordance with the articles of association of the Company, dividends are determined based on the least of profits determined in accordance with (a) PRC GAAP, (b) IFRS and (c) the accounting standards of the countries in which its shares are listed. As the statutory accounts have been prepared in accordance with PRC GAAP, the retained earnings as reported in the statutory accounts may be different from the amount reported in the accompanying consolidated income statement.

17. RESERVES *(cont'd)*

As of December 31, 2001, the reserve of the Company available for distribution determined in accordance with PRC GAAP, IFRS and US GAAP were approximately RMB38,879,000 (2000: approximately RMB206,619,000), RMB621,595,000 (2000: approximately RMB635,697,000) and RMB861,687,000 (2000: approximately RMB834,632,000), respectively.

18. RETIREMENT BENEFITS

All the full-time staff of the Group are covered by a pension scheme. Pursuant to a circular dated October 24, 1995 issued by the Parent Company, the Company is required to pay to the Parent Company an amount equivalent to 19% of the salary and certain amount of bonus of the staff for pension benefits, and the Parent Company is responsible for the ultimate pension liability to the staff. Starting from December 2000, the percentage borne by the Company changed to 18% pursuant to another circular dated December 21, 2000 issued by the Parent Company. The Company is also required to set aside an amount equivalent to 5% of its total labour costs for the previous year as supplemental retirement provision.

Pension expenses for the year were as follows:

	2001	2000
	RMB'000	RMB'000
Pension expenses	**33,212**	27,396

Pension obligations as of December 31, 2001 were as follows:

	Consolidated		**Company**	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Pension obligations	**9,002**	12,773	**8,943**	12,675

19. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Details of directors', supervisors' and senior executives' emoluments were as follows:

	2001	2000
	RMB'000	RMB'000
Fees for executive directors	**415**	288
Fees for non-executive directors	**321**	334
Fees for supervisors	**—**	—
Other emoluments for executive directors		
— Basic salaries and allowances	**45**	24
— Bonus	**—**	—
— Retirement benefits	**13**	9
Other emoluments for non-executive directors	**36**	30
Other emoluments for supervisors	**255**	170
Emoluments for senior executives		
— Basic salaries and allowances	**143**	186
— Bonus	**100**	320
— Retirement benefits	**15**	19
	1,343	1,380

No director waived any emoluments during the year.

(b) Analysis of directors' emoluments by number of directors and emolument ranges was as follows:

	2001	2000
Executive directors		
— Nil to HK$1,000,000 (equivalent to RMB1,060,000)	**5**	4
Non-executive directors		
— Nil to HK$1,000,000 (equivalent to RMB1,060,000)	**4**	5

19. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(cont'd)*

(c) Details of emoluments paid to the five highest paid individuals (including directors and employees) were as follows:

	2001	2000
	RMB'000	RMB'000
Fees for directors	**645**	466
Basic salaries and allowances	**47**	51
Bonus	**—**	63
Retirement benefits	**10**	10
	702	590

	2001	2000
Number of directors	**5**	4
Number of employees	**—**	1
	5	5

(d) Analysis of emoluments paid to the five highest paid individuals (including directors and employees) by number of individuals and emolument ranges was as follows:

	2001	2000
Nil to HK$1,000,000 (equivalent to RMB1,060,000)	**5**	5

During the year, no emolument (2000: Nil) were paid to the five highest paid individuals (including directors and employees) as inducement to join or upon joining the Group or as compensation for loss of office.

20. PROFIT BEFORE TAX

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

	2001	2000
	RMB'000	RMB'000
		(Note 36)
Staff costs		
— Salaries and wages	**193,781**	177,176
— Provision for staff welfare and bonus	**146,186**	134,583
— Retirement benefits	**33,212**	27,396
— Employee benefits	**17,341**	19,839
Operating lease rentals of equipment	**174,122**	199,872
Depreciation of fixed assets	**345,949**	308,795
Provision for doubtful accounts	**29,620**	17,030
Directors, supervisors and senior executives' emoluments	**1,421**	1,380
Auditors' remuneration	**3,800**	3,800
Amortisation of deferred staff costs	**15,721**	14,461
Amortisation of leasehold land payments	**15,453**	15,394
Exchange losses	**815**	1,528
Interest expense	**2,087**	3,887
Interest income	**(65,708)**	(80,452)

21. TAXATION

Enterprises established in Shenzhen Special Economic Zone are subject to income tax at a reduced rate of 15% as cmpared with the standard rate for PRC companies of 33%. The Shenzhen Municipal Tax Bureau confirmed in 1996 that the Company is subject to a reduced income tax rate of 15% starting from the same year. The income tax rate of the Company for the year ended December 31, 2001 is 15%.

21. TAXATION *(cont'd)*

According to the relevant income tax laws, other businesses of the Group are subject to income tax rates of 15% or 33%, depending mainly on their places of incorporation. Furthermore, certain subsidiaries engaged in other businesses are Sino-foreign joint ventures which are entitled to full exemption from the PRC income tax for two years and a 50% reduction in the next three years starting from the first profit-making year, after offsetting available tax losses carried forward from prior years. There is no material effect on the consolidated financial statements of the Company arising from these tax holidays.

Save as described above, the directors of the Company are not being informed of any change in the enterprise income tax treatment applicable to the Group. In addition, in the opinion of the directors of the Company, any "Pay first, Refund then" tax policies set out by any local government are not applicable to the Company or any of its subsidiaries.

Details of taxation charged to the consolidated income statement during the year were as follows:

	2001	2000
	RMB'000	RMB'000
Provision for PRC income tax	**106,823**	94,347
Deferred tax (income) loss resulting from provision for doubtful accounts	**(4,175)**	5,033
Deferred tax income resulting from loss on the disposals of fixed assets	**(3,351)**	—
	99,297	99,380

21. TAXATION *(cont'd)*

Reconciliation of the statutory tax rate to effective tax rate is as follows:

	2001		2000	
	RMB'000	**Percentage**	RMB'000	Percentage
Accounting profit	**631,293**	**100.0%**	590,687	100.0%
Income tax at the statutory tax rates of 15%	**94,694**	**15.0%**	88,603	15.0%
Tax effect of expenses that are not deductible in determining taxable profit:				
— Provision for doubtful accounts	**—**	**—**	7,216	1.2%
— Amortisation of deferred staff costs	**2,358**	**0.4%**	2,709	0.5%
Effect of different tax rates for certain subsidiaries and others	**2,245**	**0.4%**	852	0.1%
Income tax expense	**99,297**	**15.8%**	99,380	16.8%

Pursuant to various tax rules and regulations, the Group are subject to turnover taxes payable to the national and local tax authorities for the year at the following rates:

Segment	
Railroad businesses	3%
Sales of merchandise	*
Sales of food and beverages	5%
Operating restaurants	5%

* Value-added tax ("VAT") on sales of merchandise is levied at the rate of 17% of the invoiced value of goods and is payable by the customers. VAT paid on purchases of merchandise can be used to offset VAT on sales to determine the net VAT payable. Revenues from railroad businesses, sales of food and beverages and operating restaurants are not subject to VAT but instead are subject to business tax which is also a kind of turnover tax.

22. DIVIDENDS

In 2001, the directors have recommended and declared a final dividend of RMB0.10 (2000: RMB0.12) per share in respect of the financial year ended December 31, 2000, totaling RMB433,555,000 (2000: RMB520,266,000).

23. NET PROFIT

In the consolidated net profit for the year, approximately RMB529,581,000 (2000: approximately RMB501,708,000) was dealt with in the financial statements of the Company.

24. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of RMB533,495,000 (2000: RMB492,089,000), divided by the weighted average number of ordinary shares outstanding during the year of 4,335,550,000 shares (2000: 4,335,550,000 shares). No diluted earnings per share were presented as there were no dilutive potential ordinary shares as of year end.

25. NET CASH INFLOWS FROM OPERATING ACTIVITIES

(a) Reconciliation from profit before tax but after minority interests to net cash inflows from operating activities:

	2001	2000
	RMB'000	RMB'000
		(Note 36)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax but after minority interests	**632,792**	591,469
Adjustments for:		
Depreciation	**345,949**	308,795
Amortisation of leasehold land payments	**15,453**	15,394
Disposals of fixed assets	**25,448**	4,579
Amortisation of deferred staff costs	**15,721**	14,461
Housing benefits charged for retired employees	**—**	3,602
Share of profit of associates	**(609)**	(253)
Provision for doubtful accounts	**29,620**	17,030
Minority interests	**(1,499)**	(782)
Interest expense	**2,087**	3,887
Interest income	**(65,708)**	(80,452)
Operating profit before working capital changes	**999,254**	877,730
Decrease in accounts receivable	**4,597**	12,986
Increase in materials and supplies	**(4,158)**	(5,526)
Increase in prepayments and other current assets	**(141,067)**	(47,702)
Decrease (increase) in due from Parent Company	**51,105**	(32,119)
(Increase) decrease in due from affiliates	**(28,081)**	48,482
Increase in accounts payable	**7,901**	11,561
Decrease in due to affiliates	**(5,084)**	(90,594)
Increase in accrued expenses and other payables	**102,329**	22,382
Net cash inflows from operating activities	**986,796**	797,200

25. NET CASH INFLOWS FROM OPERATING ACTIVITIES *(cont'd)*

(b) Analysis of the balance of cash and cash equivalents

	2001	2000
	RMB'000	RMB'000
Cash and bank deposits	**365,508**	330,054

(c) Non-cash transactions

	2001	2000
	RMB'000	RMB'000
Exchange of trains	**51,080**	—

Pursuant to agreements with Guangzhou Zhongche Railway Locomotive Vehicle Tenancy Co., Ltd. ("Zhongche") dated June 6, 2001, the Company purchased 77 sets of Model 25K passenger trains from Zhongche at a cash consideration of RMB198,092,800; and acquired 21 sets of Model 25K passenger trains from Zhongche in exchange for 43 sets of the Company's old normal-speed passenger trains and semi-express passenger trains with net book value of RMB65,363,770 at the date of the transaction, plus a cash consideration of RMB1,052,500. A loss on disposal of fixed asset of RMB14,283,770 was charged to income statement in connection with the above transaction.

26. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following material transactions with related parties:

Recurring transactions

A significant portion of transactions undertaken by the Group during the year was with related PRC state-owned enterprises and on such terms as determined by the relevant PRC authorities and stipulated in the related agreements entered into with these parties. The following is a summary of significant recurring transactions carried out in the ordinary course of business by the Group with affiliates during the year:

	2001	2000
	RMB'000	RMB'000
Lease of locomotives and related services from Yang Cheng Railway Company, a subsidiary of the Parent Company*(i) (iii)**	**70,345**	132,576
Provision of trains and related services from Guangmeishan Railway Company Limited, a subsidiary of the Parent Company *(iii)**	**5,205**	23,839
Provision of trains and related services by Sanmao Railway Company Limited, an associate of the Parent Company *(iii)**	—	3,546
Provision of trains and related services by Changsha Railway Company, a subsidiary of the Parent Company *(iii)**	—	5,336
Provision of trains and related services by Huaihua Railway Company, a subsidiary of the Parent Company *(iii)**	—	3,317

26. RELATED PARTY TRANSACTIONS *(cont'd)*

Recurring transactions *(cont'd)*

	2001	2000
	RMB'000	RMB'000
Purchases of materials and supplies from Guangzhou Railway Material Supply Company, a subsidiary of the Parent Company*	**36,544**	22,846
Social services (employee housing, health care, educational and public security services and other ancillary services) provided by the Parent Company and affiliates (including Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company ("GEDC"))*	**56,800**	58,300
Operating lease rentals paid to the MOR**	**52,296**	50,435
Provision of trains and related services by MOR *(iii)***	**66,475**	—
Operating lease rentals paid to Guangzhou Railway (Group) Passenger Transportation Company, a subsidiary of the Parent Company*	**7,844**	—
Interest received from the Parent Company *(ii)**	**—**	447
Interest expenses paid to the Parent Company *(ii)**	**1,178**	3,886
Interest received from the MOR's Railroad Deposit-taking Centre** *(see Note 13(b))*	**11,887**	25,792

26. RELATED PARTY TRANSACTIONS *(cont'd)*

Recurring transactions *(cont'd)*

	2001	2000
	RMB'000	RMB'000
Interest received from Pingnan Railway Company Limited, an associate of the Parent Company *(ii)**	**1,866**	1,712
Interest received from Guangmeishan Railway Company Limited *(ii)**	**1,291**	833

* These transactions constituted connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Connected Transactions").

** These transactions did not constitute Connected Transactions.

(i) The lease agreement with Yang Cheng Railway Company was revised on March 6, 1996 and provides for a 10-year lease period starting from 1996. The lease with MOR is renewable annually.

(ii) The interest was resulted from the long-distance transportation services, which was calculated based on the average balances due from/to related parties on a quarterly basis, at the prevailing interest rates of six-month bank loans.

(iii) Pursuant to the Notice "Tiezhengfa 2000 No. 116" issued by the MOR, starting from January 1, 2001, settlement method regarding provision of trains and related services for long-distance passenger transportation was changed. Settlements previously made with certain subsidiaries of the Parent Company are now performed through MOR's Settlement Centre. The Company's directors are of the opinion that the change in settlement method does not have material impact on the Group's results.

Substantially all the above transactions will continue in the future, although not necessarily on the same terms.

26. RELATED PARTY TRANSACTIONS *(cont'd)*

(b) As of December 31, 2001, the Group had the following material balances with related parties:

	Consolidated		**Company**	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Temporary cash investments in the MOR's Railroad Deposit-taking Centre	**250,152**	304,029	**250,152**	304,029
Due from Parent Company	**29,499**	80,604	**28,492**	83,183
Due from affiliates, net*	**276,013**	247,932	**275,940**	246,728
Due to affiliates	**(58,650)**	(63,734)	**(58,823)**	(63,662)

* Affiliates mainly include GEDC and Guangmeishan Railway Company Limited.

As of December 31, 2001, the balances with the MOR, the Parent Company and affiliates are unsecured, non-interest bearing and repayable on demand, except for those disclosed in Notes 13 and 26(a). These balances resulted from transactions carried out by the Group with related parties in the ordinary course of business.

27. SEGMENT INFORMATION

(a) Business segments

The Group conducts the majority of its business activities in railroad and other business operations. These segments are determined primarily because the senior management makes key operating decisions and assesses performance of the segments separately. The accounting policies of the Group's segments are the same as those described in the principal accounting policies in Note 2. The Group evaluates performance based on profit from operations. An analysis by business segment is as follows:

	Railroad businesses		Other businesses		Unallocated		Consolidation		Total	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenues	**1,993,286**(i)	1,786,983(i)	**212,465**	193,415	**—**	—	**(52,159)**	—	**2,153,592**	1,980,398
Results										
Profit from operations	**532,657**	489,519	**21,454**	29,886	**—**	—	**—**	—	**554,111**	519,405
Other income, net	**76,638**	73,530	**2,022**	1,386	**—**	—	**—**	—	**78,660**	74,916
Including:										
Interest income	**64,634**	79,083	**1,074**	1,369	**—**	—	**—**	—	**65,708**	80,452
Financial expenses	**(2,069)**	(3,822)	**(18)**	(65)	**—**	—	**—**	—	**(2,087)**	(3,887)
Share of profit of associates	**—**	—	**—**	—	**609**	253	**—**	—	**609**	253
Provision for taxation	**—**	—	**—**	—	**(106,823)**	(94,347)	**—**	—	**(106,823)**	(94,347)
Deferred tax income (loss)	**—**	—	**—**	—	**7,526**	(5,033)	**—**	—	**7,526**	(5,033)
Minority interests	**—**	—	**—**	—	**1,499**	782	**—**	—	**1,499**	782
Net profit	**607,226**	559,227	**23,458**	31,207	**(97,189)**	(98,345)	**—**	—	**533,495**	492,089
Other information										
Segment assets	**10,128,372**	10,029,499	**727,722**	765,843	**—**	—	**—**	—	**10,856,094**	10,795,342
Interests in associates	**140,252**	121,352	**870**	870	**—**	—	**—**	—	**141,122**	122,222
Total assets	**10,268,624**	10,150,851	**728,592**	766,713	**—**	—	**—**	—	**10,997,216**	10,917,564
Total liabilities	**561,616**	796,587	**299,360**	85,539	**—**	—	**—**	—	**860,976**	882,126
Capital expenditures	**548,116**	420,356	**3,392**	83,903	**—**	—	**—**	—	**551,508**	504,259
Non-cash expenses										
— Depreciation	**342,534**	305,300	**3,415**	3,495	**—**	—	**—**	—	**345,949**	308,795
— Amortisation of leasehold land	**15,453**	15,394	**—**	—	**—**	—	**—**	—	**15,453**	15,394
— Provision for doubtful accounts	**29,038**	16,261	**582**	769	**—**	—	**—**	—	**29,620**	17,030
— Amortisation of deferred staff cost	**15,721**	14,461	**—**	—	**—**	—	**—**	—	**15,721**	14,461

27. SEGMENT INFORMATION *(cont'd)*

(a) Business segments *(cont'd)*

(i) Revenues from railroad businesses include:

	2001	2000
	RMB'000	RMB'000
Passenger	**1,426,010**	1,237,289
Freight	**567,276**	549,694
Total	**1,993,286**	1,786,983

(b) Geographic segments

For the year ended December 31, 2001, all of the Group's business operations are conducted in the PRC.

(c) Cash flows by segment are as follows:

	Railroad businesses	**Other businesses**	**Total**
	RMB'000	RMB'000	RMB'000
Cash flows from:			
Operating activities	857,526	28,490	886,016
Investing activities	(431,954)	1,529	(430,425)
Financing activities	(420,137)	—	(420,137)
	5,435	30,019	35,454

28. CONTINGENCIES

As of December 31, 2001, the Company had fixed deposit with the principal amount of approximately RMB31 million in ZengCheng City Li Cheng Credit Cooperative ("Li Cheng"). The Company had not been able to recover the principal in Li Cheng upon the expiry of the fixed deposit term. In March 1999, the Company instituted legal proceedings against Li Cheng to recover the deposit and the related interest. According to the court verdict dated October 12, 1999, Li Cheng was required to repay the deposit principal and the related interest to the Company. As Li Cheng failed to execute the court ruling, the Company further applied to the court for compulsory enforcement of the court order. In July 2000, Li Cheng filed a petition to the court for winding up. On November 9, 2000, the court ordered the suspension of execution of the court ruling dated October 12, 1999, while Li Cheng was undergoing a winding-up. On November 23, 2000, the Company applied to the Guangdong Provincial Government for allocation of special funds by the government to Li Cheng for repayment of the Company's deposit principal. The provincial government accepted the petition and requested the municipal government to follow up on the case. As of the date of this report, the outcome of the petition is still unknown and the Company does not have sufficient information to determine the amount of provision for doubtful accounts, if any, as of December 31, 2001. The Company will closely monitor the issue and will make provision as necessary when additional information becomes available to assess the final outcome.

29. FINANCIAL INSTRUMENTS

The carrying amounts of the cash and cash equivalents, temporary cash investments and accounts receivable and payables of the Group approximate their fair values because of the short maturity of those instruments. Cash and cash equivalents and temporary cash investments denominated in foreign currencies have been translated at the applicable market exchange rates prevailing at the balance sheet date. The Company has not had and does not believe it will have any difficulty in exchanging its foreign currency cash and cash equivalents for RMB.

As of December 31, 2001, cash and cash equivalents and temporary cash investments were mainly maintained with commercial banks in the PRC and the MOR's Railroad Deposit-taking Centre.

As of December 31, 2001, balances denominated in USD and HK$ have been translated into RMB at the applicable market exchange rates as of that date.

30. CONCENTRATION OF RISKS

(a) Credit risk

The carrying amount of cash and cash equivalents, accounts receivable and other receivables, and due from related parties and other current assets except for prepayments and deferred tax assets, represent the Group' maximum exposure to credit risk in relation to financial assets.

The majority of the Group's accounts receivable relate to the rendering of services or sales of products to third party customers. The Group perform ongoing credit evaluations of their customers' financial condition and generally do not require collateral on accounts receivable. The Group maintain a provision for doubtful accounts and actual losses have been within management's expectation.

No other financial assets carry a significant exposure to credit risk.

(b) Interest rate risk

The directors of the Group believe that the exposure to interest rate risk of financial assets and liabilities as of December 31, 2001 was minimum since their deviation from their respective fair values was not significant.

(c) Currency risk

Substantially all of the revenue-generating operations of the Group are transacted in Renminbi, which is not freely convertible into foreign currencies. On January 1, 1994, the Mainland China government abolished the dual rate system and introduced single rate of exchange as quoted by the People's Bank of China. However, the unification of the exchange rate does not imply free convertibility of Renminbi into foreign currencies. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorised to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other institution requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

31. COMMITMENTS

(a) Capital commitments

As of December 31, 2001, the Group had the following capital commitments:

	2001	2000
	RMB'000	RMB'000
Authorised and contracted for	**15,640**	55,340
Authorised but not contracted for	**—**	—
	15,640	55,340

An analysis of the above capital commitments by nature was as follows:

(i) Purchase of railroad equipment for the Company's High Speed Train Project amounted to approximately RMB15,640,000 (2000: RMB24,834,000); and

(ii) Purchase of staff dormitories for the Company's Housing Reform Scheme amounted to RMB Nil (2000: RMB30,506,000).

(b) Operating lease commitments

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

	2001	2000
	RMB'000	RMB'000
Machinery and equipment		
— not more than one year	**—**	91,125
— more than one year but not more than five years	**399,375**	455,625
	399,375	546,750

32. SUBSEQUENT EVENTS

(a) Pursuant to a board resolution dated March 7, 2002, the directors approved the Company's plans to acquire 2.52% equity interest in Zhongtie Express Company Limited at a consideration of RMB13,608,000, and to further invest RMB18,000,000 in Guangshen Civil Engineering. The directors also resolved that the Company intends to apply to the China Securities Regulatory Commission for the allotment and issue of not more than 700 million new domestic ordinary shares ("A Shares"). Such A Shares are proposed to be listed on the Shanghai Stock Exchange. The net proceeds of the proposed issue of A Shares are intended to be used to finance the construction of the Guangzhou to Xintang passenger railway and Shenzhen north maintenance center for rolling stocks, and the purchase of certain rolling stocks.

(b) Pursuant to a board resolution dated April 23, 2002, the directors recommended the payment of a final dividend of RMB0.10 per share, totaling RMB433,555,000, and recommended that the retained earnings of RMB602,603,000 as of December 31, 2001 be carried forward.

33. IMPACT OF IFRS ADJUSTMENTS ON CONSOLIDATED NET PROFIT AND CONSOLIDATED NET ASSETS

	Consolidated net profit for the year ended December 31,		**Consolidated net assets as of December 31,**	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
As reported in statutory accounts (audited by certified public accountants in the PRC)	**550,497**	526,252	**9,742,955**	9,763,204
Impact of IFRS adjustments:				
Additional depreciation charges on fixed assets	**—**	(3,100)	**(150,651)**	(150,651)
Write-down of reclaimed rails to realisable value	**—**	—	**(44,123)**	(44,123)
Additional provision for doubtful accounts	**(10,080)**	(8,614)	**—**	10,080
Amortisation of deferred staff costs	**(15,721)**	(14,461)	**(30,182)**	(14,461)
Write-off of staff costs to retained earnings	—	—	**165,746**	—
Housing benefits for retired employees	—	(3,602)	**(3,602)**	(3,602)
Dividends in respect of the year but declared after the end of the year	—	—	**433,555**	433,555
Deferred tax created (realised)	**7,526**	(5,033)	**5,193**	(2,333)
Others	**1,273**	647	**1,732**	29,014
As restated for the Group	**533,495**	492,089	**10,120,623**	10,020,683

34. DIFFERENCE BETWEEN IFRS AND US GAAP

The accompanying financial statements conform to IFRS which differ in certain respects from US GAAP. A major difference which has a significant effect on consolidated net profit and consolidated net assets is set out below:

Revaluation of fixed assets

As stated in Note 3, the Group revalued their fixed assets as part of the Restructuring on March 6, 1996. The revaluation surplus of fixed assets amounting to approximately RMB1,492,185,000 was recorded by the Group on that date.

Under IFRS, revaluation of fixed assets is permitted and depreciation is based on the revalued amount. Additional depreciation arising from the revaluation surplus was approximately RMB48,422,000 for the year ended December 31, 2001 (2000: approximately RMB48,422,000).

Under US GAAP, fixed assets are required to be stated at original cost. Hence, no additional depreciation from revaluation will be recognised under US GAAP. However, a deferred tax asset related to the revaluation surplus amounting to approximately RMB223,828,000 was created under US GAAP with a corresponding increase in equity since the revaluation resulted in a higher tax base which will be realised through additional depreciation for PRC tax purposes.

34. DIFFERENCE BETWEEN IFRS AND US GAAP *(cont'd)*

Effects on the consolidated net profit and consolidated net assets of significant differences between IFRS and US GAAP are summarised below:

	Consolidated net profit for the year ended December 31,		**Consolidated net assets as of December 31,**	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Under IFRS	**533,495**	492,089	**10,120,623**	10,020,683
Impact of US GAAP adjustments:				
Reversal of the revaluation surplus on fixed assets	**—**	—	**(1,492,185)**	(1,492,185)
Reversal of additional depreciation charges arising from the revaluation surplus on fixed assets	**48,422**	48,422	**282,462**	234,040
Deferred tax assets created	**—**	—	**223,828**	223,828
Effect of US GAAP adjustment on taxation	**(7,263)**	(7,263)	**(42,370)**	(35,107)
Under US GAAP	**574,654**	533,248	**9,092,358**	8,951,259

35. FOREIGN CURRENCY EXCHANGE

The books and records of the Group are maintained in RMB, their functional currency. RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the banks and other institutions authorised by the People's Bank of China ("PBOC") to buy and sell foreign exchange. The applicable market exchange rates used for the transactions are administered by the PBOC. Enterprises can deal with an approved bank for foreign exchange on recurring items and approved capital items.

36. COMPARATIVE FIGURES

Comparative figures for leasehold land payments have been reclassified from fixed assets and separately stated to conform to the current year's presentation.

FINANCIAL SUMMARY

December 31, 2001

(Amounts expressed in thousands of Renminbi unless otherwise stated)

The information set forth below summarises the consolidated financial statements of the Group. This information, which does not form part of the December 31, 2001 audited financial statements, should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of the Group, including the notes thereto, as of December 31, 1997, 1998, 1999, 2000 and 2001 and for the years ended December 31, 1997, 1998, 1999, 2000 and 2001.

AUDITED CONSOLIDATED INCOME STATEMENTS

	Year ended December 31,				
	2001	2000	1999	1998	1997
Turnover	**2,153,592**	1,980,398	1,818,816	1,942,587	2,198,374
Operating profit	**554,111**	519,405	477,920	632,974	802,796
Net profit	**533,495**	492,089	529,674	642,175	830,282
Dividends	**RMB0.10**	RMB0.12	RMB0.10	RMB0.12	RMB0.10

AUDITED CONSOLIDATED BALANCE SHEETS (RECLASSIFIED)

	As of December 31,				
	2001	2000	1999	1998	1997
Non-current assets					
Fixed assets	**7,031,040**	7,074,907	6,757,336	6,877,355	6,148,663
Construction-in-progress	**446,399**	369,285	653,958	394,049	864,501
Leasehold land payments	**673,746**	695,231	710,625	726,019	741,413
Interests in associates	**141,122**	122,222	88,708	11,921	35,280
Long-term investment	**32,000**	30,000	30,000	—	—
Deferred tax assets	**5,193**	—	2,700	—	—
Deferred staff costs	**196,187**	202,449	—	—	—
	8,525,687	8,494,094	8,243,327	8,009,344	7,789,857
Current assets					
Materials and supplies	**34,191**	30,033	24,507	33,445	39,923
Accounts receivable, net	**67,440**	87,444	100,779	43,093	55,680
Due from Parent Company	**29,499**	80,604	48,485	9,666	—
Due from affiliates	**276,013**	247,932	298,199	221,746	214,206
Prepayments and other receivables, net	**322,276**	196,073	163,014	153,454	89,132
Temporary cash investments	**1,376,602**	1,451,330	1,512,780	1,898,719	1,944,753
Cash and cash equivalents	**365,508**	330,054	579,405	368,868	613,047
	2,471,529	2,423,470	2,727,169	2,728,991	2,956,741
Current liabilities					
Accounts payable	**69,048**	61,147	49,586	47,653	71,163
Accounts payable for construction of fixed assets	**199,780**	345,471	405,971	493,430	527,566
Due to affiliates	**58,650**	63,734	154,328	103,195	86,156
Due to Parent company	**—**	—	—	—	123,954
Dividend payable	**13,598**	—	—	—	—
Taxes payable	**65,682**	57,552	27,329	—	—
Accrued expenses and other payables	**454,218**	351,889	268,698	123,505	86,604
	860,976	879,793	905,912	767,783	895,443
Net current assets	**1,610,553**	1,543,677	1,821,257	1,961,208	2,061,298
Total assets less current liabilities	**10,136,240**	10,037,771	10,064,584	9,970,552	9,851,155
Non-current liabilities					
Deferred tax liabilities	**—**	2,333	—	—	—
Minority interests	**15,617**	14,755	15,724	17,811	20,323
Net assets	**10,120,623**	10,020,683	10,048,860	9,952,741	9,830,832
Representing:					
Share capital	**4,335,550**	4,335,550	4,335,550	4,335,550	4,335,550
Reserves	**5,785,073**	5,685,133	5,713,310	5,617,191	5,495,282
	10,120,623	10,020,683	10,048,860	9,952,741	9,830,832