

As filed with the Securities and Exchange Commission on April 27, 2016

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

or

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 1-14362

广深铁路股份有限公司
(Exact name of Registrant as specified in its charter)

GUANGSHEN RAILWAY COMPANY LIMITED
(Translation of Registrant's name into English)

People's Republic of China
(Jurisdiction of incorporation or organization)

No. 1052 Heping Road, Shenzhen, People's Republic of China 518010
(Address of Principal Executive Offices)

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No. 1052 Heping Road, Shenzhen, People's Republic of China 518010
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class
American Depositary Shares,
each representing 50 Class H ordinary shares
Class H ordinary shares, nominal value
RMB1.00 per share

Name of Each Exchange on which Listed
New York Stock Exchange, Inc.

The Stock Exchange of Hong Kong Limited

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of December 31, 2015:

Domestic shares (A shares), par value RMB1.00 per share	5,652,237,000
H shares, par value RMB1.00 per share	1,431,300,000

(including 125,058,600 H shares in the form of American Depositary Shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated File

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Forward-Looking Statements

Certain information contained in this annual report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. These forward-looking statements can be identified by the use of words or phrases such as “is expected to”, “will”, “is anticipated”, “plan to”, “estimate”, “believe”, “may”, “intend”, “should” or similar expressions, or the negative forms of these words, phrases or expressions, or by discussions of strategy. Such statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from our historical results and those presently anticipated or projected. You are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date on which such statements were made. Among the factors that could cause our actual results in the future to differ materially from any opinions or statements expressed with respect to future periods include changes in the economic policy of the PRC government, changes in the Pearl River Delta economy and elsewhere in mainland China, increased competition from other means of transportation, delays in major development projects, occurrence of health epidemics or outbreaks in Hong Kong or China, foreign currency fluctuations and other factors beyond our control.

When considering such forward-looking statements, you should keep in mind the factors described in “ITEM 3. KEY INFORMATION—D. Risk Factors” and other cautionary statements appearing in “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS” of this annual report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

Certain Terms and Conventions

Solely for the convenience of the reader, this annual report contains translations of amounts from RMB into U.S. dollars and vice versa at the rate of RMB6.4778 to US\$1.00, the certified exchange rate for December 31, 2015 as published by the Federal Reserve Board of the United States, except where we specify that a different rate has been used. You should not construe these translations as representations that the RMB amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at that rate or at all. See “ITEM 3. KEY INFORMATION—A. Selected Financial Data—Exchange Rate Information” for information regarding the certified exchange rates for U.S. dollar/RMB conversions from January 1, 2011 through April 20, 2016.

We prepare and publish our consolidated financial statements in RMB.

Various amounts and percentages set out in this document have been rounded and, accordingly, may account for apparent discrepancies in the tables appearing herein. Unless the context otherwise requires or otherwise specified:

- “Acquisition” means our acquisition of the railway transportation business between Guangzhou and Pingshi and the related assets and liabilities from Yangcheng Railway Company according to the asset purchase agreement dated November 15, 2004 between Yangcheng Railway Company and us.
- “China” or “PRC” means the People’s Republic of China.
- “CEPA” means the Closer Economic Partnership Arrangement between Hong Kong and Chinese Mainland entered into on October 27, 2004, as amended.
- “CRHs” means China Railway High-Speed.
- “CSRC” means China Securities Regulatory Commission.
- “GRGC” means Guangzhou Railway (Group) Company, our largest shareholder.

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- “China Railway Corporation” or “CRC” means the entity set up on March 14, 2013 by the First Session of the 12th National People’s Congress of the PRC to perform the commercial functions formerly performed by the Ministry of Railways.
- “Company”, “we”, “our”, “our Company”, the “Group”, or “us” means Guangshen Railway Company Limited, a joint stock limited company incorporated in Shenzhen, China with limited liability, and its subsidiaries on a consolidated basis.
- “CRC Group” means CRC together with the subsidiaries transferred from MOR.
- “EMU” means electric multiple unit, a multiple unit train consisting of self-propelled carriages.
- “HKSE” means the Stock Exchange of Hong Kong Limited.
- “HKSE Listing Rules” means the Rules Governing the Listing of Securities on the HKSE.
- “Hong Kong” means The Hong Kong Special Administrative Region of the PRC.
- “Hong Kong dollars” or “HKD” means Hong Kong dollars, the lawful currency of Hong Kong.
- “KCR” means Kowloon–Canton Railway.
- “Macau” means the Macau Special Administrative Region of the PRC.
- “MOR” means the Ministry of Railways, which was dissolved by the First Session of the 12th National People’s Congress of the PRC.
- “MOT” means Ministry of Transport.
- “MTR” means MTR Corporation Limited.
- “Pearl River Delta” means the area in and adjacent to the southern part of Guangdong Province, PRC, surrounding the mouth of the Pearl River and its lower reaches.
- “RMB” means Renminbi Yuan, the lawful currency of the PRC.
- “Restructuring” means the restructuring conducted in connection with our initial public offering in 1996 during which we succeeded to the railroad and certain other businesses of our predecessor company and certain assets and liabilities of GRGC.
- “SEC” means the U.S. Securities and Exchange Commission.
- “ton” means metric ton; and one ton is approximately 2,205 pounds in weight.
- “US\$”, “USD” or “U.S. dollars” means U.S. dollars, the lawful currency of the United States.
- “Yangcheng Railway Company” means Guangzhou Railway Group Yangcheng Railway Enterprise Development Company, a wholly owned subsidiary of GRGC, or its predecessor, Guangzhou Railway Group Yangcheng Railway Company.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected consolidated data relating to our Consolidated Balance Sheets as of December 31, 2014 and 2015, and our Consolidated Comprehensive Income Statements, Consolidated Statements of Changes in Equity and Consolidated Cash Flow Statements for each of the years ended December 31, 2013, 2014 and 2015 are derived from and are qualified by reference to our audited consolidated financial statements included elsewhere in this annual report and should be read in conjunction with “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS”. The Selected Consolidated Balance Sheets Data as of December 31, 2011, 2012 and 2013 and our Consolidated Income Statements, Consolidated Statements of Changes in Equity and Consolidated Cash Flow Statements for each of the years ended December 31, 2011 and 2012 are derived from our audited consolidated financial statements that are not included in this annual report.

The consolidated financial statements from which the selected consolidated financial data set forth below have been derived were prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

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	Year ended December 31,					US\$ ⁽¹⁾
	2011 RMB	2012 RMB	2013 RMB	2014 RMB	2015 RMB	
	(in thousands except for per share data)					
Income Statement Data:						
Revenue from Railroad and Related Business						
- Passenger transportation	8,026,512	7,841,091	8,058,291	6,988,288	6,997,562	1,080,237
- Freight transportation	1,386,753	1,344,113	1,603,288	1,763,679	1,761,449	271,921
- Railway network usage and other transportation related services	4,255,996	4,890,640	5,034,676	5,031,241	5,874,727	906,902
Subtotal	13,669,261	14,075,844	14,696,255	13,783,208	14,633,738	2,259,060
Revenue from other businesses	1,021,574	1,016,042	1,104,422	1,017,573	1,091,571	168,509
Total revenue	14,690,835	15,091,886	15,800,677	14,800,781	15,725,309	2,427,569
Railroad and Related business operating expenses	(11,123,133)	(12,263,021)	(12,878,816)	(12,729,828)	(13,150,405)	(2,030,072)
Other businesses operating expenses	(977,868)	(966,377)	(1,048,553)	(1,022,133)	(1,006,330)	(155,351)
Other (expense)/income and other (losses)/gains-net	(25,786)	71,815	14,903	7,138	(114,627)	(17,695)
Operating profit	2,564,048	1,934,303	1,888,211	1,055,958	1,453,947	224,451
Profit attributable to equity holders of the Company	1,804,107	1,318,938	1,273,841	662,021	1,070,822	165,306
Operating profit per share	0.36	0.27	0.27	0.15	0.21	0.03
Earnings per share for profit attributable to equity holders of the Company						
- Basic and diluted	0.25	0.19	0.18	0.09	0.15	0.02
Dividends declared per share	0.10	0.08	0.08	0.05	0.08	0.01
Earnings per ADS for profit attributable to equity holders of the Company	12.73	9.31	8.99	4.67	7.56	1.17

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	Year ended December 31,					
	2011	2012	2013	2014	2015	
	RMB	RMB	RMB	RMB	RMB	US\$ ⁽¹⁾
	(in thousands except for per share data)					
Balance Sheet Data (at year end):						
Working capital	3,064,855	3,254,818	648,201	1,011,115	1,338,889	206,689
Fixed assets-net	23,987,080	24,524,248	24,302,653	24,179,210	24,073,759	3,716,350
Leasehold land payments	544,403	528,296	657,593	668,005	948,526	146,427
Total assets	32,207,347	32,867,182	33,231,989	30,536,663	31,943,272	4,931,191
Equity attributable to equity holders of the Company	25,334,606	25,945,190	26,650,544	26,745,843	27,462,488	4,239,478
Share capital, issued and outstanding (domestic shares 5,652,237; H shares 1,431,300), RMB1.00 per value domestic shares	5,652,237	5,652,237	5,652,237	5,652,237	5,652,237	872,555
H shares	1,431,300	1,431,300	1,431,300	1,431,300	1,431,300	220,955
Cash Flow Statement Data:						
Net cash generated from operating activities	3,329,058	2,177,673	1,883,411	1,945,576	2,259,691	348,836
Net cash used in investing activities	(3,983,623)	(2,160,895)	(1,572,961)	3,373,821	(1,349,235)	(208,286)
Net cash (used in) /generated from financing activities	(637,736)	(708,522)	(572,785)	(4,067,018)	(354,710)	(54,758)
Payment for acquisition of fixed assets and construction-in-progress and prepayment for fixed assets; net of related payables	(943,390)	(1,836,154)	(1,376,601)	(999,633)	(1,292,273)	(199,492)
Dividends paid to the Company's shareholders	(637,533)	(708,354)	(566,680)	(566,685)	(354,177)	(54,676)
Other Data:						
Railroad transportation operating income	2,546,128	1,812,823	1,817,439	1,053,380	1,483,333	228,988
Other businesses operating income	43,706	49,665	55,869	(4,560)	85,241	13,158

- (1) Translation of amounts from RMB into US\$, for the convenience of the reader has been made at RMB6.4778 to US\$1.00, the certified exchange rate for December 31, 2015 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at that rate on December 31, 2015 or on any other date.

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Exchange Rate Information

We derive a majority of our revenue and incur most of our expenses in RMB. In addition, we maintain our books and records in RMB and our financial statements are prepared and expressed in RMB. Solely for the convenience of the reader, this annual report contains translations of certain RMB amounts into U.S. dollars and vice versa at US\$1.00 = RMB6.4778, the certified exchange rate for December 31, 2015 as published by the Federal Reserve Board of United States. These translations should not be construed as representations that the RMB amounts could have been or could be converted into U.S. dollars at such rate or at all.

Effective January 1, 2009, the Federal Reserve Bank of New York discontinued publication of foreign exchange rates certified for customs purposes. Effective January 5, 2009, the Federal Reserve Board of the United States reinstated the publication of the daily exchange rate data in a weekly version of the H.10 release. The certified exchange rate for RMB published by the Federal Reserve Board of the United States was US\$1.00 = RMB6.4675 on April 20, 2016.

The following table sets forth information for the RMB noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Renminbi per U.S. Dollar Noon Buying Rate			
	Period End	Average⁽¹⁾	Low	High
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.3043	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.1870	6.4896
October 2015	6.3180	6.3505	6.3180	6.3591
November 2015	6.3883	6.3640	6.3180	6.3945
December 2015	6.4778	6.4491	6.3883	6.4896
2016				
January 2016	6.5752	6.5726	6.5219	6.5932
February 2016	6.5525	6.5501	6.5154	6.5795
March 2016	6.4480	6.5051	6.4480	6.5500
April 2016 (through April 20, 2016)	6.4675	6.4701	6.4571	6.4810

- (1) The average rate for a year means the average of the exchange rates on the last day of each month during a year. The average rate for a month means the average of the daily exchange rates during that month.

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Dividends

At a meeting of the directors held on March 29, 2016, the directors proposed a final dividend of RMB0.08 per ordinary share for the year ended December 31, 2015, which is to be voted up on at our annual general meeting of shareholders scheduled on May 26, 2016.

This proposed dividend has not been reflected as a dividend payable in the financial statements as of December 31, 2015, but instead as equity attributable to equity holders of our Company.

In accordance with our Articles of Association, dividends for our domestic shares will be paid in RMB while dividends for our H shares will be calculated in RMB and paid in Hong Kong dollars. Hong Kong dollar dividend payments will then be converted by the depositary and distributed to holders of ADSs in U.S. dollars. The exchange rate was based on the average of the closing exchange rates for RMB to Hong Kong dollars as announced by the People's Bank of China during the calendar week preceding the date on which the dividend was declared.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Relating to Our Business

Any recurrence of a global financial crisis or economic downturn similar to that which occurred in 2008 and early 2009 could materially and adversely affect our business, financial condition, results of operations and prospects.

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The global financial markets experienced periods of extreme volatility and disruption in 2008 and early 2009. The global financial crisis, concerns over inflation or deflation, energy costs, geopolitical risks, and the availability and cost of financing contributed to the unprecedented levels of market volatility and adversely affected the expectations for the continuous growth of the global economy, the capital markets and the consumer industry. These factors, combined with others, resulted in a severe global economic downturn and also a slowdown in the PRC economy. This change in the macro-economic conditions had an adverse impact on our business and operations by causing a decrease in the number of passengers and the volume of freight that we transported. Although the global and PRC economies began to show signs of recovery since the second half of 2009, the sustainability of these recoveries is uncertain due to escalating concerns regarding Europe's sovereign debt crisis, the stability of the Eurozone and concerns regarding the decreased growth rate of China's economy. In particular, we experienced successive decreased freight volume in 2013, 2014 and 2015, partially due to diminished export of PRC commodities affected by the slowdown of the global economic growth and international trade and decelerating economic growth in China, overall downward demand on the transportation market and diversion of customers away to high-speed railways for the passenger and freight transportation business. Any recurrence of a global financial crisis as a result of the recent market volatility arising from the concerns over among other issues, the fiscal stability of certain European countries, may adversely affect the growth of the PRC economy, which could adversely affect our business, financial condition, results of operations and prospects.

We face competition, which may adversely affect our business growth and results of operations.

Our passenger and freight transportation businesses face competition from other means of transportation, such as road, air and water transportation. In our passenger transportation business, we compete with the bus and ferry services operating within Hong Kong, Guangzhou, Shenzhen and elsewhere in our service region. We compete for passengers with bus and ferry services in terms of price, speed, comfort, reliability, convenience, service quality, frequency of service and safety. In our freight transportation business, we primarily compete with water, truck and air transportation services operating within our service region. We increasingly compete for freight business with truck operators, shipping companies and airline companies on the basis of price, reliability, capacity, convenience, service quality, and safety. In addition, the inter-city traffic system is gradually expanding within the Pearl River Delta region and there are a number of new high-speed inter-city passenger rail lines in operation or under construction within our service territory. As a result, the competition in both passenger and freight transportation in our service territory could increase significantly.

We expect competition to increase in the future as the marketization reform of the railway industry (including the reformation of the investment and financing system, the transportation management system and the pricing system) gradually deepens. In 2008, the PRC National Development and Reform Commission approved the construction of a "four horizontal and four vertical" high-speed railway network to connect major populous and industry-intensive cities in China. With the establishment of the "four horizontal and four vertical" high-speed railway network, the number of high-speed trains connecting the Pearl River Delta and other major mainland cities is increasing. The Guangzhou-Shenzhen section of the Guangzhou-Shenzhen-Hong Kong passenger line commenced operation in December 2011, the Beijing-Guangzhou passenger line commenced operation in December 2012, the Xiamen-Shenzhen passenger line commenced operation in December 2013, the Nanning-Guangzhou and Guiyang-Guangzhou passenger lines commenced operation in December 2014, the Guangzhou-Foshan-Zhaoqing Intercity passenger line and the new section from Changping East Station to Xiaojinkou Station of the Dongguan-Huizhou Intercity passenger line commenced operation in March 2016. As a result, the number of passengers using our long-distance train services has decreased. Although we commenced the operation of more long-distance trains and the newly-built Shenzhen East Station to increase our passenger transportation capacity, we may continue to experience a decrease in the number of passengers using our long-distance train services in the future, which could materially and adversely affect our revenue from railway passenger transportation services. Furthermore, improvements in the high-speed railway network in China may further increase the competition we face and materially and adversely affect our revenue and results of operations. We believe that the entry barrier to the industry will decrease, investors in the industry will become more diversified and the State's high-speed railway network with Four East-West Lines and Four South-North Lines and numerous inter-city railways will complete construction and commence operation, leading to increased competition within the industry itself.

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See “ITEM 4. INFORMATION ON THE COMPANY—B. Business Overview—Competition” for additional information regarding our competition.

Any significant decrease in the overall levels of business, industrial, manufacturing and tourism activities within the Pearl River Delta region and elsewhere in China may have a material adverse effect on our revenue and results of operations.

The volume of freight and the number of passengers we transport are affected by the overall levels of business, industrial, manufacturing and tourism activities within the Pearl River Delta region, especially Guangdong and Hong Kong, which is our main service region, and elsewhere in China, which is in turn affected by many factors beyond our control, such as applicable policies and regulations of the PRC government, perceptions regarding the attractiveness of investing or operating a business within our service region, consumer confidence levels and interest rate levels. Any significant decrease in the overall levels of passenger travel or freight transportation, whether due to an economic slowdown or other reasons, such as freezing weather, floods, earthquake and other natural disasters or a recurrence of the SARS epidemic or outbreaks of avian flu, H1N1 or H7N9 influenza, dengue fever, Ebola virus or other similar health epidemics, may have a material adverse effect on our business, results of operations and financial condition. For example, we experienced decreased freight volume and revenue in 2015, partially due to the slowdown of GDP growth and the adjustment of the economic structure in the Pearl River Delta Region, which resulted in decreased freight volume transported by rail. Furthermore, following China’s accession to the World Trade Organization, the policy advantages that Shenzhen currently enjoys due to its status as a special economic zone may be phased out, and its economic growth rate may not be sustained in the long run. Other coastal regions, ports and free trade zones in China may develop at a faster pace and become more competitive than Shenzhen. As a result, part of the freight currently imported or exported through ports in Hong Kong, Shenzhen or Guangzhou may be shipped through other ports in China, which may adversely affect our freight transportation business.

Extensive government regulation of the railway transportation industry may limit our flexibility in responding to market conditions, competition or changes in our cost structure.

We are subject to extensive PRC laws and regulations relating to the railway transportation industry. Chinese governmental authorities currently regulate pricing, speed, train routes, new railway construction projects, and investment in the railway transportation industry.

In March 2013, the First Session of the 12th National People’s Congress of the PRC considered and approved the plan on State Council institutional reform and transformation of government functions, pursuant to which the Ministry of Railways (“MOR”) was dissolved. In accordance with the plan, administrative functions pertaining to railway development planning and policies were transferred to the Ministry of Transport (“MOT”), other administrative functions previously performed by the MOR were transferred to the National Railway Administration, supervised by the MOT, and commercial functions previously performed by the MOR were transferred to the China Railway Corporation established in March 2013. In January 2014, the National Railway Bureau was established. It oversees seven regional railway supervision and administration bureaus, including the Guangzhou Railway Supervision and Administration Bureau, which supervises Guangzhou Railway (Group) Company (“GRGC”) and Nanning Railway Bureau. Upon the completion of the transfer, the de facto control of our largest shareholder was transferred to China Railway Corporation. Currently, we are in the course of ascertaining the progress of the transfer and will make further disclosure concerning the progress in the due course. In the transition period between the dissolution of the MOR and the full functioning of the MOT, the National Railway Administration and the China Railway Corporation, there may be uncertainty in the division of functions with the MOR or the entities previously controlled or owned by it, and in our future relationships with the MOT, the National Railway Administration and the China Railway Corporation. Our commercial transactions may be renegotiated and the regulatory landscape may change.

Any significant change in the relevant regulations of the PRC government as a result of these reforms or for any other reason is likely to have a material impact on our business and results of operations. In addition, our ability to respond to changes in our market conditions may be limited by those regulations set by the MOT, National Railway Administration and other Chinese governmental authorities.

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Significant changes with respect to the PRC railway industry could adversely affect our business and results of operations

From 2005 to 2010, the PRC railway industry experienced rapid growth in terms of total investment in infrastructure construction from RMB88 billion to RMB707 billion, representing a compounded annual growth rate of 52%, according to statistics published by the MOR. However, after the occurrence of the Wenzhou Railway Accident (defined below) on July 23, 2011, the MOR has adjusted the development scheme of the railway industry for the period from 2011 to 2016 to reduce the budgeted total investment budget in infrastructure construction from the proposed RMB3.5 trillion to RMB2.8 trillion. As the railway industry is heavily reliant on capital expenditures on infrastructure construction, the reduced investment in infrastructure construction may have material adverse impact on our future development and results of operations. In addition, to ensure the safe operation of high-speed railway transportation, the MOR also set speed limits on certain high-speed railways. Corresponding with the reduced speed limits, the ticket fare of the affected high-speed railways may be reduced. Although the speed limits do not affect the railways we operate, we cannot assure you that the future policies of the PRC government authorities in relation to railway speed limits will not affect us.

Changes in freight composition in our freight transportation business may adversely affect our results of operations.

Historically, our freight transportation revenue was derived mainly from the transportation of construction materials, coal, iron ore, oil, steel and chemicals, in which our railroad transportation services have an advantage over other means of transportation, such as road transportation services. With the restructuring of these industries, the movement of labor, the upgrading of the industrial structure and a shift in the Pearl River Delta economy towards technology businesses, we may experience reduced demand for our freight transportation services. For example, some products and materials, such as advanced technological products, which tend to be compact, may be instead shipped by road or air. We face significant competition in the transportation of such low-volume, high-value products. For example, the aggregate weight of goods we transported decreased each year in 2008 and 2009 and from 2012 to 2015. Changes in freight composition may affect the usage volume and pricing of our freight transportation services and adversely affect our results of operations.

Significant increases in electricity prices could harm our business.

Significant increases in the cost of electricity could increase the costs of our passenger and freight transportation. The electricity we use, including electricity used for our lines, is supplied through various entities under the jurisdiction of the Guangdong provincial power bureau on normal commercial terms. Any increase in the cost of electricity in Guangdong could increase our railway operating expenses. In 2013, 2014 and 2015, we paid approximately RMB675.2 million, RMB585.8 million and RMB599.3 million respectively, in electricity charges. Accordingly, significant increases in electricity prices could have a material adverse effect on our financial condition and results of operations.

Our railroads connect with the railroads of other operators and any disruption in the operation of those railroads, or our cooperation with other operators, could have a material adverse effect on our business and operations.

Our railroads are an integral part of the PRC national railway network. Our railroads connect with the Beijing-Guangzhou line in the north, the Shenzhen-Kowloon rail line in the south, the Guangzhou-Maoming rail line in the west, and the Guangzhou-Meizhou-Shantou rail line in the east, all of which are owned and operated by other operators. See “ITEM 4. INFORMATION ON THE COMPANY—A. History and Development of the Company—Service Territory” for additional information. Our train services use these other railroads to carry passengers and freight to locations outside of our service territory. The performance of our domestic long distance trains services and our Hong Kong Through Trains depends on the smooth operation of these railroads and our cooperation with the operators of these railroads. Any disruption in the operation of these railroads, or our cooperation with any one of these railroad operators for any reason, could have a material adverse effect on our business and results of operations.

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Any changes in our right to own and operate our business and assets, our right to profit and our right of asset disposal as previously granted by the MOR and the State Council may have a material adverse effect on our business and results of operations.

We have been granted certain rights by the MOR and the State Council, with respect to certain aspects of our railroad and related businesses and operations, and also received legal clarification and confirmation of our asset ownership, corporate powers and relationships with service providers and other entities in the national railway system, in connection with our Restructuring. These rights include the right to own and operate our business and assets, the right to profit and the right of asset disposal. Although these rights were granted to us indefinitely, we cannot assure you that these rights will not be affected by future changes in PRC governmental policies or regulations or that other railway operators will not be granted similar rights within our service region. For example, since the MOT and National Railway Administration will be assuming the administrative duties formerly performed by the MOR, there may be changes in the regulatory landscape for such rights. If another railway operator is granted similar rights within our service region, the level of competition we face will increase significantly.

Guangzhou Railway (Group) Company, as our largest shareholder and one of our major service providers, may have interests that conflict with the best interests of our other shareholders and our Company.

Before our A Share Offering, in December 2006, GRGC held 67% of our issued share capital and was our controlling shareholder. Although the equity interest held by GRGC in our Company decreased to approximately 41% after the completion of the A Share Offering and further to approximately 37.1% as a result of the transfer by GRGC of a portion of its equity interest in our Company to the National Social Security Fund Council in September 2009, GRGC can still exercise substantial influence over our Company. GRGC's ownership percentage enables it to exercise substantial influence over (i) our policies, management and affairs; (ii) our determinations on the timing and amount of dividend payments and our adoption of amendments to certain of the provisions of our Articles of Association and (iii) the outcome of most corporate actions. Subject to the requirements of applicable laws and regulations in China and the HKSE Listing Rules, GRGC may also cause us to effect certain corporate transactions.

GRGC's interests may sometimes conflict with the interests of the other shareholders. We cannot assure you that GRGC, as our single largest shareholder, will always vote its shares in a way that benefits the other shareholders of our Company. In addition to its relationship with us as our single largest shareholder, GRGC, by itself or through its affiliates, such as Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company, a wholly owned subsidiary of GRGC, and Guangmeishan Railway Co., Ltd., also provides us with certain services, for which we have limited alternative sources of supply. The interests of GRGC and its affiliates as providers of these services may also conflict with our interests. We have entered into service agreements, and our transactions with GRGC and its affiliates have been conducted on open, fair and competitive commercial terms. However, we only have limited leverage in negotiating with GRGC and its affiliates over the specific terms of the agreements for the provision of these services as there are no alternate suppliers. See "ITEM 4. INFORMATION ON THE COMPANY—B. Business Overview—Major Suppliers and Service Providers" and "ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS—B. Related Party Transactions" for additional information regarding the services provided to us by GRGC and its subsidiaries.

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We have very limited insurance coverage.

We do not maintain any insurance coverage against third party liabilities, except compulsory automobile liability insurance. In addition, we do not maintain any insurance coverage for most of our property, for business interruption or for environmental damage arising from accidents that occur in the course of our operations. As a result, we have to pay for financial and other losses, damages and liabilities, including those caused by natural disasters and other events beyond our control, out of our own funds, which could have a material adverse effect on our results of operations and financial condition.

We could incur significant costs for violations of applicable environmental laws and regulations.

Our railroad operations and real estate ownership are subject to extensive national and local environmental laws and regulations concerning, among other things, gaseous emissions, wastewater discharge, disposal of solid waste and noise control. In addition, environmental liabilities may arise from claims asserted by adjacent landowners or other third parties. As of December 31, 2015, we had not incurred any such liabilities and therefore, had not made any provision for such liabilities. We may also be required to incur significant expenses to remediate any violation of applicable environmental laws and regulations. In 2015, our environmental protection-related expenses were approximately RMB52.8 million, mainly related to construction of fixed suction sewage facilities in railway stations and environmental improvement of Shaoguan Training Base.

Technological problems attributable to accidents, human error, severe weather or natural disasters could affect the performance or perception of our railway and result in decreases in customers and revenue, unexpected expenses and loss of market share.

Our operations may be affected from time to time by equipment failures, delays, collisions and derailments attributable to accidents, human error or natural disasters, such as typhoons or floods.

As our high-speed train service becomes technologically more complex, it may become more difficult for us to upkeep and repair our equipment and facilities as well as to maintain our service and safety standards. Furthermore, as we heavily rely on third parties for technical upgrades and support with regard to certain equipment and facilities, in case of any problems arising during our operation, our own staff may lack the technical expertise to identify and fix the problems in time. Moreover, the newly upgraded equipment may not be fully compatible with our existing operation system and may not meet our safety, security or other standards. The use of such equipment and facilities could result in malfunctions or defects in our services. In addition to potential technical complications, natural disasters could interrupt our rail services, thus leading to decreased revenue, increased maintenance and higher engineering costs.

If we experience any equipment failures, delays, temporary cancellations of schedules, collisions and derailments, or any deterioration in the performance or quality of any of our services, it could result in personal injuries, damage of goods, customer claims of damages, customer refunds and loss of goodwill. These problems may lead to decreases in customers and revenue, damage to our reputation, unexpected expenses, loss of passengers and freight customers, incurrence of significant warranty and repair costs, diversion of our attention from our transportation service efforts or strained customer relations, any one of which could materially adversely affect our business. For example, in January and February 2008, certain regions in southern China experienced extraordinary harsh winter weather, which caused equipment failures and delays and cancellations of some of our scheduled trains. As a result, during such period of freezing weather, our cost for repair of equipment increased and our revenue decreased. We cannot assure you that such events will not happen again in the future. In addition, on July 23, 2011, two high-speed trains collided on the Yongtaiwen railway line in the suburbs of Wenzhou, Zhejiang Province, China. 40 people were killed and 172 people were injured in this accident (the “Wenzhou Railway Accident”). Although we believe we have maintained effective safety measures and there has been no such collision accidents on railway lines operated by us since our inception, we cannot assure you that similar accidents will not occur on our railway lines in the future. The occurrence of any such accident could have a material adverse impact on us.

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The revenue or charges for certain long-distance passenger train and freight transportation businesses are finally settled by China Railway Corporation in accordance with the unified settlement rules.

As described in “ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS—B Related Party Transactions” and Notes 36 and 37 to our audited consolidated financial statements included elsewhere in this annual report, due to the fact that the railway business is centrally managed by China Railway Corporation (“CRC”) within the PRC, we work in cooperation with CRC and other railway companies controlled by CRC for the operation of certain long-distance passenger train and freight transportation businesses within the PRC. The revenue generated from these long-distance passenger and freight transportation businesses is collected and settled by CRC according to its settlement systems. The charges for the use of the rail lines and services provided by other railway companies are also settled by CRC based on its systems. Although we can, to a certain extent, calculate the revenue and charges settled by CRC based on our own data and information, the amount of settlement is finally settled by CRC.

We may encounter difficulties in complying with the Sarbanes-Oxley Act of 2002.

The United States Securities and Exchange Commission, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company in the United States to include a management report on such company’s internal control over financial reporting in its annual report, which contains management’s assessment of the effectiveness of the company’s internal control over financial reporting. In addition, an independent registered public accounting firm must report on the effectiveness of the company’s internal control over financial reporting. Although we have concluded that we maintained effective internal control over financial reporting for each of the years ended December 31, 2013, 2014 and 2015, we may not be able to conclude in future years that we have effective internal control over financial reporting, in accordance with the Sarbanes-Oxley Act of 2002. See “ITEM 15. CONTROLS and PROCEDURES.”

Moreover, in future years, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may disagree. If our independent registered public accounting firm is not satisfied with our internal control over financial reporting or the level at which our internal control over financial reporting is designed or operated, or if the independent registered public accounting firm interprets the requirements, rules or regulations differently than we do, then they may issue an adverse opinion. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our reporting processes, which could adversely impact the market price of our H shares and ADSs. In addition, we will continue to incur significant costs and use significant management and other resources in order to comply with Section 404 of the Sarbanes-Oxley Act of 2002.

Risks Relating to Conducting Business in China

Substantially all of our assets are located in China and substantially all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are subject, to a significant extent, to the economic, political and legal developments in China.

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China's economic, political and social conditions, as well as government policies, could affect our business.

As we are established, and operate substantially all of our businesses, in China, any changes in the political, economic and social conditions of the PRC or any changes in PRC governmental policies or regulations, including a change in the PRC government's economic or monetary policies or railway or other transportation regulations, may have a material adverse effect on our business and operations and our results of operations. The economic environment in the PRC differs significantly from the United States and many Western European countries in terms of its structure, stage of development, capital reinvestment, growth rate, level of government involvement, resource allocation, self-sufficiency, rate of inflation and balance of payments position. The PRC government's economic reform policies since 1978 have resulted in a gradual reduction in state planning in the allocation of resources, pricing and management of assets, and a shift towards the utilization of market forces. The PRC government is expected to continue its reforms, and many of its economic and monetary policies still need to be developed and refined. In addition, certain changes in governmental policies from time to time may negatively affect our business and operations. For example, the cooling measures imposed by PRC government on the real estate industry since early 2011 in response to rising housing prices has resulted in our decreased transportation of construction materials, coal, iron ore, oil and steel that are largely used in that industry. On January 1, 2014, the PRC government also implemented a Pilot Scheme for the Change from Business Tax to Value-added Tax (the "Pilot Scheme") in the railway transportation industry. Value-added tax is a tax on top of but separated from price. According to the relevant accounting standard in China and overseas, operating revenues should be recognized after deducting value-added tax. As our income and pricing scheme remained unchanged after the implementation of the Pilot Scheme, the deduction of value-added tax from our income received from the original pricing scheme resulted in our reduced operating revenues in 2014 as compared to the same period in 2013. We cannot assure you that future changes in governmental policies or regulation will not have a material adverse effect on our business, operations or results of operations.

Government control of currency conversion may adversely affect our operations and financial results.

Our books and records are maintained and our financial statements are prepared and presented in RMB, which is not a freely convertible currency. All foreign exchange transactions involving RMB must be transacted through banks and other institutions authorized by the People's Bank of China, or PBOC. We receive substantially all of our revenue in RMB. We need to convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payment of cash dividends on our H shares and equipment purchases from overseas regions. In addition, the existing foreign exchange limitations under PRC law could affect our ability to obtain foreign currencies through debt financing, or to obtain foreign currencies for capital expenditures or for distribution of cash dividends on our H shares.

Fluctuation of the RMB could adversely affect our financial condition and results of operations.

The value of the RMB fluctuates and is subject to changes in market conditions as well as China's political and economic conditions. Since 1994, the conversion of RMB into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed floating band against a basket of certain foreign currencies. On April 14, 2012, the PRC government further allowed the floating band of RMB's trading prices against the U.S. dollar to widen from 0.5% to 1% on each business day effective from April 2012, and further widened the floating band to 2% in March 2014. This has resulted in greater volatility in RMB exchange rate. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. We have certain U.S. dollar-denominated and HK dollar-denominated assets and the appreciation of RMB could result in a decrease of the value of these assets. For further information on our foreign exchange risks and certain exchange rates, see "ITEM 3. KEY INFORMATION—A. Selected Financial Data" and "ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK—Currency Risks." We cannot assure you that any future movements in the exchange rate of RMB against the United States dollar or other foreign currencies will not adversely affect our results of operations and financial condition.

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The differences with respect to the PRC legal system could limit the legal protections available to you.

As the PRC and the U.S. have different legal systems and the court decisions in China do not have binding force on subsequent cases, there are significant differences between the PRC legal system and the U.S. legal system. In addition, because the PRC Company Law is different in certain important aspects from company laws in Hong Kong, United States and other common law countries and regions and because the PRC laws and regulations dealing with business and economic matters, including PRC securities laws, are still evolving, you may not enjoy shareholder protections to which you may be entitled in Hong Kong, the United States or other jurisdictions.

An independent registered public accounting firm which has a substantial role in the audit of our company, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by the Public Company Accounting Oversight Board, and as such, investors may be deprived of the benefits of such inspection.

Auditors of companies whose shares are registered with the U.S. Securities and Exchange Commission and traded publicly in the United States, including an independent registered public accounting firm which has a substantial role in the audit of our company, must be registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards applicable to auditors. The independent registered public accounting firm which has a substantial role in the audit of our company is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB, notwithstanding the requirements of U.S. law, is currently unable to conduct inspections without the approval of the Chinese authorities. In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission (“CSRC”) and the PRC Ministry of Finance, which established a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies with shares listed and traded on U.S. exchanges.

This lack of PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of the independent registered public accounting firm which has a substantial role in the audit of our company. As a result, we and investors in our ADSs are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of the audit procedures or quality control procedures of the independent registered public accounting firm which has a substantial role in the audit of our company as compared to auditors outside of China that are subject to PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

If additional remedial measures are imposed on five PRC-based accounting firms, including the independent registered public accounting firm, which has a substantial role in the audit of our firm, in administrative proceedings brought by the SEC alleging the firms’ failure to meet specific criteria set by the SEC, we may have difficulties complying with the requirements of the Exchange Act.

Proceedings instituted recently by the SEC against five PRC-based accounting firms, including an independent registered public accounting firm which has a substantial role in the audit of our company, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934.

In December 2012, the SEC instituted administrative proceedings against five PRC-based accounting firms, including an independent registered public accounting firm which has a substantial role in the audit of our company, alleging that these firms had violated U.S. securities laws and the SEC’s rules and regulations thereunder by failing to provide to the SEC the firms’ work papers related to their audits of certain PRC-based companies that are publicly traded in the United States and which are the subject of certain ongoing SEC investigations. We were not and are not the subject of any SEC investigations nor are we involved in the proceedings brought by the SEC against the accounting firms. If the SEC is successful in the proceedings, it could result in the accounting firms, (including the independent registered public accounting firm which has a substantial role in the audit of our company) losing, temporarily or permanently, the ability to practice before the SEC.

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In January 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision was neither final nor legally effective unless and until reviewed and approved by the SEC. In February 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the China Securities Regulatory Commission. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, if the accounting firms including the independent registered public accounting firm which has a substantial role in the audit of our company were denied, temporarily or permanently, the ability to practice before the SEC, and we are unable to find timely another registered public accounting firm which can perform such substantial role in the audit of our company, our financial statements could be determined to not be in compliance with the requirements for financial statements of public companies registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such a determination could ultimately lead to the delisting of our ADSs from the NYSE or the termination of the registration of our ADSs under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Overview

We were established as a joint stock limited company under the Company Law of the PRC on March 6, 1996, and have conducted our business for twenty years. Our legal name is 广深铁路股份有限公司, and its English translation is Guangshen Railway Company Limited. Our registered office is located at No. 1052 Heping Road, Shenzhen, Guangdong Province, The People's Republic of China, 518010. Our telephone number is (86-755) 2558-8150 and our fax number is (86-755) 2559-1480.

In May 1996, our H shares (stock code: 00525) were listed on the HKSE and our American Depositary Shares, or ADSs (ticker symbol: GSH), were listed on the NYSE. Our A shares (stock code: 601333) were listed on the Shanghai Stock Exchange in December 2006. We are currently the only PRC railway enterprise with shares concurrently listed in Shanghai, Hong Kong and New York.

We are mainly engaged in passenger and freight transportation businesses on the Shenzhen-Guangzhou-Pingshi Railway, which is 481.2 kilometers long, running vertically through Guangdong Province. The Guangzhou-Pingshi Railway is the southern part of Beijing-Guangzhou Railway, which connects Northern China with Southern China. The Guangzhou-Shenzhen Railway is strategically located and links with major railway networks in China, including the Beijing-Guangzhou, Beijing-Kowloon, Sanshui-Maoming, Pinghu-Nantou, and Pinghu-Yantian lines, as well as to the Kowloon Canton Railway in Hong Kong, which is an important component of the transportation network of southern China, as well as the only railway channel linking Hong Kong with Mainland China. The Guangzhou-Shenzhen Railway is currently one of the most modern railways in the PRC as well as the first wholly fenced railway with four parallel lines in the PRC that allows passenger trains and freight trains to run on separate lines.

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Passenger transportation is our principal business. As of December 31, 2015, we operated 239 pairs of passenger trains each day, including 105 pairs of intercity high-speed passenger trains between Guangzhou and Shenzhen (including 19 stand-by pairs), 13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains) and 121 pairs of long-distance trains. We have adopted an “As-Frequent-As-Buses” operating model by dispatching one pair of our domestically manufactured electric multiple units trains, known as “China Railway High-Speed trains” or “CRHs,” every 10 minutes on average during peak hours between Guangzhou and Shenzhen. The through-trains passing Hong Kong jointly operated by us and the MTR Corporation Limited (“MTR”) are one of the most important means of transportation between Guangzhou and Hong Kong. We have organized and operated a number of long-distance trains running from and to Guangzhou and Shenzhen that linked with most of the provinces, autonomous regions and municipalities across the nation.

Freight transportation is another important segment of our business. We are well-equipped with comprehensive freight facilities and are able to efficiently transport full load cargo, single load cargo, containers, bulky and overweight cargo, dangerous cargo, fresh and live cargo, and oversized cargo. Our rail lines operated are closely knitted with the major ports in Guangzhou and Shenzhen and are connected to several large industrial zones, logistics zones and plants and mines in the Pearl River Delta region via the railroad sidings. The major market of our freight transportation business is domestic mid-to long-distance transportation, and we enjoy competitive advantages in domestic mid-to long-distance freight transportation.

We have extended our passenger and freight transportation business to include railway operation services with the commencement of Wuhan-Guangzhou Passenger Railway Line in December 2009. As of the date of this annual report, we have provided such services to Wuhan-Guangzhou Passenger Railway Line Co., Ltd., Guangdong Guangzhou-Zhuhai Inter-city Railway Traffic Co., Ltd., Guangzhou-Shenzhen-Hong Kong Express Rail Link Company Limited, Guangzhou-Zhuhai Railway Company Limited, Xiamen-Shenzhen Railway (Guangdong) Company Limited, Ganzhou-Shaoguan Railway Company Limited, Nanning-Guangzhou Railway Company Limited, and Guiyang-Guangzhou Railway Company Limited. With the successful completion and commencement of operation of a series of high-speed railways and inter-city railways in the “Pan Pearl River Delta,” our geographical coverage of railway operation service will be more extensive. We also intend to grow our business through railway operation services.

Background, Restructuring and Acquisition

The railroad system between Guangzhou and Shenzhen was part of the original “Canton-Kowloon” railroad, which began operations in 1911. In 1949, following the establishment of the PRC, the railroad was divided into two sections, with the first linking Guangzhou and Shenzhen, and the second, across the Hong Kong border and separately owned, linking Luohu and the Kowloon peninsula in Hong Kong. The Guangzhou to Shenzhen railroad has been operated since 1949 by a sub-division of the Guangzhou Railway Bureau, a predecessor to GRGC.

In 1979, Guangshen Railway Company, our predecessor, in conjunction with Kowloon-Canton Railway (“KCR”), which has been merged into the MTR, was engaged in the joint operation of Hong Kong Through Train passenger services between Guangzhou and Hong Kong.

In 1984, to exploit the rapid growth in the Pearl River Delta, Guangshen Railway Company, our predecessor, was established pursuant to the approval of the State Council as a state-owned enterprise administered by the Guangzhou Railway Bureau. At that time, Guangshen Railway Company had only a single-line railroad. Since then, large capital expenditures have been made to expand and upgrade its facilities and services. In 1987, construction of the second line was completed. In 1991, Guangshen Railway Company began the construction of a semi-high-speed rail line and purchased locomotives and passenger coaches, which can provide passenger train services at speeds of more than 160 kilometers per hour. Commercial operation of the electric multiple units (“EMUs”) commenced in December 1994.

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We were established as a joint stock limited company on March 6, 1996 following the Restructuring, which was carried out to reorganize the railroad assets and related businesses of Guangshen Railway Company and certain of its subsidiaries. As part of the Restructuring, 2,904,250,000 state legal person shares, par value RMB1.00 per share, of our Company were issued to GRGC, a state-owned enterprise controlled by the MOR. Guangshen Railway Company retained the assets, liabilities and businesses not assumed by us, including units providing staff quarters and social services such as health care, education, public security and other ancillary services, as well as subsidiaries or joint ventures whose businesses do not relate to railroad operations and do not compete with our businesses. As part of our Restructuring, Guangshen Railway Company was renamed Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company.

Since April 1, 1996, we have been able to set our own prices for our EMU train services and charge a premium over average national prices for our other passenger and freight train services. See “ITEM 4. INFORMATION ON THE COMPANY—B. Business Overview—Regulatory Overview—Pricing” for a more detailed description of our pricing scheme.

We completed our initial public offering of class H ordinary shares, or H shares, and our American depositary shares, or ADSs, in May 1996. In that offering, we issued a total of 1,431,300,000 H shares, par value RMB1.00 per share. Our H shares are listed for trading on the HKSE and our American depositary shares, or ADSs, each representing 50 H shares, are listed for trading on the NYSE.

On November 15, 2004, we entered into an asset purchase agreement with Yangcheng Railway Company to acquire the railway transportation business between Guangzhou and Pingshi and related assets and liabilities, or the Acquisition. In order to finance such Acquisition, on December 13, 2006, we issued 2,747,987,000 A shares that are now listed for trading on the Shanghai Stock Exchange (stock code: 601333) and raised approximately RMB10.0 billion from the A Share Offering. After the A Share Offering, approximately 41% of our issued and outstanding shares were owned by GRGC, while institutional and public shareholders own approximately 59% of our issued and outstanding ordinary shares, including A shares, H shares and ADSs.

On December 28, 2006, we paid RMB5.27 billion out of the proceeds raised from the A Share Offering to Yangcheng Railway Company. On January 1, 2007, the railway transportation business of the Guangzhou-Pingshi Railway came under our control as a result of the Acquisition. As a result, our operations expanded from a regional railway to a national trunk line network and our operating railway distance extended from 152 kilometers to 481.2 kilometers, running vertically through the entire Guangdong Province. In June 2007, we paid the remaining balance in the amount of RMB4.87 billion to Yangcheng Railway Company.

In April 2010, in order to further reduce our administrative expenses and improve the overall efficiency of our administration system, we made efforts to optimize our internal management structure, including establishing the General Administrative Department, the Human Resources Department, the Planning and Finance Department, the Operation Management Department and the Audit Department, each of which is under the supervision of our general manager, and outsourcing all other administrative functions to external service providers.

On November 30, 2013, we entered into an agreement to acquire the freight service business and related assets of China Railway Express Co., Ltd. Guangzhou Branch (“CREC”) and China Railway Container Transport Co. Ltd. Dalang Processing Station (“CRCT”), the subsidiaries of CRC which operate freight service business. The purchase considerations for CREC and CRCT were approximately RMB102.3 million and RMB79.9 million, respectively. On the same day, control of the assets and operations of CREC and CRCT were transferred to us. The results of the operations of the above-mentioned entities have been included in our consolidated comprehensive income statement from November 30, 2013 onwards.

On May 29, 2014, we entered into an agreement with Guangzhou Railway (Group) Company Guangzhou Railway Economic Development Co., Ltd. to acquire certain assets and liabilities in relation to the freight service business. The total amount of assets were RMB161.7 million and total amount of liabilities were RMB39.3 million. The purchase price was approximately RMB122.4 million.

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On October 20, 2014, we entered into an agreement with Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company to acquire approximately an additional 17.7% equity interest in Zengcheng Lihua Stock Company Limited (“Zengcheng Lihua”). The purchase price was approximately RMB 4.7 million. Upon the completion of the acquisition, we held an aggregate of approximately 44.7% equity interest in Zengcheng Lihua. On February 12, 2015, we obtained control of Zengcheng Lihua and began to consolidate its financial statements from that date.

Service Territory

Our rail lines traverse the Pearl River Delta and also run vertically through Guangdong Province, an area which benefited early from the PRC economic reform policies that began in the late 1970s. Throughout the 1980s and early 1990s, the economy of the Pearl River Delta, fueled by foreign investments, grew rapidly. The Pearl River Delta is currently one of the most affluent and fastest growing areas in China.

As of April 27, 2016, we had 48 stations situated on our rail lines, providing passenger and freight transportation services for cities, towns and ports situated along the Shenzhen-Guangzhou-Pingshi corridors and Hong Kong Through Train passenger service, which we serve in conjunction with the MTR. We also provide railway operation services to other Chinese domestic railway companies.

The Shenzhen-Guangzhou-Pingshi railroad is an integral component of the PRC national railway network, and provides nationwide access to passenger and freight traffic from southern China to other regions of mainland China as described below:

Northbound. At Pingshi, our rail line connects with the Beijing-Guangzhou line, which is one of the major trunk lines linking southern China with Beijing and northern China. Another trunk line connecting northern and southern China, the Beijing-Hong Kong rail line, includes the section of our line from Dongguan to Shenzhen.

Southbound. Our line connects at Shenzhen with the rail line owned by the MTR that runs to Kowloon, Hong Kong.

Westbound. Our line connects with the Guangzhou-Maoming rail line operated by Guangdong Sanmao Railway Company, a company in which GRGC holds a 49.1% equity interest, which runs through the western part of Guangdong Province, connecting with other rail lines that continue on into the Guangxi Zhuang Autonomous Region, which provides access to southwestern China. Our line also connects with Guangzhou-Foshan-Zhaoqing Intercity Railway, which commenced operation on March 30, 2016 and was jointly invested by Guangdong Provincial Railway Construction Investment Group Co., Ltd. and the CRC.

Eastbound. Our line connects with the Guangzhou-Meizhou-Shantou rail line and Xiamen-Shenzhen rail line. Guangzhou-Meizhou-Shantou rail line is operated by Guangmeishan Railway Company, a company jointly established by GRGC, the Guangdong Provincial Railway Company and other public investors. A section of this line forms, along with our Dongguan to Shenzhen segment, a part of the Beijing-Hong Kong rail line, which terminates in Kowloon, Hong Kong. The section of Xiamen-Shenzhen rail line in Guangdong Province is owned by Xiamen-Shenzhen Railway (Guangdong) Company Limited, a subsidiary of GRGC. We provide the operational services to Xiamen-Shenzhen Railway (Guangdong) Company Limited. At Pinghu, our rail line connects with two local port lines: one of them, Pingnan Railway, principally serves three ports located in western Shenzhen—Shekou, Chiwan and Mawan—and the other, Pingyan Railway, serves Yantian port, an international deep-water port located in eastern Shenzhen. At the Huangpu and Xiayuan stations in Guangzhou, our line connects with Huangpu port and Xinsha port. Our rail line also connects with certain industrial districts, commercial districts and the facilities of many of our customers through spur lines, which are rail lines running off the main line that are used and typically financed by a freight customer or a group of freight customers and maintained by us for a fee. We believe that the customers connected to these spur lines and customers with goods that must be shipped through these regional ports are likely to use our services on a long-term basis.

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Capital Expenditure

Our capital expenditure includes payments for acquisition of fixed assets and construction-in-progress, and prepayments for fixed assets, net of related payables. In 2013, 2014 and 2015, our total capital expenditure were RMB1,376.6 million, RMB999.6 million and RMB1,292.3 million, respectively.

For more information concerning the Company's principal capital expenditure and divestitures currently in progress, including the distribution of these investments geographically and the method of financing, see "ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS - B. Liquidity and Capital Resources" and "ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS - F. Tabular Disclosure of Contractual Obligations."

B. Business Overview

Business Operations

Our principal businesses are railroad passenger, transportation, freight transportation, railway network usage and other transportation-related services, which collectively generated 93.1% of our total revenue in 2015. The remaining 6.9% of our total revenue in 2015 mainly consisted of on-board catering services, leasing, sales of materials and supplies, sale of goods and other businesses related to railway transportation.

In 2015, affected by the unfavorable factors including the slowdown of the macro-economy, the competition in the railway passenger transportation market and a weak demand in the railway freight transportation market, our passenger and freight transportation business continued to decline, which resulted in weak growth in our total revenue. We responded with a series of measures to increase our revenue and reduce expenses. With the goal to increase our revenue, we have been exploring opportunities in the railway passenger and freight transportation markets by making arrangements to open three new pairs of cross-network EMU traveling between Guangzhou East and Chaozhou-Shantou, strengthening the sales capability of the Hunan-Guangdong southern express lines for freight transportation, while extending the scope of our railway operation services, and adding railway operating services for Ganzhou-Shaoguan Railway Company Limited, Guiyang-Guangzhou Railway Company Limited and Nanning-Guangzhou Railway Company Limited at the same time. At the same time, we enhanced our cost controls, which helped reduce our general and non-production expenses. As a result of those measures, we were able to record slight growth in the overall operating revenue with more substantial growth in operating profit and net profit year-on-year.

In 2015, we achieved a passenger delivery volume of 85.4 million persons, representing a year-to-year decrease of 5.3%; a tonnage of freight of 48.4 million tons, representing a year-to-year decrease of 6.1%; generating operating revenues of RMB15,725 million, representing a year-to-year increase of 6.3%; consolidated profits attributable to equity holders of RMB1,071 million, representing a year-to-year increase of 61.8%; and basic earnings per share of RMB0.15.

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The table below summarizes our railroad and related business revenue and traffic volume for the periods indicated:

	Year ended December 31,				
	2011	2012	2013	2014	2015
Passenger Transportation					
Total passenger transportation revenue (RMB millions)	8,026.51	7,841.09	8,058.29	6,988.29	6,997.56
Total passengers (millions)	90.83	84.60	90.96	90.11	85.37
Total passenger-kilometers (millions)	28,523.99	26,788.80	27,844.65	27,953.94	25,989.28
Revenue per passenger-kilometer (RMB) ⁽¹⁾	0.28	0.29	0.29	0.25	0.27
Freight Transportation					
Total freight transportation revenue (RMB millions)	1,386.75	1,344.11	1,603.29	1,763.68	1,761.45
Total freight tons (millions)	68.70	62.67	59.56	51.56	48.44
Revenue per ton (RMB) ⁽²⁾	20.18	21.45	26.92	34.21	36.36
Total ton-kilometers (millions)	15,519.10	14,620.50	13,293.83	11,435.00	10,874.30
Revenue per ton-kilometer (RMB) ⁽³⁾	0.09	0.09	0.12	0.15	0.16
Railway Network Usage and other transportation related services (RMB millions)	4,256.00	4,890.64	5,034.68	5,031.24	5,874.73

- (1) Revenue per passenger-kilometer is calculated by dividing total passenger transportation revenue by total passenger-kilometers. Management believes that revenue per passenger-kilometer is a useful measure for assessing the revenue levels of our passenger transportation business.
- (2) Revenue per ton is calculated by dividing total freight revenue by total freight tons. Management believes that revenue per ton is a useful measure for assessing the revenue levels of our freight transportation business.
- (3) Revenue per ton-kilometer is calculated by dividing total freight revenue by total ton-kilometers. Management believes that revenue per ton-kilometer is a useful measure for assessing the revenue levels of our freight transportation business.

Passenger Transportation

Passenger transportation is our largest business segment, accounting for 44.5% of our total revenue and 47.8% of our railroad and related business revenue in 2015. Our passenger train services can be categorized as follows:

- transportation business of Guangzhou-Shenzhen inter-city express trains;
- long-distance trains; and
- Through Trains in Hong Kong.

As of December 31, 2015, we operated a total of 239 pairs of passenger trains per day (each pair of trains meaning trains making one round-trip between two points), representing an increase of 5.5 pairs from 233.5 pairs as of December 31, 2014, of which:

- 105 pairs of intercity high-speed passenger trains between Guangzhou and Shenzhen (including 19 stand-by pairs);

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- 13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains); and
- 121 pairs of long-distance trains, representing an increase of 5.5 pairs from 115.5 pairs as of December 31, 2014. Long-distance trains included long-distance passenger trains operated by us between: Shenzhen and Shanghai South; Shenzhen and Beijing West; Kowloon and Beijing West; Guangzhou and Shanghai South; Guangzhou and Beijing West; Guangzhou and Pingshi; Guangzhou and Chongqing North; Guangzhou and Dazhou; Guangzhou and Xi'an; Guangzhou and Taizhou; Guangzhou and Jiujiang; Guangzhou and Wenzhou; Guangzhou and Yantai; Guangzhou and Zhangjiajie; Guangzhou and Xi'ning; Guangzhou and Lhasa; Guangzhou and Ganzhou; Guangzhou and Chengdu; Guangzhou and Zhaoqing; Guangzhou and Xinyi; Guangzhou and Maoming East; Zhaoqing and Wuchang; Zhaoqing and Zhangjiajie; Zhaoqing and Chenzhou and Sanya and Beijing West. Long-distance trains also included domestic long-distance trains that are operated by other operators but originating or terminating on, or passing through, our railroad.

The table below sets out passenger transportation revenue and volumes for our Hong Kong Through Trains and domestic trains for each of the periods indicated:

	Total passenger transportation revenue			Total passengers			Revenue per passenger		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
	(RMB millions)			(millions)			(RMB)		
Guangzhou-Shenzhen Trains	2,415.8	2,115.1	2,224.0	37.0	36.0	35.7	65.3	58.8	62.3
Hong Kong Through Trains	498.3	526.9	510.4	3.9	3.9	3.8	127.5	135.1	134.3
Long-distance Trains ⁽¹⁾	4,560.3	3,782.5	3,883.6	50.1	50.2	45.9	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Other Revenues from Passenger Transportation ⁽²⁾	583.9	563.8	379.6	—	—	—	—	—	—
Combined passenger operations	8,058.3	6,988.3	6,997.6	91.0	90.1	85.4	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾

- (1) Our revenue of long-distance passenger trains includes both the revenue from the passengers arriving at our railway stations and the revenue from the passengers departing from our railway stations. However, the number of our long-distance passengers only includes the passengers departing from our railway stations. As a result, we believe that the “per passenger revenue” cannot fairly reflect the financial status of our passenger transportation business.
- (2) Since 2014, we have separated Other Revenues from Passenger Transportation from Long-distance Trains to more accurately reflect the correlation between passenger revenue and volumes, and have re-categorized Revenue from Long-distance Trains for 2012 and 2013 to reflect this change.

Guangzhou-Shenzhen Trains. In 2015, our passenger transportation services on the trains between Guangzhou and Shenzhen accounted for 31.8% of our railroad passenger transportation revenue. As of December 31, 2015, we operated 105 pairs of intercity CRH passenger trains between Guangzhou and Shenzhen. Such CRH passenger trains are capable of running at a top speed of 200 kilometers per hour. The number of passengers traveling on our Guangzhou-Shenzhen trains decreased by 0.89% from 36.0 million in 2014 to 35.7 million in 2015. The revenue from our Guangzhou-Shenzhen trains increased by 5.2% from RMB2,115.1 million in 2014 to RMB2,224.0 million in 2015. The decrease in passenger volume was primarily due to the increasing number of high-speed railways between the Pearl River-Delta Area and other major cities in China, which has greatly drawn away passengers from us. The increase in revenue of Guangzhou-Shenzhen trains was primarily due to the commencement of the service of three pairs of cross-network EMU trains between Guangzhou and Chaozhou-Shantou on February 1, 2015, and the revenue from such trains is accounted for in the revenue from Guangzhou-Shenzhen trains.

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Hong Kong Through Trains. In 2015, our passenger transportation services on Hong Kong through trains accounted for 7.3% of our railroad passenger transportation revenue. We currently operate, jointly with the MTR, 13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains). We are responsible for the operation of the Beijing/Shanghai-Kowloon Through Trains and 8 pairs of Canton-Kowloon Through Trains while MTR is responsible for the operation of 3 pairs of Canton-Kowloon Through Trains. In addition, we also provide railway network usage services to MTR for the Hong Kong Through Trains it operates in the section between Shenzhen Station and Guangzhou East Station.

The Hong Kong Through Train services beyond Guangzhou to Foshan, Zhaoqing, Beijing and Shanghai are provided by GRGC and Shanghai Railway Bureau. Revenue from these Hong Kong Through Trains on the Guangzhou-Hong Kong section is shared between MTR and us, in proportion to our track mileage for the Hong Kong Through Train services, with 81.2% accruing to us and 18.8% to MTR. In addition, we share all related costs with MTR at the same rate for the Hong Kong Through Train services.

Most of the passengers taking our Hong Kong Through Trains are from Hong Kong, Macau, Taiwan regions and foreign countries, and many are business travelers. As the prices for our Hong Kong Through Train services are higher than the prices we charge for our domestic train services, these Hong Kong Through Train services produce higher per-passenger revenue than our other passenger train services.

In 2015, the volume of passengers who traveled on the Hong Kong Through Trains decreased by 2.6% from 3.9 million in 2014 to 3.8 million in 2015. The revenue from Hong Kong Through Trains decreased by 3.1% from RMB526.9 million in 2014 to RMB510.4 million in 2015. This decrease in passenger volume and revenue was mainly due to the “Occupy Central” movement in Hong Kong.

Domestic Long-distance Trains. In 2015, our passenger transportation services on domestic long-distance trains accounted for 55.5% of our railroad passenger transportation revenue. As of December 31, 2015, we operated on a daily basis 121 pairs of long-distance trains on our rail lines to cities in Guangdong, Hunan, Hubei, Jiangxi, Anhui, Jiangsu, Liaoning, Shaanxi, Gansu, Fujian, Heilongjiang, Jilin, Zhejiang, Hebei, Henan, Sichuan, Yunnan, Hainan, Shanxi and Shandong provinces, Chongqing, Shanghai, Beijing and Tianjin municipalities and Guangxi Autonomous Region and Tibet Autonomous Region. In 2015, the number of passengers traveled on our long-distance trains was 45.9 million, representing a decrease of 8.6% from 50.2 million in 2014. Our revenue from long-distance trains in 2015 was RMB3,883.6 million, compared to RMB3,782.5 million in 2014. The decrease of the passenger volume of long-distance trains was primarily due to the increasing number of high-speed railways between the Pearl River- Delta Area and other major cities in China, which has greatly drawn away passengers from us. The increase in revenue of long-distance trains was primarily due to the commencement of the service of one pair of long-distance trains between Guangzhou and Ganzhou on September 30, 2014.

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Major Stations. The following are the major train stations owned and operated by us as of December 31, 2015:

<u>Station</u>	<u>Location</u>	<u>Connected Railways</u>	<u>Passenger Transportation Business</u>	<u>Total Passengers for 2015 (millions)</u>
Guangzhou Station	Yuexiu District, Guangzhou	Beijing-Guangzhou Railway, Guangzhou-Maoming Railway, Guangzhou-Shenzhen Railway, Guangzhou-Foshan-Zhaoqing Intercity Railway, Line 2 and Line 5 of Guangzhou's subway system	Long-distance trains, inter-city trains between Guangzhou and Shenzhen	26.87
Guangzhou East Station	Tianhe District, Guangzhou	Beijing-Guangzhou Railway, Guangzhou-Shenzhen Railway, Xiamen-Shenzhen Railway, Line 1 and Line 3 of Guangzhou's subway system	Long-distance trains, inter-city trains between Guangzhou and Shenzhen, Hong Kong Through Trains	20.46
Shenzhen Station	Luohu District, Shenzhen	Guangzhou-Shenzhen Railway, Hong Kong railway, Luobao Line of Shenzhen's subway system	Long-distance trains, inter-city trains between Guangzhou and Shenzhen	19.25
Shaoguan East Station	Shaoguan	Beijing-Guangzhou Railway	Long-distance trains	3.32

Freight Transportation

Revenue from our freight transportation accounted for 11.2% of our total revenue and 12.0% of our railroad and related business revenue in 2015. Our principal market for freight is domestic medium and long-haul freight, originating and/or terminating outside the Shenzhen-Guangzhou-Pingshi corridor. We are well equipped with various freight facilities and can efficiently transport full load cargo, single load cargo and containers. We have established business cooperation with ports, logistics bases and specialized building materials markets in our service region.

The majority of the freight we transport is high-volume, medium to long-distance freight received from and/or transferred to other rail lines. A portion of the freight we transport both originates and terminates in the Shenzhen-Guangzhou-Pingshi corridor. We classify our freight business into three categories:

- inbound freight, which is primarily freight unloaded at freight stations and spur lines connected to ports on our rail line or in Hong Kong;
- outbound freight, which is primarily freight bound for other regions in Mainland China as well as foreign countries loaded at our train stations and spur lines connected to ports on our rail line or in Hong Kong; and
- pass-through freight, which refers to freight that travels on our rail line, but which does not originate from or terminate at our rail line.

Revenue from freight transportation business in 2015 was RMB1,761.4 million, an decrease of 0.1% from RMB1,763.7 million in 2014. The total tonnage of freight we transported in 2015 was 48.4 million tons, representing a decrease of 6.1% from 51.6 million tons in 2014. The decrease in freight revenue and volume of freight transportation was mainly due to the slowing economy in China, the structural adjustment in the Pearl River Delta region and the heightened competition in the freight transportation market in 2015.

We serve a broad customer base and ship a wide range of goods in our freight transportation business. We are not dependent upon any particular customers or industries. We transport a broad range of goods, which can generally be classified as follows: metal ores, coal, containers, construction materials, steel, petroleum, and other goods.

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The majority of our inbound freight consists of raw materials and essential production materials for manufacturing, industrial and construction activities, while the majority of our outbound freight consists of imported mineral ores as well as coal and goods produced or processed within our service territory, for customers throughout China and abroad.

Railway Network Usage and other Transportation-Related Services Business

Revenue from our railway network usage and other transportation-related services accounted for 37.4% of our total revenue and 40.1% of our railroad and related business revenue in 2015. In 2015, our revenue from railway network usage and other transportation-related services was RMB5,874.7 million, representing an increase of 16.8% from RMB5,031.2 million in 2014. The increase in revenue from railway network usage and other transportation-related services was principally due to:

- an increase in the railway operation services we provided to railway companies we have been serving in the past, including but not limited to, Wuhan-Guangzhou Passenger Railway Line Co., Ltd., Guangzhou-Shenzhen-Hong Kong Express Rail Link Company Limited, Xiamen-Shenzhen Railway Company Limited and Ganzhou-Shaoguan Railway Company Limited.
- the railway operating services we newly provided to Guiyang-Guangzhou Railway Company Limited and Nanning-Guangzhou Railway Company Limited.

The following table shows the composition of our revenue from railway network usage and other transportation-related services for each of the periods indicated:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
		(RMB millions)	
Railway Network Usage ⁽¹⁾	3,326.5	2,860.2	2,933.5
Passenger transportation network usage services	2,920.3	2,630.9	2,701.2
Freight transportation network usage services	406.2	229.3	232.3
Other Transportation-Related Services ⁽²⁾	1,708.2	2,171.0	2,941.2
Railway operation services	1,383.9	1,773.3	2,387.2
Other Services ⁽³⁾	324.3	397.7	554.0
Total	<u>5,034.7</u>	<u>5,031.2</u>	<u>5,874.7</u>

- (1) In the past, we divided the Railway Network Usage Service into locomotive traction, track usage, electric catenary (overhead wires used to transmit electrical energy to trains), vehicle coupling and other services. Since 2014, we have divided the Railway Network Usage Service into passenger transportation network usage services and freight transportation railway network usage services to better reflect the business structure of transportation network clearance service.
- (2) Other transportation-related services include provision of railway operation services and other services.
- (3) Other services include lease of locomotive and passenger trains, fueling of locomotive and passenger trains, parcel transportation and other transportation.

Other Businesses

Revenue from our other businesses accounted for 6.9% of our total revenue in 2015. Our other businesses mainly consist of on-board catering services, leasing, sales of materials and supplies, sale of goods and other businesses related to railway transportation.

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Revenue from our other businesses was RMB1,091.6 million in 2015, compared to RMB1,017.6 million in 2014.

Seasonality of Our Railway Transportation Business

There is some seasonality in our businesses. The first quarter of each year typically contributes the highest portion of our annual revenue, mainly because it coincides with the Spring Festival holidays when Chinese people customarily travel from all over the country back to their hometowns. In addition, the Spring Festival holidays, the Qingming Festival holidays, the Labor Day holidays, the Dragon Boat Festival holidays, summer holidays and the National Day holidays in China are also high travel seasons. During these holidays, we usually operate additional passenger trains to meet the increased transportation demand.

Sales

Passenger Transportation

Our passenger tickets are currently sold primarily at ticket counters and automatic selling machines and located in our train stations as well as through telephone and the internet. Additionally, our tickets are sold in Hong Kong and major cities in the Guangdong Province through ticket agents, travel agents and hotels, at our usual prices plus nominal commissions.

Hong Kong Through Train tickets are sold in Guangdong Province through our railway stations, as well as through various ticket outlets, hotels and travel agents. In Hong Kong, these tickets are sold exclusively by the MTR. As MTR's sales network for these tickets is relatively limited, MTR has engaged the China Travel Service (HK) Ltd., or CTS, as the primary agent for such sales on a non-exclusive basis.

Our stations along the Guangzhou-Shenzhen line have adopted a real-name ticketing system, allowing passengers to use their identification cards to purchase tickets and board trains. Customers who provide their second generation China identification cards or Hong Kong and Macau identification cards may purchase tickets aboard trains without customer service representatives. Customers can also purchase tickets for our Guangzhou-Shenzhen inter-city trains online. As of 2015, we had a total of 173 automatic ticket selling machines, 130 automatic ticket inspection machines and 135 internet ticket printing machines along the Guangzhou-Shenzhen line.

The current settlement method for passenger transportation is stipulated by the MOR and is still under execution. It provides that all revenue from passenger train services (including revenue generated from luggage and parcel services) is considered passenger transportation revenue and belongs to the railway bureau that operates that train. The railway bureau in turn pays other railway bureaus the fees for the use of their rail lines, hauling services, in-station passenger services, water supply, electricity for electric locomotives and contact wire use fees, etc. Under this settlement method, the railway bureaus operating the long-distance train services are required to pay us the following fees: (i) the portion of the revenue from the sale of tickets that is higher than the PRC national railway standards due to our special pricing standards and (ii) other fees including those for railroad line usage, in-station passenger service, haulage service, power supply for electric locomotives, usage fees of contact wires and water supply. This settlement method does not apply to the settlement of our revenue from the passenger trains between Guangzhou and Shenzhen, between Beijing and Hong Kong, between Shanghai and Hong Kong, between Zhaoqing and Hong Kong and the Hong Kong Through Trains. See "ITEM 4. INFORMATION ON THE COMPANY—B. Business Overview—Regulatory Overview—Pricing."

Freight Transportation

Since June 2013, CRC implemented the door-to-door freight fee for railway freight transportation which covers all fees incurred from loading goods, transportation from departure station to arrival station and ultimately to the designated destination. Door-to-door freight fees are charged one-time on the consignor's account and evidenced by consignment invoice, which lists all chargeable services with corresponding prices.

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We charge door-to-door freight fees where we are responsible to goods delivery. After deducting freight fees payable to us incurring in the railway lines under our control, we settled the balance with other relevant Railway Bureau through CRC's clearing system on a monthly basis. For goods not delivered by us but transported through our lines, we received the settlement through National Railway Corporation's clearing system on a monthly basis.

In May 2013, CRC restructured the businesses between CRCT, CREC and China Railway Special Cargo Services CO., Ltd. ("CRSCS"). After the restructuring, CRCT took charge of the container operation and management and left the container transportation business with all relevant assets to State Railway Bureaus (including GRGC). CREC transformed into a logistics company, providing services to the public, while National Railway Bureau was responsible for the operation and management of luggage carts, postal trains, postal and parcel express special trains and operational bases. CRSCS expanded the businesses into container, mail and luggage transportation.

On November 30, 2013, we entered into an asset transfer agreement with China Railway Express Co., Ltd. Guangzhou Branch ("CREC GB") and China Railway Container Transport Co. Ltd. Dalang Processing Station ("CRCT DS"). CREC GB and CRCT DS are all subsidiaries of CRC. The consideration for CREC GB and CRCT DS were approximately RMB102.3 million and RMB79.9 million, respectively. On the same day, control of the assets and operations of CREC and CRCT were transferred to us. The results of operations of the above-mentioned entities have been included in our consolidated comprehensive income statements starting on November 30, 2013.

Our revenue from container, postal transportation and postal and parcel express special train services have been included into transportation revenue after business optimization.

We and State Railway Bureaus (including GRGC) pay CRC a fee for railway containers, which is collected by CRCT. Special cargo transportation income, partially paid to National Railway Bureau and us as railroad usage fees and locomotive traction fees, is attributable to CRSCS.

Competition

We provide passenger and freight transportation services on the Shenzhen-Guangzhou-Pingshi Railway. We expect competition to increase in the future as the marketization reform of the railway industry (including the reformation of the investment and financing system, the transportation management system and the pricing system) gradually deepens. We compete for long-distance traveling passengers against other railway service providers operating within our service territory. The Guangzhou-Shenzhen section of the Guangzhou-Shenzhen-Hong Kong passenger line commenced operation in December 2011, the Beijing-Guangzhou passenger line commenced operation in December 2012, the Xiamen-Shenzhen passenger line commenced operation in December 2013 and the Nanning-Guangzhou and Guiyang-Guangzhou passenger lines commenced operation in December 2014. In addition, in areas where our railroad connects with lines of other railway companies, such as in the Guangzhou area where our railroad connects with the Guangzhou-Maoming Line, and in the Dongguan area where our railroad connects with the Guangzhou-Meizhou-Shantou Line, we face competition from the railway companies operating in these areas. We believe that the entry barrier to the industry will decrease, investors in the industry will become more diversified and the State's high-speed railway network with Four East-West Lines and Four South-North Lines and numerous inter-city railways will complete construction and commence operation, leading to increased competition within the industry itself.

We also face competition from the providers of a variety of other means of transportation within our service territory. With respect to passenger transportation, we face competition from bus services, which are available between Guangzhou and Hong Kong, between Guangzhou and Shenzhen and between many other locations that we provide passenger transportation services. Bus fares are typically lower than the fares for our passenger train services. Furthermore, buses can offer added convenience to passengers by departing from or arriving at locations outside their central terminals, such as hotels. However, train services generally offer greater speed, safety and reliability than bus services. In addition, since the implementation of our "As-Frequent-As-Buses" operating model, our high-speed train services and Hong Kong Through Train services have enabled us to compete more effectively with bus operators in terms of speed and frequency. We also compete to a lesser extent with commercial air passenger transportation services and ferry services operating between Guangzhou and Hong Kong.

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With respect to freight transportation, we face increasing competition from truck transportation in the medium-and short-distance freight transportation market as the expressway and highway networks in our service region and neighboring areas have increasingly improved. By comparison, in the long-distance freight transportation market, especially in the areas where water transportation is not well developed, our freight transportation service has many advantages compared to truck transportation due to the higher cost of truck transportation, susceptibility of truck transportation to traffic conditions and a scarcity of heavy duty trucks. Our freight transportation also competes with water transportation as the waterway networks have increasingly improved. Supported by its more extensive network, railway freight transportation is more competitive in terms of speed and safety compared to water transportation, especially in those areas that are far from coasts and main waterways. As air freight is very expensive and attracts a different group of customers, we do not consider that our freight transportation services face significant competition from air freight. In China, a significant portion of the bulky freight with low added-value is still transported by railroad.

Equipment, Tracks and Maintenance

As of December 31, 2015, we operated 137 diesel locomotives, 73 electric locomotives, 22 EMUs and 1,311 passenger coaches for our operations.

The freight cars we use are all leased from CRC, to which we pay uniform rental fees based on the national standards set by CRC. The amounts of such usage fees we paid to CRC in 2013, 2014 and 2015 were approximately RMB231.5 million, RMB269.1 million and RMB251.3 million, respectively.

From 2007, we started the operation of our CRHs, which we bought from Bombardier Sifang Power (Qingdao) Transportation Ltd. and Bombardier Sweden Transportation Ltd. Each CRH is designed to have a top speed of 200 kilometers per hour and we believe that the introduction of CRHs has strengthened our capability to deliver safety, speed, comfort and quality in our transport services and increased our efficiency and competitiveness.

Our repair and maintenance facilities, including our Guangzhou passenger vehicle maintenance facility, Shipai passenger vehicle maintenance facility, Shenzhen North passenger vehicle maintenance facility, Guangzhou vehicle maintenance facility and Guangzhou North vehicle maintenance facility, provide services for general maintenance and routine repairs on our coaches and locomotives. Major repairs and overhauls are performed by manufacturers or qualified railway bureaus or plants. The repair and maintenance services for the CRHs are provided by our Guangzhou EMU vehicle maintenance facility.

We believe that our existing tracks and equipment meet the needs of our current business and operations. Most of the rails and ties on our main lines have been installed within the last decade and are maintained and upgraded on an ongoing basis as required. In 2013, 2014 and 2015, we replaced approximately 95 kilometers, 133 kilometers and 7 kilometers of railway lines, respectively.

Major Suppliers and Service Providers

GRGC, our single largest shareholder, and its subsidiaries are major suppliers of our materials and supplies. In 2015, we purchased approximately RMB384.3 million in materials and supplies from GRGC and its subsidiaries, which represented 31.4% of our total purchase of materials and supplies. See “ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS—B. Related Party Transactions.”

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The companies or bureaus owned or controlled by CRC, including the GRGC, our single largest shareholder, are our major customers. In 2015, we collected approximately RMB2,508.9 million from GRGC and its subsidiaries, which represented 16.0% of our operating revenues.

The electricity we use, including electricity used for our lines, is supplied through various entities under the jurisdiction of the Guangdong provincial power bureau on normal commercial terms. In 2013, 2014 and 2015, we paid approximately RMB675.2 million, RMB585.8 million and RMB599.3 million, respectively, in electricity charges.

Regulatory Overview

As a joint stock limited company with publicly traded shares, we are subject to regulation by the PRC securities regulatory authorities with respect to our compliance with PRC securities laws and regulations.

Prior to March 14, 2013, we were regulated by the MOR. However, on March 14, 2013, the First Session of the 12th National People's Congress of the PRC considered and approved the plan on State Council institutional reform and transformation of government functions, pursuant to which the MOR was dissolved. In accordance with the plan, administrative functions pertaining to railway development planning and policies were transferred to the MOT, other administrative functions previously performed by the MOR were transferred to the National Railway Administration, supervised by the MOT, and commercial functions previously performed by the MOR were transferred to the China Railway Corporation. Upon the completion of the transfer, the de facto control of our largest shareholder was transferred to China Railway Corporation. The details of this plan have not yet been announced. Therefore, the following discussion regarding the regulation of the PRC national railway system may change substantially to reflect this plan. See "ITEM 3. KEY INFORMATION—D. Risk Factors—Risks Relating to Our Business—Extensive government regulation of the railway transportation industry may limit our flexibility in responding to market conditions, competition or changes in our cost structure."

National Railway System

Railroads in the PRC fall largely into three categories: state-owned railroads, jointly owned railroads and local railroads. The PRC central government holds the equity interests in state-owned railroads. The state-owned railway system comprises over 70% of all rail lines, including all trunk lines. Prior to the dissolution of the MOR, the state-owned railway system was operated as a nationwide integrated system under the supervision and management of the MOR. Jointly owned railroads are jointly invested and operated by the central government of the PRC, the local government and other foreign or domestic investors. Local railroads consist of regional lines usually within provincial or municipal boundaries that have been constructed under the sponsorship of local governments or local enterprises to serve local needs. Although the MOR did not operate other railroads, it provided guidance, coordination, supervision and assistance with respect to industry matters to such other railroads. The MOR's responsibilities include the centralized coordination of train routing and scheduling nationwide, planning of freight shipments and freight car allocations, overseeing equipment standardization and maintenance requirements, and financial oversight and revenue clearing throughout the national railway system. After the dissolution of the MOR, the administrative functions formerly performed by the MOR were assigned to the MOT and the National Railway Administration, while the commercial functions formerly performed by the MOR were assigned to CRC.

Railway group companies are directly responsible for passenger and freight transportation as well as the coordination and supervision of operations carried out by train stations within their respective service territory. There are currently 18 railway group companies overseeing distinct portions of the national railway system.

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Transport Operations

Prior to the dissolution of the MOR, the transport operations of the PRC national railway system were organized under the centralized regulation of the MOR. In order to promote efficient utilization of the railroad network nationwide, the MOR supervised and coordinated traffic flow on national trunk lines and through any connection points, where two rail lines operated by different companies connect to each other, in the system. Based on route capacity, available equipment and national priorities, the MOR formulated and issued the plans to the railway bureaus or railway group companies regarding routings on trunk lines, allocation of transportation capacities between railway bureaus or railway group companies at the connection points and allocation of freight cars to railway bureaus or railway group companies. The MOR also regulated the dispatch of empty freight cars to designated locations in order to enhance the utilization rate of the freight cars within the national railway system. Within the plans set forth by the MOR, each railway bureau and railway group company supervised and coordinated traffic within its own jurisdiction.

Currently, the plans and schedules for our passenger and freight services that were conducted solely on our own lines were determined by us; while our passenger and freight services that ran beyond our own lines were subject to overall planning and scheduling of GRGC or CRC.

Where our service runs beyond our own line, clearance by and coordination with GRGC is necessary. Prior to the dissolution of the MOR, to the extent that we operated long-distance services beyond GRGC's jurisdiction, they were subject to coordination and clearance by the MOR. Currently, they were subject to coordination and clearance by CRC. In addition, in order to enable GRGC and the MOR to allocate freight cars and control traffic going through connection points, we were required to provide GRGC with prior electronic notice through internal network, on a daily basis, of the number and types of freight cars we required, as well as the number of our freight trains that would go through particular connection points. Currently, the daily notice is still provided to GRGC and the allocation of freight cars and control of traffic through connection points are carried out by GRGC and CRC. Furthermore, we were required to carry out special shipping tasks, such as emergency aid and military and diplomatic transport, as directed by the MOR (and now by CRC) or GRGC. Revenue from military and diplomatic transport generally account for less than 1% of our total transportation revenue. Emergency aid transport was required only during periods of natural disasters declared by the PRC government, and was provided with reduced fees.

Pricing

Prior to the dissolution of the MOR, the MOR was generally responsible for preparing a proposal for the baseline pricing standards for the nationwide railway system with respect to freight and passenger transportation. Such proposed pricing standards would take effect after being approved by and/or filed with relevant PRC government authorities. Currently, CRC is responsible for the preparing and filing of such proposal for the baseline pricing standards.

Pursuant to relevant approvals from the MOR and other relevant PRC government authorities, we have some discretion to adjust and determine our service price. With respect to our freight transportation services within our Guangzhou-Shenzhen lines, we may set our prices within a range between 50% and 150% of national price levels. With respect to our passenger transportation services, we may set the prices for our regular speed Guangzhou-Shenzhen trains within a range between 25% and 225% of national price levels, and may freely determine the prices for our high-speed express trains between Guangzhou and Shenzhen. In addition, we set the prices for our Hong Kong Through Trains in consultation with MTR, our business partner and the prices for our Hong Kong Through Trains are higher than the prices we charge for our domestic train services.

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Environmental Protection

We believe that we are in material compliance with all applicable PRC national and local environmental protection laws and regulations. We have not been fined or cited for any activities that have caused environmental damages. We have 14 wastewater treatment facilities used for purposes of treating wastewater generated from cleaning of special cargo freight cars, locomotives, coaches and from residential use of our employees. We pay regular fees to local authorities for the discharge of waste substances. In 2015, our environmental protection-related expenses were approximately RMB52.75 million, mainly related to construction of fixed suction sewage facilities in railway stations and environmental improvement of Shaoguan Training Base.

Insurance

We do not currently maintain any insurance coverage with third party carriers against third party liabilities. Consistent with what we believe to be the customary practice among railway operators in the PRC, we do not maintain insurance coverage for our property and facilities (other than for our automobiles), for business interruption or for environmental damage arising from accidents on our property or relating to our operations. As a result, in the event of an accident or other event causing loss, destruction or damage to our property or facilities, causing interruption to our normal operations or causing liability for environmental damage or clean-up, we will be liable for such damages. See “ITEM 3. KEY INFORMATION—D. Risk Factors—Risks Relating to Our Business—We have very limited insurance coverage.”

In addition, we have taken out basic retirement insurance, basic medical insurance, work-related personal injury insurance policies and childbearing insurance for our employees.

C. Organizational Structure

The following table lists our significant subsidiaries as of December 31, 2015:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage of Interest held by our Company</u>
Dongguan Changsheng Enterprise Company Limited	PRC	51%
Shenzhen Fu Yuan Enterprise Development Company Limited	PRC	100%
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited	PRC	100%
Shenzhen Nantie Construction Supervision Company Limited	PRC	76.66%
Shenzhen Railway Property Management Company Limited	PRC	100%
Shenzhen Shenhusheng Storage and Transportation Company Limited	PRC	100%
Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited	PRC	100%
Shenzhen Railway Station Passenger Services Company Limited	PRC	100%
Guangshen Railway Station Dongqun Trade and Commerce Service Company Limited	PRC	100%
Guangzhou Railway Huangpu Service Company Limited	PRC	100%
Zengcheng Lihua Stock Company Limited	PRC	44.72%

In 2015, Shenzhen Guangshen Railway Travel Service Ltd, a 100% owned subsidiary of the Company, was liquidated. The financial impact of the liquidation on the consolidated financial statements of the Company is insignificant.

D. Property, Plant and Equipment

We occupy a total area of approximately 41.1 million square meters, among which, we own the land use right of approximately 13.1 million square meters on which our buildings and facilities of Guangzhou-Shenzhen railway are located, we lease approximately 28.0 million square meters from GRGC for the Guangzhou-Pingshi Railway.

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With respect to the land for which we hold the land use rights, the terms range from 36.5 to 50 years, terminating between 2031 and 2055. Pursuant to relevant PRC regulations currently in effect, these land use rights are renewable at the end of their terms upon execution of relevant documentation and payment of applicable fees. With respect to the land leased from GRGC, the term is 20 years, terminating in 2027. Based on the land lease agreement we entered into with GRGC in 2004, we can renew such lease at our discretion upon the expiration of the term of such land lease.

As of December 31, 2015, we had not obtained the land use right certificates, or Land Certificates, of certain parcels of land with an aggregate area of approximately 1,928,603 square meters. After consultation with our PRC legal counsel, we believe there is no legal hurdle for us to apply for and to obtain the Land Certificates and we do not believe the current lack of Land Certificates will lead to any material adverse impact on the operation of our business. Accordingly, we do not consider any provision for impairment necessary.

As of December 31, 2015, we had not obtained the ownership certificates of certain buildings, or Building Ownership Certificates, which had an aggregate carrying value of approximately RMB1,753.3 million. After consultation with our PRC legal counsel, we believe that there is no legal hurdle for us to apply for and obtain the Building Ownership Certificates and it should not lead to any material adverse impact on the operation of our business. Accordingly, we do not consider any provision for impairment necessary.

Railroad operators typically require substantial land use rights for track, freight and maintenance yards, stations and related facilities. The availability of convenient rail transportation generally enhances the value of land along a rail line. We have not engaged and do not have any current plans to engage in commercial development of any of our land use rights for use other than in connection with our existing businesses. We do not at present intend to contribute capital to engage in any land development projects in the future. However, we may contribute land use rights not otherwise being fully utilized by us for equity stakes in these projects if we believe these opportunities are economically viable. Any development projects will require approval from PRC government authorities responsible for regulating land development.

As of April 27, 2016, we had 48 stations situated on our rail line, of which the Guangzhou East Station is the largest, occupying an area of 41,925 square meters.

For additional information regarding our property, plant and equipment, see “ITEM 4. INFORMATION ON THE COMPANY—B. Business Overview—Equipment, Tracks and Maintenance” and Note 6 to our audited consolidated financial statements included elsewhere in this annual report.

ITEM 4A. UNRESOLVED STAFF COMMENTS

We do not have any unresolved Staff comments that are required to be disclosed under this item.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

This discussion and analysis should be read in conjunction with our audited consolidated financial statements included elsewhere in this annual report. Our audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by IASB.

Overview

Our principal businesses are railroad passenger and freight transportation as well as railway network usage and other transportation related services on the Shenzhen-Guangzhou-Pingshi railway and certain long-distance passenger transportation services. We also operate the Hong Kong Through Trains under a cooperative arrangement with MTR in Hong Kong. Prior to the Acquisition, our key strategic focus was to provide high-speed passenger train services in the Guangzhou-Shenzhen corridor. After the Acquisition, we have aimed to establish ourselves as a comprehensive railway service provider on the Shenzhen-Guangzhou-Pingshi corridor by providing passenger transportation, freight transportation and railway network usage and other transportation related services to our customers. In addition to our core railroad transportation business, we also engage in other businesses that complement our core businesses, including on-board and station sales, restaurant services, as well as advertising and tourism.

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For the year ended December 31, 2015, our total revenue was RMB15,725.3 million, profit attributable to equity holders was RMB1,070.8 million, and earnings per share were RMB0.15. Railroad and related business revenue accounted for 93.0%, 93.1% and 93.1% of our total revenue in 2013, 2014 and 2015, respectively.

Passenger transportation is our principal business. In 2015, the total number of our passengers was 85.4 million, representing a decrease of 5.3% from 90.1 million in 2014. Our passenger transportation revenue was RMB6,997.6 million in 2015, representing an increase of 0.1% from RMB6,988.3 million in 2014.

We transported a total of 48.4 million tons of freight in 2015, representing a decrease of 6.1% from 51.6 million tons in 2014. Our freight transportation revenue in 2015 was RMB1,761.4 million, representing a decrease of 0.1% from RMB1,763.7 million in 2014.

Revenue from our railway network usages and other transportation related services business was RMB5,874.7 million in 2015, representing an increase of 16.8% from RMB5,031.2 million in 2014.

Revenue from our other businesses was RMB1,091.6 million in 2015, compared to RMB1,017.6 million in 2014.

A. Operating Results

Principal Factors Affecting Our Results of Operations

Economic Development in the Pearl River Delta Region and the PRC. We are mainly engaged in railway transportation services on the trains between Guangzhou-Shenzhen intercity trains, certain long-distance trains and Hong Kong Through Trains. Our results of operations relating to passenger transportation are influenced by the economic development in the Pearl River Delta region. The level of economic activities in the Pearl River Delta region, including the economic cooperation among Hong Kong, Macau and China, affects the number of business people and migrant workers traveling in this region. In addition, the average income levels of residents in this region and elsewhere in the PRC affects the number of the tourists departing from or arriving at our train stations. The majority of the freight we transport is large-volume, medium-to long-distance freight received from and/or transferred to other railway lines. Economic development in the PRC, including but not limited to the Pearl River Delta region, determines the market demand for such goods as coal, iron ore, steel and therefore indirectly affects the market demand of freight train transportation service. Furthermore, the global financial crisis and economic downturn in 2008 had adversely affected economies and businesses around the world, including in China. This change in the macro-economic conditions had an adverse impact on our business and operations by causing a decrease in the number of passengers and the volume of freight that we transported in 2009. Although many places around the world have recovered since the second half of 2009, the global economic downturn, Europe's sovereign debt crisis, the stability of the Eurozone and the decreased growth rate of China's economy may have a material and adverse effect on our businesses, results of operations and financial condition. For example, we experienced a decrease in the volume of freight transportation, partially due to the slowdown of China's economic growth and a shift in the Pearl River Delta economy towards technology businesses, which require less freight to be transported by rail.

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Competitive Pressure from other Railway Operators and other Means of Transportation. Sales for our passenger transportation services are also affected by the competitive pressure from other railway operators and other means of transportation, such as the automobile, bus, ferry and airplane services. With the establishment of the “four horizontal and four vertical” high-speed railway network, more high-speed trains that connect the Pearl River Delta region and other major mainland cities are available to the public, including the Guangzhou-Shenzhen section of the Guangzhou-Shenzhen-Hong Kong passenger line which commenced operation in December 2011, the Beijing-Guangzhou passenger line which commenced operation in December 2012, the Xiamen-Shenzhen passenger line which commenced operation in December 2013 and the Nanning-Guangzhou and Guiyang-Guangzhou passenger lines which commenced operation in December 2014. As a result, the number of passengers traveling by our long-distance train services decreased recently. In response to such competition, we adjusted the operational scheme of passenger transportation to increase the number of pairs of long-distance trains. In addition, the opening of the Guangzhou-Shenzhen high speed rail way, the rapid growth in the number of privately owned vehicles and a higher penetration of bus services also affected the number of train passengers traveling short distances and any significant decrease in the air transportation prices affects the number of train passengers traveling long distances. Our sales of the freight transportation services are also affected by the competition from other means of transportation, such as water, truck and freight transportation services. We also expect competition to increase in the future as the marketization reform of the railway industry (including the reformation of the investment and financing system, the transportation management system and the pricing system) gradually deepens.

We believe that the entry barrier to the industry will decrease, investors in the industry will become more diversified and the State’s high-speed railway network with Four East-West Lines and Four South-North Lines and numerous inter-city railways will complete construction and commence operation, leading to increased competition within the industry itself.

PRC Policies. We are allowed to be more flexible in setting the prices of both passenger transportation and the freight transportation services as compared to other domestic railroad operators. Material changes in the policies of the PRC government that affect such preferential treatments will affect our results of operations.

Year ended December 31, 2015 compared with year ended December 31, 2014

Revenue

In 2015, our total revenue was RMB15,725.3 million, representing an increase of 6.2% from RMB14,800.8 million in 2014. Our revenue from railroad passenger transportation service, freight transportation service and railway network usage and other transportation related services was RMB6,997.6 million, RMB1,761.4 million and RMB5,874.7 million, respectively, accounting for approximately 44.5%, 11.2% and 37.4% of our total revenue in 2015, respectively.

Passenger transportation. Revenue from passenger transportation accounted for 44.5% of our total revenue and 47.8% of our railroad and related business revenue in 2015. As of December 31, 2015, we operated 239 pairs of passenger trains each day, including 105 pairs of intercity high-speed passenger trains between Guangzhou and Shenzhen (including 19 stand-by pairs), 13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains) and 121 pairs of long-distance trains.

In 2015, the total number of our passengers was 85.4 million, representing a decrease of 5.3% from 90.1 million in 2014. Our passenger transportation revenue was RMB6,997.6 million in 2015, representing an increase of 0.1% from RMB6,988.3 million in 2014. The decrease in passenger volume was primarily due to (i) the increasing number of high-speed railways between the Pearl River-Delta Area and other major cities in China, which has greatly drawn away passengers from us and (ii) the “Occupy Central” movement in Hong Kong, which caused the decrease of the volume of passengers taking our Hong Kong Through Trains. The increase in revenue from passenger volume was primarily due to the commencement of service of one new pair of long-distance trains between Guangzhou and Ganzhou and three new pairs of cross-network EMU trains between Guangzhou East and Chaozhou-Shantou on September 30, 2014 and February 1, 2015 respectively.

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The following table sets forth our revenue from passenger transportation and the number of passengers for 2014 and 2015:

	<u>Year ended December 31,</u>		<u>Change from 2014 to 2015</u>
	<u>2014</u>	<u>2015</u>	
Revenue from passenger transportation (RMB thousands)	6,988,288	6,997,562	0.1%
Total passengers (thousands)	90,113	85,367	(5.3%)
Total passenger-kilometers (millions)	27,954	25,989	(7.0%)
Revenue per passenger-kilometer (RMB)	0.25	0.27	8.0%

Freight transportation. Revenue from our freight transportation accounted for 11.2 % of our total revenue and 12.0 % of our railroad and related business revenue in 2015.

Revenue from our freight transportation business in 2015 was RMB1,761.4 million, a decrease of 0.1% from RMB1,763.7 million in 2014. The total tonnage of freight we transported in 2015 was 48.4 million tons, representing a decrease of 6.1% from 51.6 million tons in 2014. The decrease in freight revenue and freight volume were mainly due to the slowing economy in China, the structural adjustment in the Pearl River-Delta region and the heightened competition in the freight transportation market in 2015. Despite the fact that both freight revenue and total tonnage decreased between 2014 and 2015, the amount of total tonnage transported decreased at a greater rate than the decrease in total revenue; and there has been an increase in the unified national railway freight transportation fee by RMB0.01 per ton kilometer since February 1, 2015, as a result, revenue per ton in 2015 increased by 6.4% compared to 2014 (RMB36.4 in 2015 and RMB34.2 in 2014).

The following table sets forth our revenue from freight transportation and the volumes of commodities we shipped for 2014 and 2015:

	<u>Year ended December 31,</u>		<u>Change from 2014 to 2015</u>
	<u>2014</u>	<u>2015</u>	
Revenue from freight transportation (RMB thousands)	1,763,679	1,761,449	(0.1%)
- Revenue from outbound freight transportation	590,448	565,392	(4.2%)
- Revenue from inbound and pass-through transportation	920,255	1,022,025	11.1%
- Revenue from other freight transportation services	252,976	174,032	(31.2%)
Total freight tons (thousands of tons)	51,562	48,438	(6.1%)
- Outbound freight tonnage	18,318	16,882	(7.8%)
- Inbound and pass-through freight tonnage	33,244	31,556	(5.1%)
Revenue per ton (RMB)	34.2	36.4	6.4%
Total ton-kilometers (millions)	11,435	10,874	(4.9%)
Revenue per ton-kilometer (RMB)	0.15	0.16	6.7%

Railway network usage and other transportation related services. Revenue from our railway network usage and other transportation related services accounted for 37.4% of our total revenue and 40.1% of our railroad and related business revenue in 2015. Railway network usage and other transportation related services mainly include locomotive traction, track usage, electric catenary, vehicle coupling and other services. Revenue from our railway network usages and other transportation related services business was RMB5,874.7 million in 2015, representing an increase of 16.8% from RMB5,031.2 million in 2014. The increase in revenue from railway network usage and other transportation related services was principally due to (i) an increase in the railway operation services we provided to railway companies we have been serving in the past, including but not limited to, Wuhan-Guangzhou Passenger Railway Line Co., Ltd., Guangzhou-Shenzhen-Hong Kong Express Rail Link Company Limited, Xiamen-Shenzhen Railway Company Limited and Ganzhou-Shaoguan Railway Company Limited, and (ii) the railway operating services we newly provided to Guiyang-Guangzhou Railway Company Limited and Nanning-Guangzhou Railway Company Limited.

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Other Businesses. Our other businesses mainly consist of the sale of materials and supplies, on-board catering services, labor services and other businesses related to railway transportation. Revenue from our other businesses was RMB1,091.6 million in 2015, representing an increase of 7.3% from RMB1,017.6 million in 2014, primarily because we included fueling service for locomotives and passenger cars as other businesses in 2015, which used to be categorized as part of the principal business mentioned above before then.

Operating Expenses

In 2015, our total operating expenses were RMB14,156.7 million, representing an increase of 2.9% from RMB13,752.0 million in 2014.

The following table sets forth the principal operating expenses associated with our railroad and related business, as a percentage of our railroad and related business revenue for 2014 and 2015.

	<u>Year ended December 31,</u>	
	<u>2014</u>	<u>2015</u>
Railroad and related business revenue (RMB millions)	13,783.2	14,633.7
Business tax	0.4%	0.3%
Labor and benefits	32.2%	32.6%
Equipment leases and services	26.3%	26.7%
Land use right leases	0.4%	0.4%
Materials and supplies	9.5%	8.4%
Repairs and facilities maintenance costs, excluding materials and supplies	6.6%	4.9%
Depreciation of fixed assets	10.2%	9.5%
Amortization of leasehold land payments	0.1%	0.1%
Social services expenses	0.1%	0.1%
Utility and office expenses	0.5%	0.4%
Impairment for trade and other receivables and materials and supplies	—	0.4%
Others	5.9%	6.1%
Operating expenses ratio ⁽¹⁾	92.4%	89.9%
Railroad and related business operating margin	7.6%	10.1%

(1) Total railroad operating expenses as a percentage of railroad and related business revenue.

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Railway Operating Expenses. Our total railway operating expenses increased by 3.3% to RMB13,150.4 million in 2015 from RMB12,729.8 million in 2014. This increase was driven primarily by:

- Equipment leases and services. Our expenses for equipment leases and services mainly consist of railway line usage fees, train hauling fees and train leasing fees paid to other railway bureaus. In 2015, our expenses relating to equipment leases and services amounted to RMB3,908.5 million, representing an increase of 7.7% from RMB3,629.8 million in 2014. This increase was mainly due to the commencement of three newly added cross-network EMU pairs traveling across Guangzhou and Chaozhou-Shantou, the increase in leasing fees of locomotives and management fees of railway operation services settled by GRGC.
- Labor and benefits. In 2015, our labor and benefits expenses amounted to RMB4,767.1 million, representing an increase of 7.3% from RMB4,441.6 million in 2014. The increase was mainly due to increases in the number of employees and the average monthly staff cost by person.

The increase in our operating expenses was partially offset by:

- Materials and supplies. Our materials and supplies consist of expenses for materials, fuel, water and electricity. In 2015, our materials and supplies amounted to RMB1,224.3 million, representing a decrease of 6.5% from RMB1,310.1 million in 2014. The decrease was mainly due to the completion of certain locomotive maintenance projects in 2014 and no occurrence of similar new projects in 2015. See “ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS—B. Related Party Transactions” and Note 36 to our audited consolidated financial statements included elsewhere in this annual report.
- Repairs and facilities maintenance costs, excluding materials and supplies. In 2015, our repairs and facilities maintenance costs, excluding materials and supplies, amounted to RMB716.2 million, representing a decrease of 20.9% from RMB905.5 million in 2014. This was mainly due to a decrease of maintenance work on locomotives and rolling stock.
- Impairment for trade and other receivables and materials and supplies. In 2015, our impairment for trade and other receivables and materials and supplies amounted to RMB59.6 million, approximately RMB52.8 million of which was made for reusable rail-line track materials due to the decrease in steel prices in 2015. In addition, we recognized impairment loss of approximately RMB11.3 million for certain locomotive accessories, which were no longer used for commercial operations due to technological changes and development in 2015.

Profit from Operations

Our profit from operations increased by 37.7% to RMB1,453.9 million in 2015 from RMB1,056.0 million in 2014, primarily due to the increased profit we received from railway network usage and other transportation related services in 2015.

Taxation

In 2015, according to relevant tax regulations, our subsidiaries were subject to income tax at the rate of 25%. Our income tax expense was RMB388.5 million in 2015, representing an increase of 77.0%, compared to RMB219.5 million in 2014. The increase was primarily due to the increase in our profit from operations. The effective tax rate in 2015 was 26.8%, representing an increase of 1.9% from 24.9% in 2014. The increase was mainly due to expenses and losses incurred, which are not deductible for tax assessment purposes, and reversal of deferred tax asset associated with impairment loss of investment in associates and other receivable recognized in prior years.

Profit attributable to equity holders of our Company

As a result of the above, our profit attributable to equity holders of our Company increased by 61.8% to RMB1,070.8 million in 2015 from RMB662.0 million in 2014.

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Year ended December 31, 2014 compared with year ended December 31, 2013

Revenue

In 2014, our total revenue was RMB14,800.8 million, representing a decrease of 6.3% from RMB15,800.7 million in 2013. Our revenue from railroad passenger transportation service, freight transportation service and railway network usage and other transportation related services was RMB6,988.3 million, RMB1,763.7 million and RMB5,031.2 million, respectively, accounting for approximately 47.2%, 11.9% and 34.0% of our total revenue in 2014, respectively.

Passenger transportation. Revenue from passenger transportation accounted for 47.2% of our total revenue and 50.7% of our railroad and related business revenue in 2014. As of December 31, 2014, we operated 233.5 pairs of passenger trains each day, including 105 pairs of intercity high-speed passenger trains between Guangzhou and Shenzhen (including 19 stand-by pairs), 13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains) and 115.5 pairs of long-distance trains.

In 2014, the total number of our passengers was 90.1 million, representing a decrease of 1.0% from 91.0 million in 2013. Our passenger transportation revenue was RMB6,988.3 million in 2014, representing a decrease of 13.3% from RMB8,058.3 million in 2013. The decrease in passenger volume was primarily due to the establishment of the “four horizontal and four vertical” high-speed railway network. The increasing number of high speed railways between the Pearl River Delta Area and other major cities in Mainland China is drawing away passengers from the existing railway network in the Guangzhou-Shenzhen area, especially the Guangzhou-Shenzhen Intercity Railway, with growing adverse effects on our passenger volumes. The decrease in revenue from passenger volume was primarily due to: (i) the extension of the Pilot Scheme to the railway transportation industry on January 1, 2014. Value-added tax is a tax on top of but distinct from price. According to the relevant accounting standard in the PRC and overseas, operating revenues should be recognized after deducting value-added tax. As our income and pricing scheme remained unchanged after the implementation of the Pilot Scheme, the deduction of value-added tax from income from the original pricing scheme resulted in lower revenue as compared with the same period in the prior year (ii) long-distance train services for the Guangzhou-Liuzhou route and the Shenzhen(East)-Shanghai(South) route were terminated pursuant to a nationwide railway network adjustment in 2013, which resulted in a year-on-year decrease in the relevant revenue; and (iii) the decrease in passenger volume in 2014.

The following table sets forth our revenue from passenger transportation and the number of passengers for 2013 and 2014:

	<u>Year ended December 31,</u>		<u>Change from</u>
	<u>2013</u>	<u>2014</u>	<u>2013 to 2014</u>
Revenue from passenger transportation (RMB thousands)	8,058,291	6,988,288	(13.3%)
Total passengers (thousands)	90,957	90,113	(0.9%)
Total passenger-kilometers (millions)	27,845	27,954	0.4%
Revenue per passenger-kilometer (RMB)	0.29	0.25	(13.8%)

Freight transportation. Revenue from our freight transportation accounted for 11.9% of our total revenue and 12.8% of our railroad and related business revenue in 2014.

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Revenue from freight transportation business in 2014 was RMB1,763.7 million, an increase of 10.0% from RMB1,603.3 million in 2013. This increase in freight revenue was mainly due to (i) on November 30, 2013, we acquired the container transportation related cargo business and assets originally owned by Dalang Handling Station of CRC, resulting in a year-on-year increase in related revenues; (ii) freight transportation related services and revenues, such as retrieval and delivery of goods and cargo handling, was reclassified as freight transportation services and revenues, under the “One Price Policy” implemented on June 15, 2013; and (iii) since February 15, 2014, the unified national railway freight transportation fee has been increased by 1.5 cents per ton kilometer. The freight transportation of Beijing-Guangzhou railway Guangzhou-Pingshi section, which we operate, has adopted a unified fee. The total tonnage of freight we transported in 2014 was 51.6 million tons, representing a decrease of 13.4% from 59.6 million tons in 2013. This decrease in freight volume was mainly due to (i) factors including the slowdown of economic growth in China and the economic shift of the industry structure towards technology-driven business in the Pearl River Delta region, which contributed to a decrease of goods volume transported via the railway network; and (ii) Guangzhou-Zhuhai Railway, which has been drawing away freight transportation demand from the Guangzhou-Shenzhen area since commencing operations.

The following table sets forth our revenue from freight transportation and the volumes of commodities we shipped for 2013 and 2014:

	Year ended December 31,		Change from 2013 to 2014
	2013	2014	
Revenue from freight transportation (RMB thousands)	1,603,288	1,763,679	10.0%
- Revenue from outbound freight transportation	527,412	590,448	12.0%
- Revenue from inbound and pass-through transportation	904,908	920,255	1.7%
- Revenue from other freight transportation services	170,968	252,976	48.0%
Total freight tons (thousands of tons)	59,556	51,562	(13.4%)
- Outbound freight tonnage	20,344	18,318	(10.0%)
- Inbound and pass-through freight tonnage	39,212	33,244	(15.2%)
Revenue per ton (RMB)	26.9	34.2	27.1%
Total ton-kilometers (millions)	13,293.8	11,426.0	(14.1%)
Revenue per ton-kilometer (RMB)	0.12	0.15	25%

Railway network usage and other transportation related services. Revenue from our railway network usage and other transportation related services accounted for 34.0% of our total revenue and 36.5% of our railroad and related business revenue in 2014. Railway network usage and other transportation related services mainly include locomotive traction, track usage, electric catenary, vehicle coupling and other services. Revenue from our railway network usages and other transportation related services business was RMB5,031.2 million in 2014, representing a decrease of 0.1% from RMB5,034.7 million in 2013. The decrease in revenue from railway network usage and other transportation related services was principally due to (i) the reduction in the revenues after November 30, 2013, when we acquired the container transportation related cargo business and assets originally operated by Dalang Handling Station of CRC, and the baggage and parcel transportation business operated by CRC Express Co. Ltd Guangzhou Branch; (ii) the Pilot Scheme, which was implemented for the railway transportation industry from January 1, 2014. Value-added tax is a tax on top of but distinct from price. According to the relevant accounting standard in the PRC and overseas, operating revenues should be recognized after deducting value-added tax. As our income and pricing scheme remained unchanged after the implementation of the Pilot Scheme, the deduction of value-added tax from income from the original pricing scheme resulted in lower revenue as compared with the same period in the prior year; and (iii) the drop in the prices for the national railway network usage services.

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Other Businesses. Our other businesses mainly consist of the sale of materials and supplies, maintenance of trains, on-board catering services, labor services and other businesses related to railway transportation. Revenue from our other businesses was RMB1,017.6 million in 2014, representing a decrease of 7.9% from RMB1,104.4 million in 2013, primarily because freight transportation related services and revenues, such as retrieval and delivery of goods and cargo handling, was reclassified as freight transportation services and revenues, under the “One Price Policy” implemented on June 15, 2013.

Operating Expenses

In 2014, our total operating expenses were RMB13,752.0 million, representing a decrease of 1.3% from RMB13,927.4 million in 2013.

The following table sets forth the principal operating expenses associated with our railroad and related business, as a percentage of our railroad and related business revenue for 2013 and 2014.

	<u>Year ended December 31,</u>	
	<u>2013</u>	<u>2014</u>
Railroad and related business revenue (RMB millions)	14,696.3	13,783.2
Business tax	2.4%	0.4%
Labor and benefits	26.8%	32.2%
Equipment leases and services	28.4%	26.3%
Land use right leases	0.4%	0.4%
Materials and supplies	10.8%	9.5%
Repairs and facilities maintenance costs, excluding materials and supplies	3.4%	6.6%
Depreciation of fixed assets	9.5%	10.2%
Amortization of leasehold land payments	0.1%	0.1%
Social services expenses	0.5%	0.1%
Utility and office expenses	0.5%	0.5%
Others	5.0%	5.9%
Operating expenses ratio ⁽¹⁾	87.6%	92.4%
Railroad and related business operating margin	12.4%	7.6%

(1) Total railroad operating expenses as a percentage of railroad and related business revenue.

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Railway Operating Expenses. Our total railway operating expenses decreased by 1.2% to RMB12,729.8 million in 2014 from RMB12,878.8 million in 2013. This decrease was driven primarily by:

- Equipment leases and services. Our expenses for equipment leases and services mainly consist of railway line usage fees, train hauling fees and train leasing fees paid to other railway bureaus. In 2014, our expenses relating to equipment leases and services amounted to RMB3,629.8 million, representing a decrease of 3.6% from RMB4,166.3 million in 2013. This was mainly due to a reduction in our long-distance services and a nation-wide decrease in the prices of railway network usage which resulted in a subsequent decrease in the leasing of equipment and related service charges.
- Business tax. In 2014, our business tax amounted to RMB61.0 million, representing a decrease of 82.9% from RMB357.8 million in 2013. The decrease was mainly due to the implementation of the Pilot Scheme on January 1, 2014 such that the revenue from railway transportation is no longer subject to business tax.
- Materials and supplies. Our materials and supplies consist of expenses for materials, fuel, water and electricity. In 2014, our materials and supplies amounted to RMB1,310.1 million, representing a decrease of 17.5% from RMB1,587.3 million in 2013. The decrease was mainly due to the implementation of the Pilot Scheme on January 1, 2014, decreased tax burden on procurement of supplies, and lowered workload on locomotive-towing services.

The decrease in our operating expenses was partially offset by:

- Labor and benefits. In 2014, our labor and benefits expenses amounted to RMB4,441.6 million, representing an increase of 12.9% from RMB3,932.1 million in 2013. The increase was mainly due to an increase in the number of employees, an industry-wide pay-raise, increases in the contributions to the housing fund and social insurance and an increase in the salary and compensation expenses.
- Repairs and facilities maintenance costs, excluding materials and supplies. In 2014, our repairs and facilities maintenance costs, excluding materials and supplies, amounted to RMB905.5 million, representing an increase of 80.5% from RMB501.7 million in 2013. This was mainly due to an increase of maintenance work on EMU, locomotives and passenger compartments.

Profit from Operations

Our profit from operations decreased by 44.1% to RMB1,056.0 million in 2014 from RMB1,888.2 million in 2013, primarily due to the extension of the Pilot Scheme to the railway transportation industry on January 1, 2014. As a result, our operating revenues shrank significantly during the reporting period as compared with the previous year, resulting in a sharp decline in profit year-on-year despite only a slight decline in operating costs.

Taxation

In 2014, according to relevant tax regulations, our subsidiaries were subject to income tax at the rate of 25%, except for one subsidiary which was subject to income tax rate of 20%. Our income tax expense was RMB219.5 million in 2014, representing a decrease of 49.0%, compared to RMB430.7 million in 2013. The decrease was primarily due to the decrease in our profit from operations.

Profit attributable to equity holders of our Company

As a result of the above, our profit attributable to equity holders of our Company decreased by 48.0% to RMB662.0 million in 2014 from RMB1,273.8 million in 2013.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with IFRS. Our principal accounting policies are set out in Note 2 to our audited consolidated financial statements included elsewhere in this annual report. IFRS also requires us to exercise our judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to our audited consolidated financial statements included elsewhere in this annual report. Although these estimates are based on our best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating our sales.

We recognize revenue when the services are rendered and the amount of revenue can be reliably measured, future economic benefits will probably flow to the entity with reasonably certainty, and specific criteria have been met for each of our activities as described below. The recognition also involves use of estimates exercised by management based on historical results, takes into consideration the different type of customers, transactions and the specifics of each arrangement.

(a) Revenue from railroad and related business

Revenue from passenger transportation

The passenger transportation is generally classified by transportation business of Guangzhou-Shenzhen inter-city express trains, long-distance trains and Guangzhou-Hong Kong city through trains. These services are provided in cooperation with other railway companies in PRC and the corresponding revenue information is captured and processed by CRC through a central clearance system.

Revenues are recognized on a monthly basis when the train transportation services are rendered within the month, i.e. upon the passenger tickets with fixed prices and dates of travel, which are non-refundable and non-reschedulable, are sold and the respective trains have reached the prescribed destinations within that particular month, as well as upon approval and notification is made by CRC on a monthly basis (the "CRC Monthly Statement") for transactions completed within that month and when the amounts of revenue can be reliably measured and collectability is certain. The revenue is presented net of value-added tax but before deduction of any sales handling commissions.

Revenue from freight transportation

We also operate with other railway companies in PRC for the provision of freight transportation services. Service information and computation of the attributable revenues entitled by us are processed by the central clearance system of CRC on a monthly basis. Revenue from outbound and inbound freight transportation with ports of loading and discharge located at railway lines owned and operated by us; pass-through transportation with freight trains passing through railway lines owned and operated by us; as well as goods loading and discharge services rendered at ports located at railway lines owned by us, are recognized, on a monthly basis, when the goods are delivered to the ports of discharge within a month, or when the loading/discharge services are rendered, and when the amounts are approved and notified in the CRC Monthly Statement, upon which the amounts can be reliably measured and collectability is certain.

The revenues are presented at the gross amounts of the attributable freight charges computed from the standard freight charges imposed by CRC.

Revenue from railway network usage and other transportation related business

Revenue from railway network usage and other transportation related business, mainly consist of network usage services (locomotive traction, track usage and electric catenary service, etc.) and railway operation services and other services, are rendered by us together with other railway companies in PRC. The information relating to network usage service is captured and processed by the central clearance system of CRC. The revenue from network usage services are recognized on a monthly basis, when the services are rendered within that month and revenue can be reliably measured, i.e. upon approval and notification made in the CRC Monthly Statement, for the transactions completed within that month, when the respective revenue amounts can be reliably measured and when collectability is certain. Railway operation services and other services are rendered solely by us and they are recognized when the services are rendered and revenue can be reliably measured. All proceeds are collected by us directly.

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The operations of our railway and related business form part of the nationwide railway system in PRC and they are supervised and governed by CRC. We render the passenger transportation and freight transportation services in cooperation with other railway companies and the related service fees and charges are collected either by us or by other railway companies. In addition, we also receive service fees and charges for on behalf of other railway companies. The respective fares and charges of the services, fee sharing basis, and processing of the respective revenue sharing among different railway companies are done centrally by a central clearance system operated by CRC. We record revenues based on the amounts of attributable revenue approved and notified in the CRC Monthly Statement for services undertaken by us completed within the specific month, upon then the revenues can be reliably measured and collectability is certain. The respective share of revenues, in excess of amount collected by us, are credited by CRC to bank accounts maintained by us. In the case that the attributable amount is less than the amount collected by us, we remit the surplus to CRC.

(b) Revenue from other businesses

Revenue from other business mainly consist of on-board catering services, leasing, sales of materials, sale of goods and other businesses related to railway transportation. Revenues from on-board catering services are recognized when the related services are rendered. Revenues from sales of materials and supplies and sale of goods are recognized when the respective materials and goods are delivered to customers. Revenue from operating lease arrangements on certain properties and locomotives is recognized on a straight-line basis over the period of the respective leases.

The subsidiaries of the Group also offer various insignificant auxiliary services to facilitate the other businesses undertaken by the Company.

Fixed assets

The railway industry is capital intensive. Under IFRS, fixed assets are initially recorded at historical cost with the balance subsequently adjusted for depreciation and impairment. Historical cost represents expenditure that is directly attributable to the acquisition of the items (for the case of fixed assets acquired by us from GRGC during the Restructuring, the revaluated amount in the Restructuring was deemed costs).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the comprehensive income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost amount, after taking into account the estimated residual value of not more than 4% of cost, of each asset over its estimated useful life. The estimated useful lives are as follows:

Buildings (<i>Note a</i>)	20 to 40 years
Track, bridges and service roads (<i>Note a</i>)	16 to 100 years
Locomotives and rolling stock	20 years
Communications and signaling systems	8 to 20 years
Other machinery and equipment	4 to 25 years

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Note a: The estimated useful lives of some buildings, tracks, bridges and service roads exceed the initial lease periods of the land use rights from operation lease; and the initial period of certain land use right acquired, on which these assets are located.

Pursuant to the relevant laws and regulations in the PRC governing the land use right lease grants, we are able to apply and renew the respective leases of the land use right acquired for periods of more than 50 years with additional consideration to be paid. In addition, based on the provision of the land use right operating lease agreement entered into with the single largest shareholder, we can renew the lease at its own discretion upon expiry of the operating lease term. Based on the above consideration, our directors consider the current estimated useful lives of those assets to be reasonable.

The assets' residual values and estimated useful lives are reviewed, and adjusted if appropriate, at the end of each year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other income and other gains/(losses) - net", included in the comprehensive income statement.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and we will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the comprehensive income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the comprehensive income statement on a straight-line basis over the expected lives of the related assets.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of receivables is established when there is objective evidence to prove the following:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

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- we, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

We derecognize financial liability when, and only when, our obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of our share of identifiable net assets acquired. Goodwill arising from acquisitions of subsidiaries' business is disclosed separately on the balance sheet.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Impairment of investment in subsidiaries, associates and non-financial assets other than goodwill

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated comprehensive income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in PRC where our subsidiaries and associates operate and generate taxable income. We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in our subsidiaries, and associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. Generally we are unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives us the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from our associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in our subsidiaries, and associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

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(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

(a) Defined contribution plan

We pay contributions to defined contribution schemes operated by the local government for employee benefits in respect of pension and unemployment. We also pay contributions to defined contribution schemes operated by Guangzhou Railway Group for employee supplementary pension benefit. We have no further payment obligations once the contributions have been paid. The contributions to the defined contribution schemes are recognized as staff costs when they are due.

(b) Termination benefits

Termination benefits are payable when employment is terminated by us before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. We recognize termination benefits at the earlier of the following dates: (a) when we can no longer withdraw the offer of those benefits; and (b) when we recognize costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Depreciable lives of fixed assets

The estimate of depreciable lives of fixed assets, especially tracks, bridges and service roads, was made by our Directors with reference to the following: (1) the historical usage of the assets; (2) their expected physical wear and tear; (3) results of recent durability assessment performed; (4) technical or commercial obsolescence arising from changes or improvements in production of similar fixed assets; (5) our right to renew the land use right grants and the land use right lease on which these assets are located; (6) the changes in market demand for, or legal or comparable limits imposed on, the use of such fixed assets. The useful lives and residual values for the year have been reviewed by our directors and no change was made in the current year.

See “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS—A. Operating Results—Critical Accounting Policies and Estimated—Fixed Assets” and Note 2.6 to our consolidated financial statements included elsewhere in this annual report for the current estimated useful lives of fixed assets. If the estimated depreciable lives of tracks, bridges and service roads had been extended/shortened by 10%, the depreciation expenses of fixed assets for the year ended December 31, 2015 would have been decreased/increased by approximately RMB19.4 million and RMB23.7 million, respectively, compared to RMB19.1 million and RMB23.4 million in 2014, respectively.

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(b) Impairment assessment of goodwill

We test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9 to our consolidated financial statements included elsewhere in this annual report. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. See Note 9 to our consolidated financial statements included elsewhere in this annual report.

(c) Impairment assessment of non-financial assets (other than goodwill)

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(d) Impairment of receivables

We make provision for impairment of receivables based on an assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

Recently adopted accounting standards

In the current year, we have adopted the following new and revised standards, and amendments to existing standards which are mandatory for the financial year beginning January 1, 2015:

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to IFRSs – 2010 - 2012 Cycle, on IFRS 8, “Operating segments,” IAS 16, “Property, plant and equipment” and IAS 38, “Intangible assets” and IAS 24, “Related party disclosures.”

Amendments from annual improvements to IFRSs – 2011 - 2013 Cycle, on IFRS 3, “Business combinations,” IFRS 13, “Fair value measurement.”

The adoption of the above new/revised standards had no significant financial effect on our consolidated financial statements.

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New accounting pronouncements

The following new standards, amendments and interpretations have been issued as of December 31, 2015 but are not yet effective for IFRS financial statements for the year ended December 31, 2015:

	<u>Effective for annual periods beginning on or after</u>
Annual improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
Amendment to IAS 27 on equity method in separate financial statements	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities: applying the consolidation exception	January 1, 2016
IFRS15 Revenue from Contracts with Customers	January 1, 2018
IFRS 9 Financial Instruments	January 1, 2018
IFRS16 Leases	January 1, 2019

Our management is in the process of making an assessment of the impact of the above new and amended standards and is not yet in a position to state what impact they would have, if any, on our results of operations and financial position.

B. Liquidity and Capital Resources

Our principal source of capital has been cash flow from operations and cash flow from financing activities, and our principal uses of capital are to fund capital expenditures, investment and payment of taxes and dividends.

We generated approximately RMB2,259.7 million of net cash flow from operating activities in 2015. Substantially all of our revenue was received in cash, with accounts receivable arising primarily from long-distance passenger train services provided and pass-through freight transactions originating from other railway companies whose lines connect to our railroad. Similarly, some accounts payable arise from payments for railroad transportation services that we collect on behalf of other railroad companies and should pay to these companies. Accounts receivable and payable were generally settled either quarterly or monthly between us and the other railroad companies. Most of our revenue generated from our other businesses was also received in cash. We also have accounts payable associated with the purchase of materials and supplies in our other businesses.

In 2015, other than operating expenses, our cash outflow mainly related to the following:

- capital expenditures of approximately RMB1,292.3 million, representing an increase of 29.3% from RMB999.6 million in 2014;
- payment of dividends of approximately RMB354.7 million; and
- income tax expenses of approximately RMB260.7 million.

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Our capital expenditures for 2015 consisted primarily of the following projects:

- improvement of the computer interlocking system for Shaoguan East Station;
- the reconstruction of the section from Guangzhou East Station to Xintang Station of Guangsheng Line III and IV; and
- the addition of Pinghu intercity station to Guangshen line I and II.

Funds not required for immediate use are kept in short-term investments and bank deposits. We had cash and cash equivalents of approximately RMB2,220.8 million as of December 31, 2015.

As of December 31, 2015, we did not have any entrusted deposits placed with any financial institutions in the PRC and we did not engage in any trust business.

As of December 31, 2015, we did not have any banking facilities.

Cash Flow

Our net cash and cash equivalents as of December 31, 2015 increased by approximately RMB555.7 million from December 31, 2014. Our principal source of capital was revenue generated from operating activities.

The following table sets forth certain items in our consolidated cash flow statements for 2013, 2014 and 2015, and the percentage change in these items from 2014 to 2015:

	Year ended December 31,			Change from 2014 to 2015
	2013	2014	2015	
		(RMB thousands)		
Net cash generated from operating activities	1,883,411	1,945,576	2,259,691	16.1%
Net cash (used in)/generated from investing activities	(1,572,961)	3,373,821	(1,349,235)	N/A
Net cash used in financing activities	(572,785)	(4,067,018)	(354,710)	(91.3%)
Net (decrease) /increase in cash and cash equivalents	(262,335)	1,252,379	555,746	N/A

Our net cash inflow from operating activities increased to RMB2,259.7 million in 2015 from RMB1,945.6 million in 2014, primarily due to (i) the increase of our revenue in 2015, which further increased our net cash inflow by RMB99.2 million, (ii) the decrease of cash payments of income tax by RMB47.3 million in 2015 compared to 2014, and (iii) the payment of RMB167.7 million interest accrued from the RMB3.5 billion bond that was repaid in December 2014 and no occurrence of new long-term debts or other interest in 2015. Our net cash inflow from operating activities increased to RMB1,945.6 million in 2014 from RMB1,883.4 million in 2013, primarily due to (i) the extension of the Pilot Scheme to the railway transportation industry, which greatly reduced our operating income during the reporting period, (ii) an increase in trade payables of RMB514.3 million in 2014, primarily due to the Pilot Scheme, (iii) a decrease in prepayments and other receivables of RMB15.1 million, primarily due to the Pilot Scheme, (iv) a decrease in employee benefits obligations of RMB7.9 million and (v) interest income of RMB90.1 million.

Our net cash used in investment activities in 2015 was RMB1,349.2 million and our net cash from investment activities was RMB3,373.8 million in 2014, primarily due to the collection of deposit of fixed terms over three months at the end of 2015 and increase in expenses on investment of fixed assets.

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Our net cash used in investment activities was RMB1,573.0 million in 2013, primarily due to a decrease in short-term deposits with maturities more than three months.

Our net cash used in financing activities decreased to RMB354.7 million in 2015 from RMB4,067.0 million in 2014, primarily due to the repayment of the medium-term notes with face value of RMB3.5 billion at the end of 2014 and no occurrence of cash outflow for financing activities in 2015.

Our net cash used in financing activities significantly increased to RMB4,067.0 million in 2014 from RMB572.8 million in 2013, primarily due to the repayments of bond payables of RMB3.5 billion.

Our working capital was mainly used for capital expenditures, operating expenses and payment of taxes and dividends and investments. In 2015, our expenses for the purchase of fixed assets and payments for construction-in-progress totaled RMB1,292.3 million. In addition, we paid RMB260.7 million for income taxes and approximately RMB354.2 million for dividends.

We believe we have sufficient financial resources to meet our operational and development requirements in 2016.

C. Research and Development, Patents and Licenses, etc.

We do not generally conduct our own research and development with respect to major capital projects. In the past, in connection with our high-speed train and electrification projects, our predecessor relied upon the engineering and technical services of various research and design institutes under the CRC. In recent years, we conducted limited research and development activities in connection with the implementation of automated ticketing, including the development of related computer software.

We do not anticipate a significant need for research and development services in the foreseeable future, and do not expect to require any such services in connection with our other businesses. To the extent that these services are needed, we expect to engage outside service providers to satisfy this need. In connection with major engineering and construction projects, as well as major equipment acquisitions, we intend to conduct technical research and feasibility studies with relevant engineering service organizations, so as to ensure the cost-effectiveness of our capital expenditures.

D. Trend Information

The Pearl River Delta remains one of China's fastest growing economic regions. We believe that various factors, including the increasing economic cooperation within the Pearl River Delta region and its adjacent areas, the "Relaxed Individual Travel" program, the improvement of the subway system in Shenzhen and Guangzhou, will continue to increase passenger travel and freight transportation within our service region. We expect the PRC government's current economic, import and export, foreign investment and infrastructure policies to generate additional demand for transportation services in our service areas. These policies and measures may have both positive and negative effects on our business development. They are expected to promote economic growth and create new demand for our transportation services.

At the same time, however, with the improvement of highway and waterway transportation facilities, we anticipate additional competition. In addition, the economic measures PRC government implemented to manage its economy may have an impact on our business and results of operations in 2016. In addition, any change of the benchmark interest rates set by the PRC government and the implementation of other applicable policies may have an impact on our business and results of operations in 2016.

While the PRC government is in the progress of lessening restrictions on foreign investment, the opening up of domestic railway transportation will be gradual and we expect competition from foreign and domestic railway to be limited in the short term. In addition, as the PRC government lifts control over foreign investments, including allowing foreign participation in railway construction, our competitive position in our service region may be challenged by foreign strategic investment.

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In addition, the global financial crisis and economic downturn since 2008 had adversely affected economies and businesses around the world, including in China. This change in the macro-economic conditions had an adverse impact on our business and operations by causing a decrease in the number of passengers and the volume of freight that we transported in 2009. Although the economy in China, as well as in many other places around the world, has recovered since the second half of 2009, the sustainability of these recoveries is uncertain due to escalating concerns regarding Europe's sovereign debt crisis, the stability of the Eurozone and sustainability of high rates of growth in China.

Looking into 2016, we believe China remains in a strategic opportunity phase for its development even though the rate of growth in China may not be maintained at historical levels. Under the background of the steady growth of China's economy and its stable social situation, the railway transportation industry is expected to develop in a more scientific, orderly, sustained and stable manner in 2016, with continuous growth of the railway network and transportation capacity, as well as volume of passengers and freight.

E. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations, capital commitments and operating lease commitments as of December 31, 2015 for the periods indicated.

<u>Contractual Obligations</u>	Payment due by period (RMB thousands)				
	Total	Less than 1 year	1-3 year	3-5 year	More than 5 years
Capital Expenditure Obligation ⁽¹⁾	304,199	304,199	—	—	—
Operating Lease Obligations ⁽²⁾	814,000	74,000	148,000	148,000	444,000
Total	1,118,199	378,199	148,000	148,000	444,000

(1) See Note 35(a) to our audited consolidated financial statements, "Capital Commitments".

(2) See Note 35(b) to our audited consolidated financial statements, "Operating Lease Commitments".

Based on the current progress of our new projects, we estimate that our capital expenditures for 2016 will amount to approximately RMB2.27 billion and will consist primarily of the following projects:

- the reconstruction of the section from Guangzhou East Station to Xintang Station of Guangshen Line to be connected with Guangzhou-Dongguan-Shenzhen Intercity Passenger Lines;
- the addition of Pinghu Intercity Station to Guangshen line I and II;
- the addition of the Inspection Depot of Guangzhou East EMUs Operation Room;
- the improvement of railway catenary; and
- the replacement of steel tracks, railroad switches and railroad switch ties.

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G. Safe Harbor

See “Forward-Looking Statements.”

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors

Our board of directors is composed of six non-independent directors and three independent directors. Except for Mr. Wu Yong and Mr. Chen Jianping, all of our directors were elected or re-elected at our annual shareholders’ general meeting held on May 29, 2014 by cumulative voting. Mr. Wu Yong was elected as a director at our shareholders’ extraordinary general meeting on December 16, 2014 and then the Chairman of the Board of Directors at a Board meeting on December 18, 2014. Mr. Chen Jianping was elected as a director at our annual shareholders’ general meeting held on May 28, 2015. The business address of each of our directors is No. 1052 Heping Road, Shenzhen, People’s Republic of China 518010.

The table below sets forth the information relating to our directors as of April 27, 2016:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date First Elected or Appointed</u>
Wu Yong	52	Chairman of the Board of Directors	2014
Shen Yi	60	Executive Director	2008
Sun Jing	50	Director	2012
Yu Zhiming	57	Director	2008
Chen Jianping	49	Director	2015
Luo Qing	50	Executive Director	2009
Chen Song	43	Independent Non-executive Director	2014
Jia Jianmin	58	Independent Non-executive Director	2014
Wang Yunting	57	Independent Non-executive Director	2014

Wu Yong is our Chairman. Mr. Wu holds a bachelor’s degree and is a senior engineer. He started his career in July 1986, and served as chief of the track divisions of Suxian, Huaibei, Fuyang and Suzhou of Bengbu Sub-bureau of Shanghai Railway Bureau, the bureau chief assistant and deputy bureau chief of Benghu Sub-bureau of Shanghai Railway Bureau, commander chief of Hefei-Wuhan Railway Engineering Construction Headquarters of Shanghai Railway Bureau, the bureau chief assistant, deputy bureau chief and executive deputy bureau chief of Wuhan Railway Bureau, and the bureau chief and deputy party secretary of Chengdu Railway Bureau. Since August 2014, he has been the chairman and general manager of Guangzhou Railway (Corporation) Company (“GRGC”) and deputy secretary of the party committee.

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Shen Yi is our executive Director. Mr. Shen holds a bachelor's degree. He has more than 30 years of experience in railway transportation management and has served at different railway stations and sections, Railway Sub-bureaus and Railway Bureaus. He was general manager of Hong Kong Qiwen Trade Company Limited, Guangmeishan Railway Company Limited, Huaihua Railway Company of GRGC and Shichang Railway Company Limited. He was a general manager of our Company from October 2008 to December 2015.

Sun Jing is our non-executive Director. Mr. Sun holds a bachelor's degree and a master's degree and is a senior engineer. Before June 2004, Mr. Sun worked at the northern locomotive section of Zhengzhou Sub-bureau of Zhengzhou Railway Bureau, locomotive department of Zhengzhou Railway Bureau and Yueshan locomotive section of Zhengzhou Sub-bureau of Zhengzhou Railway Bureau. From June 2004 to March 2007, he has served as division chief of the locomotive department of Zhengzhou Railway Bureau. He was an assistant to the director of Zhengzhou Railway Bureau from April 2007. He has been served as deputy general manager of GRGC since May 2007.

Yu Zhiming is our non-executive Director. Mr. Yu holds a bachelor's degree and a master's degree and is a senior accountant. He has many years of experience in finance. Before April 2008, he served as director of the Sub-division of Finance of Wuhan Railway Sub-bureau of Zhengzhou Railway Bureau, the director of the finance department of Wuhan Railway Bureau, director of capital settlement center of Wuhan Railway Bureau and the standing vice-director of capital settlement center of MOR. Since April 2008, he has been chief accountant of GRGC.

Chen Jianping is our non-executive Director. Mr. Chen holds a bachelor's degree and a master's degree and is a political engineer. Mr. Chen served as a Supervisor representing employees of the Company before being elected as our non-executive Director. Mr. Chen worked with the First High School of Guangzhou Railway and Locomotive Sports Association of GRGC and is working with GRGC. From 1997 to 2007, Mr. Chen served as the office secretary of the trade union of GRGC, director of the logistics department of our Company, deputy secretary of the Party Work Committee and concurrently the secretary of the committee for disciplinary inspection of the passenger transportation business unit of our Company, deputy office manager of our Company and chairman of the trade union of the mechanized line center of GRGC. From 2007 to October 2012, Mr. Chen served as the section chief of Guangzhou Passenger Transportation Division. From November 2012 to October 2013, he was the general manager of diversified operation and development center, deputy secretary of the Party Work Committee and director of various operation and management offices of GRGC. From November 2013 to September 2014, he was the stationmaster of Shenzhen North Station and deputy secretary of the Party Work Committee of our Company. Since October 2014, Mr. Chen has been the chief of the passenger transportation department of GRGC.

Luo Qing is our executive Director. Mr. Luo holds a bachelor's degree and a master's degree and is a political engineer. Before April 2006, he served as sportsman, coach and secretary-general of Guangdong Physical Culture and Sports Team, labor union of Guangzhou Railway Sub-bureau of Guangzhou Railway Bureau, labor union of YangCheng Railway Company of GRGC, Locomotive Sports Association of YangCheng Railway Company of GRGC and Locomotive Sports Association of GRGC. Between April 2006 and October 2008, he was the chief of the organization department of trade union of GRGC. From November 2008 to April 2010, he served as the chairman of the trade union of our Company. Since May 2010, he has been the deputy secretary of the party and working committee and secretary of the discipline inspection and working commission of our Company and also the chairman of the trade union of our Company.

Chen Song is our independent non-executive Director. Mr. Chen holds a doctorate degree and is a certified public accountant of China and a certified internal auditor registered in the U.S. Mr. Chen was a teacher in higher mathematics and pharmaceutical machinery in Guangdong Food and Drug Vocational College, the tutor for MBA and EMBA in Management School of Sun Yat-sen University, managerial trainee in P&G (China) Investment Limited Company, financial analysis manager in Crest Oral Department, financial supervisor of business department, CFO, executive director of Heinz (China) Investment Co., Ltd., chief financial officer of Ren Coty (China) and a director and general manager of its cosmetics division, financial supervisor of Greater China Region in Boer CMC Markets Asia Pacific Pty Ltd. He currently serves as deputy general manager and CFO of Chongqing Brewery Co., Ltd.

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Jia Jianmin is our independent non-executive Director. Mr. Jia holds a master's degree and doctorate degree. He was a member of The National Natural Science Foundation of Department of Management Science Advisory Committee of Experts, a member of China National MBA Education Supervisory Committee and a Scholar Director of MSI USA. He has served companies including Hutchison Whampoa, China Telecom, China Mobile, China Citic Bank, IBM, China Rail, CSR and CNR. He is a professor and chairman of the Department of Marketing of Faculty of Business Administration of The Chinese University of Hong Kong and holds the title of Changjiang Scholar Professor of the Ministry of Education of PRC.

Wang Yunting is our independent non-executive Director. Mr. Wang holds a bachelor's degree and an EMBA degree. Mr. Wang was the vice general manager of China Commercial Foreign Trade Corporation, Ltd. (Shenzhen) and vice general manager of Beijing Capital Huayin Group. He is now a director of Shaanxi Fortune Investment Limited.

Supervisors

The table below sets forth the information relating to our supervisors as of April 27, 2016.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date First Elected or Appointed</u>
Liu Mengshu	52	Chairman of the supervisory committee.	2014
Chen Shaohong	49	Supervisor	2008
Shen Jiancong	47	Supervisor	2011
Li Zhiming	54	Supervisor	2005
Zhou Shangde	45	Supervisor	2015
Song Min	45	Supervisor	2014

Liu Mengshu is chairman of our supervisory committee. Mr. Liu holds a bachelor's degree and is an engineer. He served in the Huaihua Sub-bureau of Guangzhou Railway Bureau and GRGC Changsha headquarters. He served in GRGC as the head of the director of organization of the party committee of GRGC from November 2004 to April 2006, as head of the GRGC party committee's propaganda department from April 2006 to September 2008 and as GRGC's office director from September 2008 to December 2013. Since December 2013, he has been the deputy secretary of CPC and the secretary of Committee for Discipline Inspection of GRGC.

Chen Shaohong is our Supervisor. Mr. Chen holds a bachelor's degree and is an economist. Mr. Chen has been engaged in the research and practice of enterprise management for a long time. Before April 2006, he has been vice-section chief and section chief of mechanism reform section of corporate management office, vice-director of corporate management office and vice-director of corporate management and legal affairs department of GRGC. From April 2006 to May 2008, he served as director of corporate management and legal affairs department of GRGC. Since June 2008, Mr. Chen has been vice-chief economist and director of corporate and legal affairs department of GRGC.

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Shen Jiancong is our Supervisor. Mr. Shen holds a bachelor's degree and is an economist. Before March 2011, Mr. Shen has worked as secretary of Chinese Youth League of the Guangzhou mechanical refrigerator car depot of Guangzhou Sub-bureau of Guangzhou Railway Bureau, deputy director and director of division of personnel of GRGC, deputy director of Division of Human Resources of GRGC, concurrently as deputy director of organization department of Party Committee of GRGC and secretary of CPC committee and vice stationmaster of Shenzhen Station of our Company. He has been director of division of human resources and director of organization department of party committee of GRGC since March 2011.

Li Zhiming is our Supervisor. Mr. Li holds a bachelor's degree and is an accountant. Before 1996, Mr. Li had served in various managerial positions in Hengyang Railway Sub-bureau of Guangzhou Railway Bureau and Changsha Railway Company of GRGC. From 1996 to March 2005, he was chief of Finance Sub-division of Changsha Railway Company of GRGC. Since April 2005, Mr. Li has been deputy chief and chief of the audit department of GRGC.

Zhou Sangde is our Supervisor and represents employees of our Company. Mr. Zhou holds a master's degree and is a political engineer. Mr. Zhou used to serve as the secretary of the Communist Youth League of Sungang Station (formerly known as the Shenzhen North Station), deputy chief of the organization and human resources department, director of the party committee office, and chairman of the trade union of the integrated service center of our Company. From July 2007 to March 2011, Mr. Zhou was transferred to GRGC and served as the deputy chief of the human resources office, deputy office manager and concurrently director of the reception office, and chief party secretary of the administrative office of GRGC. In March 2011, Mr. Zhou was transferred back to our Company and served as party secretary and station supervisor of Shenzhen Station. Since December 2014, Mr. Zhou has been the supervisor of the Sungang Station.

Song Min is our Supervisor and represents employees of our Company. Ms. Song holds a bachelor's degree and is an accountant. Ms. Song joined the railway industry in 1991 and has served in many railway companies. She has served as the deputy manager of the operating finance office, department of finance of Qinghai-Tibet Railway Company, deputy director and finance director of Qinghai-Tibet Railway Public Security Bureau, vice office supervisor of Qinghai-Tibet Railway Company Annuity Council, vice consultant of financial management of the State Taxation Bureau of Qinghai Province and the senior manager of Petrol China Guangdong Sales Company, Shenzhen Branch. Since November 2012, she has been the chief of the Audit Department of our Company.

Senior Management

The table below sets forth information relating to our senior management as of April 27, 2016:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date First Elected or Appointed</u>
Hu Lingling	52	General Manager	2015
Mu Anyun	55	Deputy General Manager	2009
Guo Xiangdong ⁽¹⁾	50	Deputy General Manager and Company Secretary	2010 2004
Tang Xiangdong	47	Chief Accountant	2008

(1) Guo Xiangdong was firstly appointed as our Deputy General Manager in 2010 and Company Secretary in 2004.

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Hu Lingling is a general manager of our Company. Mr. Hu holds a bachelor's degree and is an engineer. Mr. Hu started his career in the railway transportation industry since 1985. From 1985 to 2003, Mr. Hu served as the deputy chief engineer and the deputy station supervisor of Shaoguan East Station (formerly known as Shaoguan Station) and the deputy general manager of a subsidiary of GRGC, and the director of the transportation department of GRGC. From July 2003 to March 2006, Mr. Hu served as the deputy general manager of GRGC and a Director of our Company. From March 2006 to February 2012, Mr. Hu worked in the global business department in the headquarters of the International Union of Railways in Paris, France. From February 2012 to December 2015, Mr. Hu served as the deputy general manager of Guangzhou-Shenzhen-Hong Kong Express Rail Link Company Limited.

Mu Anyun is a deputy general manager of our Company. Mr. Mu holds a bachelor's degree and an MBA degree and is an economist. Mr. Mu joined the railway departments in 1981 and had served in various managerial positions in Guangzhou Railway Bureau and GRGC. From May 2000 to January 2009, he was director and deputy general manager of Guangmeishan Railway Company Limited. Since February 2009, he has been deputy general manager of our Company.

Guo Xiangdong is the Deputy General Manager and secretary of the Board. Mr. Guo holds a bachelor's degree and an MBA degree and is an economist. Before January 2004, he has been deputy section chief, deputy head and head of secretariat of the Board. From January 2004 to November 2010, he has been appointed as the secretary of the Board and since December 2010, Mr. Guo has been appointed as the deputy general manager and secretary of the Board.

Tang Xiangdong is Chief Accountant of our Company. Mr. Tang holds a bachelor's degree and an MBA degree and is a senior accountant. Before March 2006, he has served in various professional management positions in the Labor and Capital Department, Diversified Business Department and Revenue Settlement Center of our Company. From March 2006 to November 2008, he was director of Finance Department of our Company. Since December 2008, Mr. Tang has been the chief accountant of our Company.

Additional Information

Our non-independent directors, members of our supervisory committee and senior management also serve as the directors, supervisors or senior management members in other companies as follows:

<u>Name</u>	<u>Position</u>
Wu Yong	<i>Chairman of the Board of Directors of:</i> Guangmeishan Railway Company Limited Guangdong Sanmao Railway Co., Ltd. Yuehai Railway Company Limited Shichang Railway Company Limited
Sun Jing	<i>Director of:</i> Guangzhou Electric Locomotive Co., Ltd.

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Yu Zhiming	<p><i>Chairman of the Board of Directors of:</i> China Railway (HK) Holdings Ltd</p> <p><i>Chairman of the Supervisory Committee of:</i> Yuehai Railway Company Limited Guangdong Guangzhou–Zhuhai Inter-city Railway Traffic Co., Ltd. MaoZhan Railway Company Limited Guangdong Pearl River Delta Inter-city Railway Traffic Co., Ltd.</p> <p><i>Director of:</i> Guangmeishan Railway Company Limited Guangdong Sanmao Railway Co., Ltd. Shichang Railway Company Limited Hukun Passenger Railway Line (Hunan) Co., Ltd. Hainan High-speed Railway Company Limited (formerly known as Hainan Eastern Ring Railway Company Limited) Ganshao Railway Company Limited China Railway Container Transportation Company Limited China Railway Special Goods Transportation Company Limited Huai Shao Heng Railway Co., Ltd. Qian Zhang Chang Railway Company Limited</p> <p><i>Supervisor of:</i> Guangzhou–Zhuhai Railway Company Limited</p>
Chen Jianping	<p><i>Director of:</i> Hainan Railway Economic and Technological Development Corporation Company</p> <p><i>Supervisor of:</i> China Railway Commemorative Ticket Company</p>
Liu Mengshu	<p><i>Chairman of Supervisory Committee of:</i> Guangmeishan Railway Company Limited Guangdong Sanmao Railway Co., Ltd.</p>
Chen Shaohong	<p><i>Chairman of Supervisory Committee of:</i> Shichang Railway Company Limited Hukun Passenger Railway Line (Hunan) Co., Ltd. Hainan Railway Economic and Technological Development Corporation Company</p> <p><i>Director of:</i> Guangmeishan Railway Company Limited Yuehai Railway Company Limited Xiamen-Shenzhen Railway (Guangdong) Company Limited Jingyue Railway Company Limited Guangdong Shenmao Railway Company Limited Qian Zhang Chang Railway Company Limited Guangdong Meishan Passenger Railway Line Company Limited</p> <p><i>Supervisor of:</i> Guangdong Sanmao Railway Co., Ltd. Hunan Inter-city Railway Company Limited Guangdong Pearl River Delta Inter-city Railway Traffic Co., Ltd. Hainan High-speed Railway Company Limited Ganshao Railway Company Limited China Railway Express Co., Ltd. Guangzhou Electric Locomotive Co., Ltd.</p>

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Li Zhiming	<i>Chairman of the Supervisory Committee of:</i> Guangzhou Tiecheng Enterprise Company Limited Xingguangji Trade Company Limited Guangdong Shenmao Railway Company Limited <i>Director of:</i> Hong Kong Qiwen Company Limited Hainan Railway Economic and Technological Development Corporation Company <i>Supervisor of:</i> Guangmeishan Railway Company Limited Guangdong Sanmao Railway Co., Ltd. Yuehai Railway Company Limited Shichang Railway Company Limited Hukun Passenger Railway Line (Hunan) Co., Ltd. Huaishaohe Railway Company Limited Xiamen-Shenzhen Railway (Guangdong) Company Limited Ganzhou-Shaoguan Railway Company Limited Guiyang-Guangzhou Railway Co., Ltd. Nanning-Guangzhou Railway Co., Ltd. Jingyue Railway Company Limited Guangzhou-Zhuhai Railway Company Limited Guangdong Meishan Passenger Railway Line Company Limited Guangzhou Northeastern Cargo Outer Ring Railway Company Limited Guangzhou Nanshagang Railway Company Limited
Mu Anyun	<i>Director of:</i> Guangzhou Tiecheng Enterprise Company Limited Shenzhen Guangshen Railway Civil Engineering Company
Tang Xiangdong	<i>Director of:</i> Guangzhou Tiecheng Enterprise Company Limited Shenzhen Guangshen Railway Civil Engineering Company

Note: China Railway Container Transportation Company Limited, China Railway Special Goods Transportation Company Limited and China Railway Express Co., Ltd. are subsidiaries of CRC. Guangzhou Tiecheng Industrial Company and Shenzhen Guangshen Railway Civil Engineering Company are our joint venture partners. Guangzhou Electric Locomotive Co., Ltd., Guangzhou Zhuhai Railway Company Limited, Guangdong Guangzhou-Zhuhai Inter-city Railway Traffic Co., Ltd., Guangdong Pearl River Delta Inter-city Railway Traffic Co., Ltd., Guangdong Shenmao Railway Company Limited, Jingyue Railway Company Limited, Guangdong Meishan Passenger Railway Line Company Limited and Guangzhou Nanshagang Railway Company Limited are joint venture partners of GRGC. The remaining companies in the table above are subsidiaries of GRGC.

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B. Compensation

Directors and Senior Management

Total remuneration of our directors, supervisors and senior management members during 2015 included wages, bonuses, other schemes and allowances. Directors or supervisors who are also officers and employees of our Company receive certain other benefits in kind from GRC or us, such as subsidized or medical insurance, housing and transportation, as customarily provided by the railway companies in the PRC to their employees. The amount of compensation to each director, supervisor and senior management for the year ended December 31, 2015 is listed as follows:

Name	Position	Total remuneration received from the Company (before tax) during the reporting period (RMB thousand)
Wu Yong	Chairman of the Board of Directors	—
Shen Yi	Executive Director	388.0
Sun Jing	Non-executive Director	—
Yu Zhiming	Non-executive Director	—
Chen Jianping	Non-executive Director	—
Luo Qing	Executive Director	327.0
Chen Song	Independent Non-executive Director	112.0
Jia Jianmin	Independent Non-executive Director	135.0
Wang Yunting	Independent Non-executive Director	112.0
Liu Mengshu	Chairman of the Supervisory Committee	—
Chen Shaohong	Supervisor	—
Shen Jiancong	Supervisor	—
Li Zhiming	Supervisor	—
Zhou Shangde	Supervisor Representing Employees	331.0
Song Min	Supervisor Representing Employees	294.0
Hu Lingling	General Manager	30.0
Mu Anyun	Deputy General Manager	328.0
Guo Xiangdong	Deputy General Manager, Secretary of the Board	328.0
Tang Xiangdong	Chief Accountant	325.0
Total:		2,710.0

The aggregate amount of cash remuneration paid by our Company in 2015 to all individuals who are our directors, supervisors and senior management members was approximately RMB2.7 million, of which approximately RMB1.3 million was paid to our non-independent directors and supervisors and approximately RMB0.4 million was paid to the independent non-executive directors. The aggregate amount of cash remuneration we paid during the year ended December 31, 2015 for pension and retirement benefits to all individuals who are currently our directors, supervisors and senior management members was approximately RMB0.2 million.

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

As of December 31, 2015, there was no record of interests or short positions (including the interests or short positions which were taken or deemed to have under the provisions of the Hong Kong Securities and Futures Ordinance) held by our directors or supervisors in our shares, debentures or other securities, or securities of any of our associated corporation (within the meaning of the Hong Kong Securities and Futures Ordinance) in the register required to be kept under section 352 of the Hong Kong Securities and Futures Ordinance. We had not received notification of such interests or short positions from any of our directors or supervisors as required to be made to us and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the HKSE Listing Rules. We have not granted any of our directors or supervisors, or any of their respective spouses or children under the age of 18, any right to subscribe for any of our shares or debentures.

Service Contracts of Our Directors and Supervisors

Each of our directors and supervisors has entered into a service agreement with us. Except as disclosed, no other service contract has been entered into between any of our subsidiaries or us on one hand, and any of our directors or supervisors on the others, that cannot be terminated by us within one year without payment of compensation (other than statutory compensation).

Contracts Entered into by Our Directors and Supervisors

None of our directors or supervisors had any direct or indirect material interests in any contract of significance subsisting during the year ended on December 31, 2015 or as of December 31, 2015 to which we or any of our subsidiaries was a party.

Remuneration of Our Directors and Supervisors

The level of remuneration of our directors and supervisors was determined by reference to various factors, including the prevailing rates of remuneration in Shenzhen, where we are located, and the job nature of each of our directors and supervisors. The remuneration and annual incentive of the Directors and the Supervisors will be considered and recommended by the Remuneration Committee and will be approved and authorized by the shareholders at shareholders' general meetings of our Company. No Director or Supervisor is involved in determining his/her own remuneration.

C. Board Practices

Board of Directors

In accordance with our currently effective Articles of Association, our board of directors comprises nine directors, one of whom is the chairman. Directors are appointed at our shareholders' general meeting through voting, and generally serve for a term of three years (except for Chen Jianping whose term is two years). Upon the expiration of the term of their office, they can serve consecutive terms if re-appointed at the next shareholders' general meeting. The service contracts that we have entered into with our directors do not provide for any payment of compensation upon termination.

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Supervisory Committee

We have a supervisory committee consisting of five to seven supervisors. Supervisors generally serve a term of three years. Upon the expiration of their terms of office, they may be re-appointed to serve consecutive terms. The supervisory committee is presided over by a chairman who may be elected or removed with the consent of two-thirds or more of the members of the supervisory committee. The term of office of the chairman is three years, renewable upon re-election. Our supervisory committee currently consists of four representatives of the shareholders who may be elected or removed by our shareholders' general meeting, and two representatives of our employees who may be elected by our employees at the employees' congress or employees' general meeting or through any other democratic means. Members of our supervisory committee may also attend meetings of the board of directors. The current members of our supervisory committee are: Liu Mengshu, Chen Shaohong, Shen Jiancong, Li Zhiming, Zhou Shangde and Song Min. All shareholder representatives of our supervisory committee were elected or re-elected at the annual shareholders' general meeting held on May 29, 2014. Zhou Shangde and Song Min were elected as the Supervisors of our Company as employee representatives at the employees' congress held in 2014. Except for Zhou Shangde, whose term is two years, the term of the remaining supervisors is three years. Our supervisory committee held four meetings during the year ended December 31, 2015, at which resolutions concerning our periodic reports, internal control evaluations and our dividend policy were passed and ratified. Our supervisors attended shareholders' general meetings, meetings of our board of directors and other important meetings concerning our operation during the year ended December 31, 2015. Our supervisory committee reviews the report of our directors, the financial report and proposed profit distribution presented by our board of directors at our annual general meeting of shareholders.

Supervisors attend board meetings as non-voting members. The supervisory committee is accountable to the shareholders' general meeting and has the following duties and responsibilities:

- to examine our Company's financial situation;
- to supervise the performance of duties of the directors, general manager, deputy general managers and other senior management; to propose the dismissal of directors, general managers, deputy general managers and other senior management who have violated any law, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings;
- to demand a director, general manager, deputy general manager or any other senior management to rectify such breach when the acts of such persons are harmful to our Company's interest;
- to propose the convening of shareholders' general meetings, and to convene and chair the shareholders' general meetings if the board of directors fails to perform this duty as stipulated in the Articles of Association;
- to propose motions to shareholders' general meetings; and
- to initiate legal proceedings against any director, general manager, deputy general manager and other senior management in accordance with Article 151 of the Company Law.

Supervisors may attend meetings of the board of directors and question or give advice on the resolutions of the board of directors.

The supervisory committee may conduct investigation if they find the operation of our Company unusual and may engage professionals such as lawyers, certified public accountants or practicing auditors to assist if necessary. All reasonable fees so incurred shall be borne by our Company.

Audit Committee

We have an audit committee consisting of three independent non-executive directors. The current members of our audit committee, appointed by the Board of Directors, are Chen Song (Chairman), Jia Jianmin and Wang Yunting. Mr. Chen, Mr. Jia and Mr. Wang are "independent directors" of our Company as defined in Section 303A.02 of the NYSE Listed Company Manual. The audit committee must convene at least four meetings each year, and may invite the executive directors, persons in charge of the financial and audit departments and our independent auditors to participate. The audit committee must have at least two meetings with management and at least two meetings with the auditors each year without any executive directors present. The duties of the audit committee include:

- reviewing the annual financial statements and interim financial statements of our Company, including the disclosures made by our Company in this annual report;

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- reviewing the financial reports and the reports of our Company prepared by the independent auditor and its supporting documents, including the review of the internal control and disclosure controls and procedures, and to discuss with the auditor the annual audit plan and solutions to problems in the previous year;
- reviewing and approving the selection of and remuneration paid to the independent auditor;
- pursuant to the resolutions of the annual general meeting, determining with the Board of Directors the annual auditing fees paid to our independent auditor;
- reviewing with the management and the independent auditor the performance, adequacy and effectiveness of the internal controls and risk management, as well as any material deficiencies and weakness existing in the internal controls;
- evaluating our Company's performance in complying with industrial practices, market rules, and statutory duties, and the safeguarding of its own interests and the interests of its shareholders;
- considering and determining whether any senior executive officer or senior financial personnel is in violation of their code of conduct, and the consequences for such a violation; and
- overseeing the management of the retirement pension fund of our Company.

Remuneration Committee

We have a remuneration committee consisting of two executive Directors and three independent non-executive Directors, namely, Wu Yong, Shen Yi, Chen Song, Jia Jianmin and Wang Yunting. The remuneration committee will meet from time to time when required to consider remuneration-related matters of our Company.

The principal duties of the remuneration committee include reviewing and making recommendations to the Board for the remuneration packages for the Directors and the Supervisors of our Company. The remuneration policy of our Company seeks to provide, in the context of our business strategy, reasonable remuneration to attract and retain high caliber executives. The remuneration committee obtains benchmark information from internal and external sources in relation to market conditions, packages offered in the industry and the overall performance of our Company when determining the Directors' and the Supervisors' emoluments.

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D. Employees

As of December 31, 2013, 2014 and 2015, we had approximately 36,886, 37,301 and 43,824 employees, respectively. The increase in the number of our employees in 2015 was due to an increase in passenger transportation personnel and driving personnel. The following chart sets forth the number of our employees by function as of December 31, 2015:

<u>Function</u>	<u>Employees</u>
Passenger transportation personnel ⁽¹⁾	10,035
Freight transportation personnel ⁽²⁾	1,933
Transit operation personnel ⁽³⁾	6,860
Engineering personnel ⁽⁴⁾	5,552
Driving personnel ⁽⁵⁾	4,510
Public works personnel ⁽⁶⁾	4,511
Electricity personnel ⁽⁷⁾	1,693
Electricity and water supplies personnel ⁽⁸⁾	2,232
Building construction personnel ⁽⁹⁾	1,026
Various operations and other employees of subsidiaries ⁽¹⁰⁾	381
Technical and administrative personnel ⁽¹¹⁾	4,855
Other employees ⁽¹²⁾	236
Total	43,824

- (1) Passenger transportation personnel mean those people that provide station boarding and train services and those people responsible for organization of freight transportation.
- (2) Freight transportation personnel mean those people responsible for organization of freight transportation.
- (3) Transit operation personnel mean those people responsible for providing station boarding services.
- (4) Engineering personnel mean those people responsible for locomotive operation and overhaul.
- (5) Driving personnel mean those people responsible for vehicle operation and overhaul.
- (6) Public works personnel mean those people responsible for station track and railroad switch maintenance.
- (7) Electricity personnel mean those people responsible for signal equipment maintenance.
- (8) Electricity and water supplies personnel mean those people responsible for catenary operation and overhaul as well as power and water consumption maintenance.
- (9) Building construction personnel mean those people responsible for construction, apartments and dining halls.
- (10) Various operations and other employees of subsidiaries mean all personnel involved in diversified businesses.
- (11) Technical and administrative personnel mean all managerial personnel other than the personnel of diversified businesses.
- (12) Other personnel include all personnel who have been sick, studying or early-retired.

All of our employees are located in Guangzhou, Shenzhen, Pingshi and the area adjacent to our Shenzhen-Guangzhou-Pingshi line.

We have established a trade union to protect employees' rights, assist in the fulfillment of their economic objectives, encourage employee participation in management decisions and assist in mediating disputes between the management and union members. Each of our train stations and railway units has a separate branch of the trade union. Most of our employees belong to the trade union. We have not experienced any strikes or other labor disturbances that have interfered with our operations in the past, and we believe that our relations with our employees are good.

We have implemented a salary policy which links our employees' salaries with results of operations, labor efficiency and individual performance. Employees' salaries distribution is subject to our overall operational results and is based on their performance records and reviews. In addition, pursuant to applicable government policies and regulations, we set aside statutory funds for our employees and also maintain various insurance policies for the benefits of our employees, including housing fund, retirement insurance, supplemental retirement insurance, basic and supplemental medical insurance, pregnancy-related medical insurance and other welfare programs. In 2015, we paid approximately RMB5,210.1 million in aggregate salaries and benefits to our employees.

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

Details of our statutory welfare fund and retirement benefits are set out in Notes 24 and 27 to our audited consolidated financial statements included elsewhere in this annual report.

E. Share Ownership

As of April 27, 2016, none of our directors, supervisors or senior management owned any interest in any shares or options to purchase our shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

We are a joint stock company organized under the laws of the PRC in March 1996. Before the A Share Offering, GRGC, a state-owned enterprise under the administration of the MOR, owned approximately 66.99% of our outstanding ordinary shares. Although the equity interest held by GRGC decreased to approximately 41% after the completion of our initial public offering of A shares in December 2006 and further reduced to 37.1% as a result of the transfer by GRGC of a portion of its shares to the National Social Security Fund Council in September 2009, GRGC can still exercise substantial influence over our Company. In addition, before the dissolution of MOR on March 14, 2013, GRGC also acted as an administrative agent of the MOR that controls and coordinates railway operations in Guangdong Province, Hunan Province and Hainan Province. As an instrumentality of the MOR, GRGC performed direct regulatory oversight functions with respect to us, including determining and enforcing technical standards and implementing special transportation directives.

After the dissolution of MOR on March 14, 2013, the MOR's administrative functions were transferred to the MOT and its subordinate body, the newly established State Railway Administration, whereas its commercial functions, together with its underlying assets, liabilities and staff, were transferred to the newly incorporated CRC. Since GRGC was a railway corporation directly under the former MOR, its interests would be transferred to CRC (the "Transfer"). Upon completion of the Transfer, the de facto controller of the largest shareholder of our Company would be changed to CRC.

Shareholding Structure of our Company

As of March 31, 2016, we had 390 record holders holding our H shares (including ADSs) and 292,780 record holders holding our A shares according to records we obtained from Computershare Hong Kong Investor Services Limited and CSDC, respectively. Set out below is the current shareholding structure of our Company as of the date hereof:

<u>Name of Shareholders</u>	<u>Type of Shares</u>	<u>Number of Shares Held</u>	<u>Shareholding Percentage %</u>
Public Shareholders of H shares (including ADSs)	H shares	1,431,300,000	20.2
Guangzhou Railway (Group) Company	A shares	2,629,451,300	37.1
Other Public Shareholders of A shares ⁽¹⁾	A shares	3,022,785,700	42.7
Total		7,083,537,000	100.0

- (1) On September 22, 2009, GRGC transferred 274,798,700 A shares held by it to the National Council for Social Security Fund in the PRC (the "NCSSF") according to regulations issued by the relevant PRC authorities. Upon this transfer, the NCSSF has voluntarily agreed to extend the transfer restriction period associated with these shares for another three years. The transfer restriction of these 274,798,700 shares expired on December 21, 2012. No shares were subject to sale restriction and all the shares achieved full circulation on December 24, 2012.

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The following table sets forth information regarding ownership of our issued and outstanding capital stock as of April 27, 2016, including all persons who are known by us to own, either as beneficial owners or holders of record, 5% or more of our capital stock.

<u>Title of Class</u>	<u>Identity of Person or Group</u>	<u>Amount Owned</u>	<u>Percentage of Class of Shares</u>	<u>Percent of Total Capital</u>
Ordinary Shares (A shares) ⁽¹⁾	GRGC	2,629,451,300	46.5	37.1

(1) A shares held by GRGC are no longer restricted from sales and redemption starting from December 22, 2009.

The following table sets forth all persons who were known by us to beneficially own 5% or more of our issued and outstanding H shares as of April 20, 2016.

<u>Identity of Person or Group</u>	<u>Shares Owned</u>	<u>Percentage of H Shares</u>	<u>Percentage of Total Capital</u>
FIL Limited	171,814,000	12.00	2.43
BlackRock, Inc.	237,326,538	16.58	3.35
BlackRock Global Funds	174,655,000	12.20	2.47

As of the date hereof, we are not aware of any arrangement that may at a subsequent date result in a change of control of our Company.

In accordance with our Articles of Association, each share of our capital stock has one vote and the shares of the same class have the same rights. Other than restrictions on the controlling shareholder as described under “ITEM 10. ADDITIONAL INFORMATION—B. Memorandum and Articles of Association—Restrictions on Controlling Shareholders,” the voting rights of our major holders of domestic shares are identical to those of any other holders of our domestic shares, and the voting rights of our major holders of H shares are identical to those of our other holders of H shares. Holders of domestic shares and H shares are deemed to be shareholders of different classes for some matters, which may affect their respective interests. Holders of H shares and domestic shares are entitled to the same voting rights.

B. Related Party Transactions

Under IAS 24, parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

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The following table sets forth our principal related parties that do not control and are not controlled by our Company as of December 31, 2015. For related parties that control or are controlled by our Company, see “ITEM 4. INFORMATION ON THE COMPANY—C. Organizational Structure”.

<u>Name of related parties</u>	<u>Relationship with Us</u>
Single largest shareholder and its subsidiaries	
GRGC	Single largest shareholder
Guangzhou Railway Group Yangcheng Railway Enterprise Development Company	Subsidiary of GRGC
Guangmeishan Railway Company Limited	Subsidiary of GRGC
Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company	Subsidiary of GRGC
Guangzhou Railway Material Supply Company	Subsidiary of GRGC
Guangzhou Railway Engineer Construction Enterprise Development Company	Subsidiary of GRGC
Yangcheng Construction Company of Yangcheng Railway Enterprise Development Company	Subsidiary of GRGC
Guangzhou Railway Real Estate Construction Company	Subsidiary of GRGC
Yuehai Railway Company Limited	Subsidiary of GRGC
Shichang Railway Company Limited	Subsidiary of GRGC
Guangzhou Railway Station Service Centre	Subsidiary of GRGC
Changsha Railway Construction Company Limited	Subsidiary of GRGC
Guangdong Sanmao Railway Company Limited	Subsidiary of GRGC
Guangzhou Qingda Transportation Company Limited	Subsidiary of GRGC
Guangzhou Yuetie Operational Development Company	Subsidiary of GRGC
Guangzhou Railway Rolling Stock Works	Subsidiary of GRGC
Foreign Economic & Trade Development Corporation of Guangzhou Railway Group	Subsidiary of GRGC
Shenzhen Guangshen Railway Living Service Centre	Subsidiary of GRGC
Guangzhou Yangcheng Living Service Centre	Subsidiary of GRGC
Pajiangkou Stone Pit of Yangcheng Railway Enterprise Development Company	Subsidiary of GRGC
Guangdong Tieqing International Travel Agency Company Limited	Subsidiary of GRGC
Guangdong Sanmao Enterprise Development Company Limited	Subsidiary of GRGC
Huaihua Railway Engineer Construction Company	Subsidiary of GRGC
Lechang Anjie Railway Sleeper Company Limited	Subsidiary of GRGC
Xiashen Railway Guangdong Company Limited	Subsidiary of GRGC
Ganshao Railway Company Limited	Subsidiary of GRGC
Guangzhou Railway Economic Technology Development Corporation	Subsidiary of GRGC
Hunan Changtie Industrial Development Co. Ltd.	Subsidiary of GRGC
Associates of the Group	
Guangzhou Tiecheng Enterprise Company Limited	Associate of the Group
Shenzhen Guangzhou Railway Civil Engineering Company	Associate of the Group

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Since the Restructuring carried out in 1996 in preparation for our initial public offering, certain transactions between our Company and GRGC and the subsidiaries of GRGC, including Yangcheng Railway Company and Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company continued in the form of cross-provision of goods and services.

We entered into the Framework Comprehensive Services Agreement with GRGC on October 27, 2010, or the Framework Agreement, which governs the mutual provision of services between our Company and GRGC and the subsidiaries of GRGC, including Yangcheng Railway Company and Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company. The Framework Agreement has a term of three years beginning from January 1, 2011 and was approved by the independent shareholders at the extraordinary shareholders' general meeting held on December 21, 2010. Upon its expiration, we entered into a second Framework Comprehensive Services Agreement with GRGC on October 18, 2013. The continuing connected transactions contemplated thereunder, and the proposed annual caps in relation to the continuing connected transactions under the Framework Comprehensive Services Agreement for the three financial years ending December 31, 2016 were approved by the independent shareholders at the extraordinary shareholders' general meeting held on December 19, 2013.

According to the Framework Agreement, the principal goods and services provided by GRGC and some of its subsidiaries to us include the following:

- (a) transportation services, which comprise:
 - (i) production co-ordination and safety management;
 - (ii) leasing of railway infrastructure and transportation equipment;
 - (iii) railway network services (including but not limited to passenger-related services, provision of water to trains, railway track usage, locomotive traction and electricity provision and ticket sale services);
 - (iv) passenger services; and
 - (v) cleaning services of locomotives and railway stations.
- (b) railway-related services, which comprise:
 - (i) repair services of railway infrastructure and transportation equipment;
 - (ii) locomotive and train repair services;
 - (iii) purchase and sale services of railway-related materials;
 - (iv) security services;
 - (v) property management and building maintenance services; and

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- (vi) project construction, management and supervision services.

In addition to the above, GRGC and its subsidiaries also provide scheduling, railway communication and hygiene and epidemic prevention services to the Group Companies.

The prices at which these goods and services are provided to us by GRGC and its subsidiaries are determined according to the following principles:

- (a) For transportation services:
 - (i) the prices will be determined in accordance with the applicable industry settlement rules; if unavailable, the prices will be determined in accordance with the guidance prices set by the government.
 - (ii) if neither the applicable industry settlement rules nor the government guidance prices is available, the prices will be determined based on the market prices after negotiation between the parties, provided that the prices will be fixed on normal commercial terms or on terms no less favorable than those available to or from independent third parties for the same or similar type of services under prevailing local market conditions.
- (b) For railway-related services:
 - (i) the prices will be determined in accordance with applicable industry standard fees and agreed between the parties subject to the actual situation.
 - (ii) if the applicable industry standard fees are not available, the prices will be determined based on the cost incurred in providing the services plus reasonable profits after negotiation between the parties, provided that the prices will be fixed on normal commercial terms or on terms no less favorable than those available to or from independent third parties for the same or similar type of services under prevailing local market conditions.

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The chart below sets forth the material transactions we undertook with related parties for the periods indicated:

	<u>Year ended December 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	(RMB thousands)		
Provision of services and sales of goods			
<i>Railroad and Related Business</i>			
Provision of train transportation services to GRGC and its subsidiaries ⁽ⁱ⁾	367,745	424,743	751,956
Revenue collected by CRC for railway network usage and related services provided to GRGC and its subsidiaries ⁽ⁱⁱ⁾	1,255,572	1,153,630	1,180,852
Revenue from railway operation service provided to GRGC's subsidiaries ⁽ⁱⁱⁱ⁾	76,480	359,740	550,168
	<u>1,699,797</u>	<u>1,938,113</u>	<u>2,482,976</u>
<i>Other Businesses</i>			
Sales of materials and supplies to GRGC and its subsidiaries ^(iv)	24,174	22,579	25,940
Services received and purchases made			
<i>Railroad and Related Business</i>			
Provision of train transportation services by GRGC and its subsidiaries ⁽ⁱ⁾	665,189	633,382	888,903
Cost settled by CRC for railway network usage and related services provided by GRGC and its subsidiaries ⁽ⁱⁱ⁾	1,564,499	1,436,711	1,406,962
Operating lease rental paid to GRGC for the leasing of land use rights	56,000	53,962	55,090
	<u>2,285,688</u>	<u>2,124,055</u>	<u>2,350,955</u>
<i>Other Businesses</i>			
Social services (employee housing and public security services and other ancillary services) provided by GEDC ⁽ⁱⁱⁱ⁾	67,990	12,430	16,080
Provision of repair and maintenance services by GRGC and its subsidiaries ^(iv)	346,831	295,283	489,038
Purchase of materials and supplies from GRGC and its subsidiaries ^(v)	666,771	560,034	384,262
Provision of construction services by GRGC and its subsidiaries ^(vi)	229,999	280,983	226,089
Others	12,889	8,729	—
	<u>1,324,480</u>	<u>1,157,459</u>	<u>1,115,469</u>

- (i) The service charges are determined based on a pricing scheme set by the CRC or based on negotiation between the contracting parties with reference to the full cost principle.

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- (ii) Such revenues/charges are determined by the CRC based on its standard charges applied on a nationwide basis.
- (iii) The service charges are levied based on contract prices determined based on a “cost plus a profit margin” and explicitly agreed between both contract parties.
- (iv) The prices are determined based on mutual negotiation between the contracting parties with reference to the full cost principle.
- (v) The prices are determined based on mutual negotiation between the contracting parties with reference to procurement cost plus a management fee ranging from 0.3% to 5%.
- (vi) Based on construction amount determined under national railway engineering guidelines.

We had the following material balances with our related parties as of the dates indicated:

	<u>As of December 31,</u>	
	<u>2014</u>	<u>2015</u>
	(RMB thousands)	
Trade receivables	765,098	862,199
- GRGC ⁽ⁱ⁾	260,554	96,314
- Subsidiaries of GRGC ⁽ⁱ⁾	504,544	765,885
Prepayments and other receivables	47,733	7,788
- GRGC	5,399	6,011
- Subsidiaries of GRGC	37,560	1,777
- Associates	17,086	—
<i>Less: impairment provision⁽ⁱⁱⁱ⁾</i>	(12,312)	—
Prepayments for fixed assets and construction-in-progress	1,092	1,092
- GRGC	1,092	1,092
Trade payables	617,822	431,650
- GRGC ⁽ⁱ⁾	119,953	24,467
- Subsidiaries of GRGC ⁽ⁱⁱ⁾	433,805	366,015
- Associates	64,064	41,168
Payables for fixed assets and construction-in-progress	208,955	185,339
- GRGC	12,610	18,829
- Subsidiaries of GRGC	159,381	128,871
- Associates	36,964	37,639
Accruals and other payables	29,057	399,634
- GRGC	4,133	1,891
- Subsidiaries of GRGC ^(iv)	20,600	396,590
- Associates ^(v)	4,324	1,153

- (i) The trade balances due from/to GRGC, subsidiaries of GRGC mainly represented service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC.

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- (ii) The trade payables due to subsidiaries of GRGC mainly represented payables arising from unsettled fees for purchase of materials and provision of other services according to various service agreements entered into between the Group and the related parties.
- (iii) In 2015, the Company has consolidated Zengcheng Lihua Stock Company Limited and nil balance was shown in 2015.
- (iv) The other payables due to subsidiaries of GRGC mainly represented the performance deposits received for construction projects and deposits received from ticketing agencies.
- (v) The other payables due to associates mainly represented the performance deposits received for construction projects operated by associates.

As of December 31, 2015, all the balances maintained with related parties are unsecured, non-interest bearing and are repayable on demand.

Our related party transactions have been carried out on normal commercial terms according to the HKSE Listing Rules and the contracts we entered into with our related parties. Except for the transactions discussed in this section, no other material related party transactions were entered into in 2015. Our independent non-executive directors have confirmed that these transactions (which are “connected transactions” as defined in the HKSE Listing Rules) entered into by us in 2015 were entered into in the ordinary and usual course of our business on normal commercial terms and in accordance with the terms of an agreement governing such transactions.

Transaction with CRC and other railway companies

Before the dissolution of the MOR, it was the controlling entity of GRGC, the single largest shareholder of our Company and also centrally managed the railway business within the PRC. We worked in cooperation with the MOR and other railway companies owned and controlled by the MOR to operate certain long-distance passenger train transportation and freight transportation services within the PRC. The related revenue was collected by other railway companies, which was then remitted to the MOR and centrally processed. A certain portion of the revenue so collected was allocated to our Company for the use of our rail lines or for services rendered by us in connection with the delivery of these services. On the other hand, our Company was also allocated by the MOR certain charges for the use of the rail lines and services provided by other railway companies. Such allocations were determined by the MOR based on its standard charges applied on a nationwide basis.

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The MOR was dissolved in March 2013 during the First Session of the 12th National People's Congress of the PRC. After the dissolution of the MOR, the CRC will perform the commercial functions previously performed by the MOR. Accordingly, the equity interests of GRGC which was wholly owned by MOR previously will be transferred to CRC. Once the transfer is completed, the actual controlling entity of our Company's largest shareholder will become CRC. Since March 2013, the collecting, processing and distribution function of revenues which executed by MOR previously had been transferred to CRC. The revenues generated from the long-distance passenger train transportation and freight transportation businesses are collected and settled by CRC together with the subsidiaries transferred from MOR (the "CRC Group") on behalf of our Company through CRC's settlement systems. As of December 31, 2015, the cooperation mode and pricing model did not change.

The chart below sets forth the material transactions our Company undertook with the MOR for the periods indicated prior to March 2013 and with CRC together with the subsidiaries which were wholly owned by MOR previously after March 2013. Unless otherwise specified, the transactions disclosed below have excluded the transactions with GRGC and its subsidiaries:

	Year ended December 31,		
	2013	2014	2015
	(RMB thousands)		
Provision of services and sales of goods			
<i>Railroad and Related Business</i>			
Provision of train transportation services to CRC Group ⁽ⁱ⁾	30,450	5,229	36,515
Revenue collected by CRC for services provided to CRC Group ⁽ⁱⁱ⁾	2,070,966	1,706,558	1,752,666
Revenue from railway operation service provided to CRC Group ⁽ⁱⁱⁱ⁾	968,477	950,966	1,421,995
	<u>3,069,893</u>	<u>2,662,753</u>	<u>3,211,176</u>
<i>Other Businesses</i>			
Provision of repairing services for cargo trucks to CRC Group ⁽ⁱⁱ⁾	286,265	259,470	284,348
Sales of materials and supplies to CRC Group ^(iv)	65,897	43,239	38,395
Provision of apartment leasing services to CRC Group ^(iv)	780	732	762
	<u>352,942</u>	<u>303,441</u>	<u>323,505</u>

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Services received and purchases made

Railroad and Related Business

Provision of train transportation services by CRC Group ⁽ⁱ⁾	264,372	292,866	277,138
Cost settled by CRC for services provided by CRC Group ⁽ⁱⁱ⁾	1,457,451	1,265,873	1,365,352
	<u>1,721,823</u>	<u>1,558,739</u>	<u>1,642,490</u>

Other Businesses

Provision of repair and maintenance services by CRC Group ^(iv)	68,963	28,531	2,813
Purchase of materials and supplies from CRC Group ^(v)	131,061	9,317	33,591
Provision of construction services by CRC Group ^(vi)	—	—	13,538
	<u>200,024</u>	<u>37,848</u>	<u>49,942</u>

-
- (i) The service charges are determined based on a pricing scheme set by the CRC or based on negotiation between the contracting parties with reference to the full cost principle.
- (ii) Such revenues/charges are determined by the CRC based on its standard charges applied on a nationwide basis.
- (iii) The service charges are levied based on contract prices determined based on a “cost plus a profit margin” and explicitly agreed between both contracting parties.
- (iv) The prices are determined based on mutual negotiation between the contracting parties with reference to the full cost principle.
- (v) The prices are determined based on mutual negotiation between the contracting parties with reference to procurement cost plus management fee ranged from 0.3% to 5%.
- (vi) Based on construction amounts determined under national railway engineering guidelines.

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The chart below sets forth the revenue collected and settled through the MOR/CRC for the periods indicated:

	<u>Year ended December 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
		<u>(RMB thousands)</u>	
Passenger transportation	7,740,887	6,630,629	6,642,129
Freight transportation	871,173	920,255	1,022,025
Luggage and parcel	100,884	148,863	86,199
	<u>8,712,944</u>	<u>7,699,747</u>	<u>7,750,353</u>

We cooperate with the CRC and other railway companies owned and controlled by the CRC for the operation of certain long distance passenger trains and freight transportation businesses within the PRC. The revenues generated from these long-distance passenger trains and freight transportation businesses are collected and settled by the CRC Group on our behalf through the CRC's settlement systems.

We had the following material balances maintained with CRC Group as of December 31, 2014 and December 31, 2015:

	<u>As of December 31,</u>	
	<u>2014</u>	<u>2015</u>
	<u>(RMB thousands)</u>	
Due from CRC Group		
Trade receivables	643,182	897,030
Other receivables	9,411	6,700
Due to CRC Group		
Trade payables	37,843	62,709
Other payables	294	19,968

C. Interests of Experts and Counsel

Not applicable

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

A.1 – A.6:

See pages F-1 to F-81 following ITEM 19.

A.7 Legal Proceedings

We are not a party to any material legal proceeding and no material legal proceeding is known to us to be pending against us or with respect to our properties.

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A.8 Dividend Distributions

We make decisions concerning the payment of dividends on an annual basis. Any dividends are paid at the discretion of our board of directors, which makes a recommendation in this regard that must be confirmed at our annual general meeting. Our Articles of Association permit us to distribute dividends from profits more than once a year. The amount of these interim dividends cannot exceed 50% of our distributable income as stated in our interim profit statements. In accordance with our Articles of Association, the amounts available for the purpose of paying dividends will be deemed to be the lesser of:

- net after-tax income determined in accordance with PRC accounting standards and regulations; and
- net after-tax income determined in accordance with either international accounting standards or the accounting standards of the countries in which our shares are listed.

See “ITEM 10. ADDITIONAL INFORMATION—E. Taxation” for a discussion of the tax consequences related to the receipt of dividends.

Our Articles of Association prohibit us from distributing dividends without first making up for cumulative losses from prior periods (determined in accordance with PRC accounting standards) and making all tax and other payments required by law. Further, prior to the payment of dividends, our profits are subject to deductions such as allocations to a statutory common reserve fund. The common reserve fund may be used to make up losses or be converted into share capital or reinvested.

Our Articles of Association require that cash dividends in respect of H shares be declared in RMB and paid in Hong Kong dollars at the average of the exchange rate as published by the People’s Bank of China for each day of the calendar week preceding the date of the dividend declaration. To the extent that we are unable to pay dividends in Hong Kong dollars from our own foreign exchange resources, we will have to obtain Hong Kong dollars through the interbank system or by other permitted means. Hong Kong dollar dividend payments will be converted by the depositary and distributed to holders of ADSs in U.S. dollars.

On March 29, 2016, our Board of Directors proposed a final dividend distribution of RMB0.08 per share to our shareholders for the year ended December 31, 2015. The final dividend payment is expected to be approved by our shareholders at our annual general meeting of shareholders to be held on May 26, 2016.

B. Significant Changes

Other than events already mentioned in this annual report, there have been no significant changes since December 31, 2015.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Price Range of our H shares and ADSs

As of December 31, 2015 and April 20, 2016, there were 1,431.3 million H shares issued and outstanding. As of December 31, 2015 and April 20, 2016, there were 2,501,172 ADSs and 2,334,412 ADSs outstanding held by 148 and 146 registered holders, respectively.

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The HKSE is the principal non-US trading market for our H shares. The ADSs, each representing 50 H shares, have been issued by JPMorgan Chase Bank as depositary and are listed on the NYSE. The following table sets forth, for the periods indicated, the reported high and low closing sales prices for our securities on each of these stock exchanges:

<u>Calendar Period</u>	<u>New York Stock Exchange</u>		<u>HKSE</u>	
	<u>High</u> (USD per ADS)	<u>Low</u>	<u>High</u> (HKD per H share)	<u>Low</u>
Annual highs and lows				
2011	21.67	13.82	3.40	2.22
2012	21.38	13.97	3.37	2.19
2013	28.17	18.73	4.48	2.81
2014	24.59	18.05	3.82	2.79
2015	34.85	18.92	5.43	2.92
Quarterly highs and lows				
First Quarter 2014	23.76	19.95	3.72	3.09
Second Quarter 2014	22.14	18.05	3.44	2.79
Third Quarter 2014	23.10	18.57	3.58	2.86
Fourth Quarter 2014	24.59	19.32	3.82	3.06
First Quarter 2015	26.00	23.04	4.14	3.48
Second Quarter 2015	34.85	23.54	5.43	3.60
Third Quarter 2015	27.39	18.92	4.27	2.92
Fourth Quarter 2015	26.69	19.93	4.34	3.13
Monthly highs and lows				
October 2015	25.92	19.93	4.03	3.13
November 2015	26.46	23.96	4.12	3.62
December 2015	26.69	24.40	4.34	3.72
January 2016	24.43	20.94	3.90	3.20
February 2016	23.75	20.51	3.70	3.11
March 2016	24.05	20.65	3.71	3.15
April 2016 (through April 20, 2016)	24.45	21.22	3.83	3.30

During the year ended December 31, 2015, we did not purchase, sell or redeem any of our H shares.

In addition to our H Shares, our A shares have been listed for trading on the Shanghai Stock Exchange starting from December 22, 2006.

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B. Plan of Distribution

Not applicable.

C. Markets

Our H shares are listed on the HKSE under the stock code “00525” and American Depositary Shares representing our H shares are listed on the NYSE under the stock code “GSH.” Our A shares are listed for trading on the Shanghai Stock Exchange under the stock code “601333.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

We were established as a joint stock limited company under the Company Law of the PRC on March 6, 1996. Our legal name is 广深铁路股份有限公司, and its English translation is Guangshen Railway Company Limited.

A. Share Capital

We issued a total of 2,747,987,000 A shares in our initial public offering of A shares on the PRC domestic market in December 2006, and raised proceeds of approximately RMB10.0 billion. Each A share has a par value of RMB1.00 and has been listed for trading on the Shanghai Stock Exchange.

The total number of shares of our Company after the A Share Offering is 7,083,537,000. As of December 31, 2015, our issued share capital consisted of:

Type of share capital	Number of shares	Percentage of shares (%)
Domestic tradable shares without restriction on sales (A shares)	5,652,237,000	79.8
H shares	1,431,300,000	20.2
Total	<u>7,083,537,000</u>	<u>100.0</u>

Public Float

As of April 27, 2016, at least 25% of our total issued share capital was held by the public, as required under the HKSE Listing Rules.

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Pre-Emptive Rights

There is no provision in our Articles of Association or under the laws of the PRC which provides for pre-emptive rights of our shareholders.

B. Memorandum and Articles of Association

Our shareholders previously adopted the amended and restated Articles of Association at an annual shareholders' general meeting held on June 25, 2009, which was filed as an exhibit to our annual report on Form 20-F with the SEC on June 22, 2010. On September 27, 2012 and May 28, 2015, our shareholders passed resolutions to make additional amendments to the Articles of Association, the full text of which is filed as Exhibit 1.1 hereto.

Described below is a summary of the significant provisions of our amended and restated Articles of Association as currently in effect. As this is a summary, it does not contain all the information that may be important to you.

General

We are a joint stock limited company established in accordance with the Company Law of China, the Rules of the State Council on the Overseas Issuance and Listings and other relevant laws and regulations of the PRC. Our Company was established by way of promotion with approval evidenced by the document "Ti Gai Sheng" [1995] No. 151 of the PRC's State Commission for Economic Restructuring. We were registered with and obtained a business license from the Administration for Industry and Commerce of Shenzhen, Guangdong Province on March 6, 1996. The number of our business license is Shen Si Zi 4403011022106. Article 12 of our Articles of Association states that our object is to carry on the business of railway transportation.

Significant Differences between H shares and A shares

Holders of H shares and A shares (also referred to as domestic shares), with minor exceptions, are entitled to the same economic and voting rights. However, our Articles of Association provide that holders of H shares will receive dividends in Hong Kong dollars while holders of A shares will receive dividends in RMB. Other differences between the rights of holders of H shares and A shares relate primarily to ownership and transferability. H shares may only be subscribed for and owned by legal and natural persons of any country other than the PRC (excluding Taiwan, Hong Kong, and Macau), and must be subscribed for, transferred and traded in a foreign currency. Other than the limitation on ownership, H shares are freely transferable in accordance with our Articles of Association. A shares may only be subscribed for and owned by legal or natural persons in the PRC (excluding Taiwan, Hong Kong and Macau), and must be subscribed for and traded in RMB. Transfers of A shares are subject to restrictions set forth under PRC rules and regulations, which are not applicable to H shares. Transfers of A shares owned by our directors or employees are also subject to restrictions under PRC rules and regulations. A shares and H shares are also distinguished by differences in administration and procedure, including provisions relating to notices and financial reports to be sent to shareholders, dispute resolution, registration of shares on different parts of the register of shareholders, the method of share transfer and appointment of dividend receiving agents.

Restrictions on Transferability

H shares may be traded only among foreign investors, and may not be sold to PRC investors (except investors from Hong Kong, Macau and Taiwan). PRC investors (except investors from Hong Kong, Macau and Taiwan) are not entitled to be registered as holders of H shares. Under our Articles of Association, we may refuse to register a transfer of H shares unless:

- relevant transfer fees have been paid, if any;
- the instrument of transfer only involves H shares;

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- the stamp duty chargeable on the instrument of transfer has been paid;
- the relevant share certificate and, upon the reasonable request of the board of directors, any evidence in relation to the right of the transferor to transfer the shares have been submitted;
- if the shares are being transferred to joint owners, the maximum number of joint owners does not exceed four; and
- we do not have any lien on the relevant shares.

Dividends

Unless otherwise resolved by a shareholders' general meeting, we may distribute dividends more than once a year, provided that the amount of interim dividends to be distributed shall not exceed 50% of the distributable profit as stated in our interim profit statement. In accordance with our Articles of Association, our net profit for the purpose of profit distribution will be deemed to be the lesser of the amount determined in accordance with:

- PRC accounting standards and regulations; and
- international accounting standards or the accounting standards of the countries in which our shares are listed.

Our Articles of Association allow for distributions of dividends in the form of cash or shares, and encourage the Board to first consider a payment of cash dividends as opposed to share dividends. In particular, according to our Articles of Association, interim dividends may be distributed by way of cash dividends. Dividends may only be distributed, however, after allowance has been made in the following sequence:

- making up losses;
- allocations to the statutory common reserve fund;
- allocations to the discretionary common reserve fund upon the approval of shareholders at a general meeting; and
- payment of dividends in respect of ordinary shares.

The board of directors shall, in accordance with the laws and administrative regulations of the State (if any) and our Company's operation and development requirements, determine the proportions of allocations to the discretionary common reserve fund and payment of ordinary share dividends subject to approval of shareholders at the general meeting. The Company may not distribute any dividend before making up for its losses and allocating funds to the statutory common reserve fund.

Our Articles of Association require us to appoint on behalf of the holders of H shares a receiving agent to receive on behalf of these shareholders dividends declared and all other moneys in respect of the H shares. The receiving agent appointed shall be a company that is registered as a trust company under the Trustee Ordinance of Hong Kong. Our Articles of Association require that cash dividends in respect of H shares be declared in RMB and paid by us in Hong Kong dollars. If we record no profit for the year, we may not normally distribute dividends for the year.

Voting Rights and Shareholder Meetings

Shareholders' general meetings can be annual shareholders' general meetings or extraordinary general meetings. Shareholders' meetings shall be convened by the board of directors. The board of directors shall convene an annual shareholders' meeting within six months from the end of the preceding accounting year. The shareholders provide us with principal authority at general meetings. We exercise our functions and powers in compliance with our Articles of Association.

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We are not permitted to enter into any contract with any person other than a director, supervisor, general manager, deputy general manager, or other senior officers of our Company whereby the management and administration of the whole of our Company or any material business of our Company is to be handed over to such person without the prior approval of the shareholders in a general meeting.

The board of directors shall convene an extraordinary shareholders meeting within two months if any one of the following circumstances occurs:

- the number of directors falls short of the number stipulated in the Company Law of the PRC or our by-laws or is below two-thirds of the number required in our Articles of Association;
- our unrecovered losses that have not been made up amount to one-third of our paid-in share capital;
- shareholder(s), severally or jointly, holding 10% or more of our issued shares carrying the right to vote make a request in writing to convene an extraordinary general meeting;
- the board of directors considers it necessary; or
- the supervisory committee proposes to convene such a meeting.

Where we convene a shareholders' general meeting (when we have more than one shareholder), we shall give not less than 45 days prior public notice or other means (if necessary) as specified in our Articles of Association to all shareholders whose names appear in the share register of the items to be considered and the date and venue of the meeting. Any shareholder intending to attend the shareholders' general meeting shall give us a written reply stating his or her intention to attend the meeting 20 days prior to the date of the meeting.

Where our Company convenes an annual general meeting, shareholders who severally or jointly hold more than 3% of our Company's shares, may present an extraordinary proposal for the shareholders' general meeting in written form to our Company. If the subject of the extraordinary proposal falls within the functions and powers of a shareholders' general meeting, then it should be included in the agenda of the meeting.

A shareholder extraordinary general meeting shall not resolve any matter not stated in the notice of such meeting. A notice of meeting of shareholders shall:

- be given by way of public notice or other means as specified under our Articles of Association;
- specify the place, date and the time of the meeting;
- state the motions to be discussed at the meeting;
- provide such information and explanations as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to merge our Company with another entity, to repurchase the shares of our Company, to reorganize its share capital or to restructure our Company in any other way, the terms of the proposed transaction must be provided in detail, together with copies of the proposed agreement, if any, and the cause and effect of the proposal must be properly explained;
- contain disclosure of the nature and extent, if any, of material interests of any director, supervisor, general manager, deputy general manager or other senior officers of our Company in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;
- contain the full text of any special resolution proposed to be approved at the meeting;

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- contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him or her and that a proxy need not also be a shareholder; and
- state the time within which and the address to which voting proxies for the meeting are to be delivered.

The Company may send the notice to the domestic shareholders by way of public notice published in one or more newspapers designated by the securities regulatory authority under the State Council at least forty-five (45) days before the date of the meeting. After the publication of such notice, all holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting. Notice of a shareholders' general meeting to holders of overseas-listed foreign-invested shares shall be published on our Company's website (www.gsrc.com) at least forty-five (45) days prior to the date of the meeting. After the publication of such notice, all holders of overseas-listed foreign-invested shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by any person entitled to receive notice, shall not invalidate the meeting or the resolutions adopted therein. Where we convene an annual general meeting, we shall include in the agenda of the meeting any resolutions submitted by shareholders (including proxies) who either separately or in aggregate hold more than 3% of the total number of our shares, provided that these resolutions fall within the scope of powers of a shareholders' general meeting.

The following matters shall be resolved by way of ordinary resolution of the shareholders' general meeting:

- work reports of the board of directors and the supervisory committee;
- profit distribution proposals and loss recovery proposals formulated by the board of directors;
- removal of members of the board of directors and the supervisory committee, their remuneration and methods of payment;
- our annual financial budget, final accounts, balance sheet, income statement and other financial statements; and
- matters other than those that are required by laws, administrative regulations or our Articles of Association to be adopted by way of special resolution.

The following matters shall be resolved by way of special resolution of the shareholders' general meeting:

- increase or reduction of our share capital and the issuance of shares of any class, warrants and other similar securities;
- issuance of Company debentures;
- division, merger, dissolution and liquidation of our Company;
- amendment to our Articles of Association;
- alteration to the form of our Company;
- acquisition or disposal within one year of material assets exceeding 30% of the total assets of our Company; and
- any other matter that, according to an ordinary resolution of the shareholders meeting, may have a significant impact on our Company and requires adoption by way of a special resolution.

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Shareholders have the right to attend general meetings of shareholders and to exercise their voting rights, in person or by proxy, in relation to the amount of voting shares they represent. Each share carries the right to one vote. Any share of our Company held by our Company does not carry any voting right.

At any meeting of shareholders a resolution shall be decided by a show of hands unless a poll is demanded before or after any vote by show of hands:

- by the chairman of the meeting;
- by at least two shareholders who possess the right to vote, present in person or by proxy; or
- by one or more shareholders (including proxies) representing either separately or in aggregate, not less than one-tenth of all shares having the right to vote at the meeting.

Unless a poll is demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favor of or against that resolution, that the resolution has been carried. A demand for a poll may be withdrawn. A poll demanded on the election of the chairman, or on a question of suspension of the meeting, shall be taken at the meeting immediately. A poll demanded on any other questions shall be taken at such time as the chairman of the meeting directs, and any business other than that on which the poll has been demanded may be proceeded with. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. On a poll taken at a meeting, a shareholder should cast his or her vote(s) either at the meeting, online or through another way as permitted by the Articles of Association; a shareholder (including their proxies) entitled to two or more votes need not cast all his or her votes in the same way. In the case of a tie, the chairman of the meeting shall be entitled to one additional vote. Shareholders shall be entitled to designate two shareholder representatives to participate in counting the votes and supervising the voting process; provided that no person shall be permitted to serve as a shareholder representative to the extent such person has an interest in, or is otherwise impacted by, the resolutions being voted on, to the extent such interest or impact is disproportionate in comparison to other shareholders.

Board of Directors

Where a director is interested in any resolution proposed at a board meeting, the director shall not be present and shall not have a right to vote at the meeting. That director shall also not be counted in the quorum of the relevant meeting.

Our directors' compensation is determined by resolutions approved at shareholders' general meetings. Our directors have no power to approve their own compensation.

Our directors are not required to hold shares of our Company. There is no age limit requirement with respect to retirement or non-retirement of our directors.

At least one-third of our board members shall be independent directors. An independent director is a director who does not act in other capacities in our Company other than as a director, and who does not have any relationship with our Company or our Company's substantial shareholders which may affect the director in making independent and objective judgment. An independent director shall have certain special duties, including, among others, to approve a connected transaction of which the total consideration accounts for more than 5% of the latest audited net asset value of our Company before submission to the board of the directors for discussion, to propose the convening of a board meeting, to engage external auditors or consultants independently, and to make independent opinion on significant events of our Company. To ensure that the independent directors can effectively perform their duties, our Company shall provide them with certain working conditions.

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Liquidation Rights

In the event of the termination or liquidation of our Company, our shareholders shall have the right to participate in the distribution of surplus assets of our Company in accordance with the type and number of shares held by those shareholders.

Liability of Shareholders

The liability of holders of our shares for our losses or liabilities is limited to their capital contributions in our Company.

Increases in Share Capital

Our Articles of Association require that approval by a special resolution of the shareholders and by special resolution of holders of domestic shares and H shares at separate shareholder class meetings be obtained prior to authorizing, allotting, issuing or granting shares, securities convertible into shares or options, warrants or similar rights to subscribe for any shares or convertible securities. No approval is required to be obtained from separate class meetings if, but only to the extent that, we issue domestic shares and H shares, either separately or concurrently, in numbers not exceeding 20% of the number of domestic shares and H shares then in issue, respectively, in any 12-month period, as approved by a special resolution of the shareholders. New issues of shares must also be approved by relevant PRC authorities.

Reduction of Share Capital and Purchase by Us of Our Shares

We may, following the procedures provided in the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase any of our issued shares under the following circumstances:

- (1) cancellation of shares for capital reduction;
- (2) merging with another company that holds our shares;
- (3) paying shares to our employees as bonus; or
- (4) repurchasing, upon request, any shares held by any shareholder who is opposed to our Company's resolution for merger or spin-off at a shareholders' general meeting.

Any repurchase of shares under items (1) to (3) of the foregoing paragraph shall be approved by shareholders' general meeting of our Company. After repurchase of the shares according to the foregoing paragraph by our Company, the shares repurchased under item 1 shall be cancelled within ten days from the date of the repurchase; and the shares repurchased under items 2 and 4 shall be transferred or cancelled within six months.

The shares repurchased by our Company under item 3 may not exceed 5% of the total of our Company's issued shares. Such repurchase shall be financed by our Company's profit after tax. The shares so repurchased shall be transferred to the employees within one year.

We may not accept our shares as the subject of any pledge.

In the event that the regulatory authorities at the place of listing of our overseas-listed foreign shares have different requirements, such requirements shall prevail.

Subject to approval by PRC securities regulatory authorities and compliance with applicable law, we may carry out a share repurchase by one of the following methods:

- under a general offer;

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- open offer on a stock exchange; or
- by off-market contract.

We may, with the prior approval of shareholders in general meeting obtained in accordance with our Articles of Association, repurchase our shares by an off-market contract, and we may rescind or vary such a contract or waive any of our rights under the contract with the prior approval of shareholders obtained in the same manner. A contract to repurchase shares includes (without limitation) an agreement to become obliged to repurchase and an agreement to acquire the right to repurchase our shares. We may not assign a contract to repurchase our own shares or any rights provided thereunder.

Shares repurchased by us shall be canceled and the amount of our registered capital shall be reduced by the par value of those shares. The amount of our registered capital so reduced to the extent that shares are repurchased out of an amount deducted from our distributable profits, shall be transferred to our capital common reserve account.

Unless we are in the process of liquidation:

- where we repurchase our shares at par value, the amount of the total par value of shares so repurchased shall be deducted from our book balance distributable profits or out of the proceeds of a new issue of shares made in respect of the repurchase; and
- where we repurchase our shares at a premium, an amount equivalent to their total par value shall be deducted from our book balance distributable profits or the proceeds of a new issue of shares made in respect of the repurchase. Payment of the portion in excess of their par value shall be effected as follows:
 - if the shares being repurchased were issued at par value, payment shall be made out of our book balance distributable profits; and
 - if the shares being repurchased were issued at a premium, payment shall be made out of our distributable profits or out of proceeds of a new issue of shares made in respect of the repurchase, provided that the amount paid out of the proceeds of the new issue may not exceed the aggregate of premiums received by us on the issue of the shares repurchased or the current balance of our capital common reserve account (inclusive of the premiums from the new issue of shares).
- Payment by us in consideration for:
 - the acquisition of rights to repurchase our shares;
 - the variation of any contract to repurchase our shares; or
 - the release of any of our obligations under any contract to repurchase our shares; shall be made out of our distributable profits.

Restrictions on Controlling Shareholders

In addition to obligations imposed by law or required by the stock exchanges on which our shares are listed, a controlling shareholder (as defined below) shall not exercise his or her voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders generally or any part of our shareholders:

- to relieve a director or supervisor of his or her duty to act honestly in our best interests;

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- to approve the expropriation, by a director or supervisor (for his or her own benefit or for the benefit of another person), in any guise, of our assets, including without limitation opportunities advantageous to us; or
- to approve the expropriation by a director or supervisor (for his or her own benefit or for the benefit of another person) of the individual rights of other shareholders, including without limitation rights to distributions and voting rights, save and except where it was done pursuant to a restructuring submitted to and approved by our shareholders in accordance with our Articles of Association.

“Controlling shareholder” means a shareholder whose shareholdings represent over 50% of the total share capital of our Company, or if less than 50%, whose entitlement to voting rights is sufficient to materially affect the resolutions at general meetings of our Company.

Changing Rights of a Class of Shareholders

Rights conferred on any class of shareholders in the capacity of shareholders may not be varied or abrogated unless approved by a special resolution of shareholders at a general meeting and by holders of shares of that class at a separate class meeting conducted in accordance with our Articles of Association.

Duties of Directors, Supervisors and Other Senior Officers in Interested Transactions

Where any director, supervisor, general manager, deputy general manager or other senior officers (or an associate thereof) is in any way materially interested in a contract or transaction or arrangement or proposed contract or transaction or arrangement with us (other than his or her contract of service with us), he or she shall declare the nature and extent of his or her interest to the board of directors at the earliest opportunity, whether or not the contract, transaction or proposal or arrangement is subject to the approval of the board of directors.

Unless the interested director, supervisor, general manager deputy general manager or other senior officers has disclosed his or her interests and the contract or transaction is approved by the board of directors at a meeting in which the interested director, supervisor, general manager, deputy general manager or other senior officers has not been counted in the quorum and has refrained from voting, a contract or transaction in which that director, supervisor, general manager, deputy general manager or other senior officers is materially interested is voidable except as against a bona fide party to the contract or transaction acting without notice of the breach of duty by the interested director, supervisor, general manager, deputy general manager or other senior officers.

We shall not directly or indirectly make a loan to or provide any guarantees in connection with a loan to a director, supervisor, general manager, deputy general manager or other senior officers of our Company or of GRGC or any of their respective associates. However, the following transactions are not subject to this prohibition:

- the provision by us of a loan or a guarantee of a loan to one of our subsidiaries;
- the provision by us of a loan or a guarantee in connection with a loan or any other funds to any of our directors, supervisors, general managers, deputy general managers or other senior officers to pay expenditures incurred or to be incurred on our behalf by him or her or for the purpose of enabling him or her to perform his or her duties properly, in accordance with the terms of a service contract approved by the shareholders at a general meeting; and
- the provision by us of a loan or a guarantee in connection with a loan to any of our directors, supervisors, general managers, deputy general managers or other senior officers or their respective associates on normal commercial terms, provided that the ordinary course of our business includes the lending of money or the giving of guarantees.

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C. Material Contracts

All material contracts we entered into during the fiscal years of 2014 and 2015 were made in the ordinary course of business.

D. Exchange Controls

The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. Effective January 1, 1994, the dual foreign exchange system in China was abolished in accordance with the notice of the People's Bank of China concerning future reform of the foreign currency control system issued December 1993. The conversion of RMB into U.S. dollars in China currently must be based on the People's Bank of China rate. The People's Bank of China rate is set based on the previous day's Chinese interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. On April 14, 2012, the PRC government further allowed the floating band of RMB's trading prices against the U.S. dollar to widen from 0.5% to 1% on each business day effective from April 2012, and further widened such floating band to 2% in March 2014.

Any future fluctuation of the RMB against the U.S. dollar (whether due to a decrease in the foreign currency reserves held by the PRC government or any other reason) will have an adverse effect upon the U.S. dollar equivalent and Hong Kong dollar equivalent of our net income and increase the effective cost of foreign equipment and the amount of foreign currency expenses and liabilities. In 2015, we incurred a foreign exchange gain of approximately RMB3.0 million due to the depreciation of the Hong Kong dollar against the RMB. If the applicable market exchange rates were to change by 5%, this would result in a change in our net income of approximately RMB2.7 million. We have no plans to hedge our currency exposure in the future. No assurance can be given that the Hong Kong dollar to U.S. dollar exchange rate link will be maintained in the future. Furthermore, any change in exchange rate that has a negative effect on the market for the H shares in either the United States or Hong Kong is likely to result in a similar negative effect on the other market.

We have been, and will continue to be, affected by changes in exchange rates in connection with our ability to meet our foreign currency obligations and will be affected by such changes in connection with our ability to pay dividends on H shares in Hong Kong dollars and on ADSs in U.S. dollars. As of December 31, 2015, we maintained the equivalent of approximately RMB72.1 million in U.S. dollar and Hong Kong dollar-denominated balances for purposes of satisfying our foreign currency obligations (e.g., to purchase foreign equipment) and paying dividends to our overseas shareholders. See Note 3 to our audited consolidated financial statements included elsewhere in this annual report. We believe that we have or will be able to obtain sufficient foreign exchange to continue to satisfy these obligations. We do not engage in any financial contract or other arrangement to hedge our currency exposure.

E. Taxation

PRC Taxation

Tax Basis of Assets

As of June 30, 1995, our assets were valued in conjunction with the Restructuring. This valuation, which was confirmed by the State Assets Administration Bureau, establishes the tax basis for these assets.

Income Tax

In accordance with the Enterprise Income Tax Law of the PRC (hereinafter referred to as the "EIT Law"), which was adopted at the 5th Session of the 10th National People's Congress of the PRC on March 16, 2007, enterprises and other organizations that earn income within the territory of the PRC are payers of enterprise income tax, which shall be paid in accordance with the provisions of EIT Law. The EIT Law and the implementation regulations for the EIT Law (the "Implementation Regulations") both came into effect on January 1, 2008, meanwhile the Income Tax Law of the PRC for Foreign-invested Enterprises and Foreign Enterprises and the Interim Regulations of the PRC on Enterprise Income Tax have been simultaneously repealed.

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Pursuant to the EIT Law, the income tax rate for PRC enterprises is reduced from the original 33% to 25%, same as the rate applied to foreign investment enterprises and foreign enterprises.

According to the EIT Law and the Notice Regarding Implementation of the Preferential Enterprise Income Tax in the Transition Period issued by the State Council, an enterprise established with approval prior to the promulgation of the EIT Law that enjoyed a preferential tax rate according to the provisions of tax laws and administrative regulations then in force could gradually transition to the tax rate provided for therein within five years after the implementation of the EIT Law. The preferential income tax rate of 15% that was applicable to companies incorporated in Shenzhen and other special economic zones was phased out over five years beginning on January 1, 2008. After such five-year period and since January 1, 2012, the tax rate applicable to us has been fixed at 25%, i.e., the unified income tax rate applicable to all domestic companies in the PRC (with limited exceptions). An enterprise enjoying regular tax reduction or exemption may continue to enjoy such tax reduction or exemption until the expiration of the term thereof pursuant to the provisions of the State Council; if it has not yet enjoyed such tax reduction or exemption because it fails to make a profit, the term of such tax reduction or exemption shall be calculated from the effective date of the EIT Law (that is January 1, 2008).

Value Added Tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax effective from January 1, 1994, which was amended by the State Council on November 10, 2008 and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax, which was promulgated on December 18, 2008, and revised on October 28, 2011, our passenger and freight transportation businesses are not subject to value added tax, while our other businesses are subject to value added tax at rates ranging from 3% to 17%, depending on the scale and nature of the businesses.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Including Railway Transport and Postal Services under the Pilot Program of Replacing Business Tax with Value-Added Tax, which was promulgated on December 12, 2013, and came into effect on January 1, 2014, the value-added tax rate of 11% shall be levied on enterprises providing transport and postal services.

Tax on Dividends

For an Individual Investor. According to the Individual Income Tax Law of the PRC, an income tax at the rate of 20% shall be withheld on dividend payments from PRC enterprises to residents of the PRC. According to the Circular on Relevant Tax Policies on Pilot Shanghai-Hong Kong Stock Connect Scheme (Cai Shui [2014] No. 81) (hereinafter referred to as “Circular 81”) issued by the Ministry of Finance, State Tax Bureau and CSRC on October 31, 2014, which became effective November 17, 2014, a PRC company that pays dividends to a PRC individual investor, with respect to H shares listed on the HKSE through the Shanghai-Hong Kong Stock Connect, must first request from the China Securities Depository and Clearing Company Limited (hereinafter referred to as the “CSDC”) a list of PRC individual investors. The PRC company shall then withhold PRC individual income tax at a rate of 20% on payments to such individual investors. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC company with A shares listed on the Shanghai Stock Exchange is normally subject to PRC withholding tax at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty. According to the Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Circular 45 issued by the PRC State Tax Bureau, foreign non-resident individual shareholders receiving dividends from shares in a PRC non-foreign-invested enterprise may be subject to PRC withholding tax at a rate of 10%, subject to reduction under an applicable tax treaty. A non-PRC individual that is a resident of a country that has not entered into a tax treaty with the PRC or in any other case will be subject to PRC withholding tax at a rate of 20%. A PRC company that pays dividends to investors in Hong Kong (including enterprises and individuals), with respect to A shares listed on the Shanghai Stock Exchange, before the Hong Kong Securities Clearing Company Ltd is able to provide details of an investor’s identity and stock holding period to CSDC, must withhold PRC tax at a rate of 10%, rather than applying the exemptions based on the stock holding period discussed in the following paragraph, and should also apply for a withholding declaration from the appropriate PRC tax authority.

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According to the Notice on the Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies promulgated on December 28, 2012, individual PRC resident holders of A Shares who have held such shares for one month or less shall include all cash and share distributions in their taxable income. Individual PRC resident holders of A Shares who have held such shares for more than one month, but not more than one year, shall temporarily include 50% of all cash and share distributions in their taxable income. In addition, individual PRC resident holders of A Shares who have held shares for more than one year shall temporarily include 25% of all cash and share distributions in their taxable income.

For An Enterprise. According to Circular 81, PRC enterprise investors' dividends from investment in stocks listed on the HKSE through the Shanghai-Hong Kong Stock Connect shall be included in income and shall be subject to PRC enterprise income tax. However, a PRC enterprise investor's dividends in respect of H shares, which have been continuously held by such investor for a period of over 12 months, shall be exempt from PRC enterprise income tax. According to the EIT Law and its Implementation Regulations, and pursuant to the Notice on the Issues Regarding Withholding of the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H share Holders Which Are Overseas Non-resident Enterprises issued by State Administration of Taxation on November 6, 2008, when a non-PRC resident enterprise with no establishment or office in the PRC receives dividends from a company in the PRC, or a non-PRC resident enterprise with an establishment or office in the PRC receives dividends from a company in the PRC, and such dividends are not effectively connected with an establishment or office in the PRC, the non-PRC resident enterprise is normally subject to a PRC withholding tax at a rate of 10% under the EIT Law.

The Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding B-shares issued by the SAT on July 24, 2009 further provides that any PRC resident enterprise that is listed on an overseas stock exchange must withhold PRC enterprise income tax at a rate of 10% on dividends that it distributes to non-PRC resident enterprises, subject to reduction under an applicable tax treaty.

Capital Gains Tax

For An Individual Investor. According to the Notice Concerning the Continuation of Exemption from Individual Income Tax on the Income from Stock Transfer issued by the PRC Ministry of Finance and the PRC State Tax Bureau on March 30, 1998, effective from January 1, 1997, gains realized by individuals from transferring stock of listed companies are not subject to individual income tax.

After the latest amendment to the Individual Income Tax Law on June 30, 2011 and its implementation rules on February 18, 2008, the State Administration of Taxation has not stated whether it will continue to exempt from individual income tax income derived by individuals from the transfer of listed shares. However, on December 31, 2009, the Ministry of Finance, State Administration of Taxation and CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167), which states that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for shares of certain specified companies under certain situations which are subject to sales limitations (as defined in such Circular and its supplementary notice issued on November 10, 2010). Meanwhile, according to Circular 81, PRC individual investors' gains from transferring stock of a company listed on the HKSE through the Shanghai-Hong Kong Stock Connect shall be temporarily exempted from PRC individual income tax from November 17, 2014 to November 16, 2017. Moreover, the gains received by individual investors from Hong Kong from transferring A shares listed on the Shanghai Stock Exchange shall be temporarily exempted from income tax.

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For An Enterprise. In accordance with the EIT Law and its Implementation Regulations, a non-resident enterprise is generally subject to PRC enterprise income tax at a rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premises in the PRC. According to Circular 81, the gains derived from transferring A shares listed on the Shanghai Stock Exchange received by Hong Kong enterprise investors through the Shanghai-Hong Kong Stock Connect shall be temporarily exempted from income tax. In addition, such gains may be exempted in the PRC if the tax treaty or agreement that the PRC concluded with the relevant jurisdiction, where applicable, states that the PRC may not tax capital gains.

In accordance with Circular 81, PRC enterprise investors' gains from transferring stocks listed on the HKSE through the Shanghai-Hong Kong Stock Connect shall be included in total income and shall be subject to enterprise income tax.

Tax Treaties

For non-PRC resident enterprises with no establishment in the PRC and individuals not resident in the PRC, if their home countries or jurisdictions have entered into double taxation treaties with the PRC, such enterprises and individuals may be entitled to a reduction of any withholding tax imposed on the payment of dividends from a PRC company. The PRC currently has double taxation treaties with a number of countries, including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

The Agreement Between the Government of the United States of America and the PRC Government for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, together with related protocols, referred to herein as the "US-PRC tax treaty," currently limits the rate of PRC withholding tax upon dividends paid by our Company to a U.S. holder (as defined below under "United States Federal Income Taxation") who is a United States resident for purposes of the US-PRC tax treaty to 10%. It is uncertain if the US-PRC tax treaty exempts from PRC tax the capital gains of a U.S. holder arising from the sale or disposition of H shares or ADSs. U.S. holders are advised to consult their tax advisors with respect to these matters.

United States Federal Income Taxation

The following is a general discussion of the material United States federal income tax consequences of purchasing, owning and disposing of the H shares or ADSs if you are a U.S. holder, as defined below, and hold the H shares or ADSs as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code. This discussion does not address all of the United States federal income tax consequences relating to the purchase, ownership and disposition of the H shares or ADSs, and does not take into account U.S. holders who may be subject to special rules including:

- banks, insurance companies and financial institutions;
- United States expatriates;
- tax-exempt entities;
- certain insurance companies;
- broker-dealers;

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- traders in securities that elect to mark to market;
- U.S. holders liable for alternative minimum tax;
- U.S. holders that own 10% or more of our voting stock;
- U.S. holders that hold the H shares or ADSs as part of a straddle or a hedging or conversion transaction; or
- U.S. holders whose functional currency is not the U.S. dollar.

This discussion is based on the Code, its legislative history, final, temporary and proposed United States Treasury regulations promulgated thereunder, published rulings and court decisions as in effect on the date hereof, all of which are subject to change, or changes in interpretation, possibly with retroactive effect. In addition, this discussion is based in part upon representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreements will be performed according to its terms.

You are a “U.S. holder” if you are a beneficial owner of H shares or ADSs and are:

- a citizen or resident of the United States for United States federal income tax purposes;
- a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income tax without regard to its source; or
- a trust:
- subject to the primary supervision of a United States court and the control of one or more United States persons; or
- that has elected to be treated as a United States person under applicable United States Treasury regulations.

If a partnership (including any entity taxed as a partnership for United States federal income tax purposes) holds the H shares or ADSs, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership that holds the H shares or ADSs, we urge you to consult your tax advisors regarding the consequences of the purchase, ownership and disposition of the H shares or ADSs.

This discussion does not address any United States federal estate or gift tax consequences, or any state, local or non-United States tax consequences of the purchase, ownership and disposition of the H shares or ADSs.

We urge you to consult your tax advisors regarding the United States federal, state, local and non-United States tax consequences of the purchase, ownership and disposition of the H shares or ADSs.

In general, if you hold ADRs evidencing ADSs, you will be treated as the owner of the H shares represented by the ADSs. The following discussion assumes that we are not a passive foreign investment company, or PFIC, as discussed under “PFIC Rules” below.

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Distributions on the H shares or ADSs

The gross amount of any distribution (without reduction for any PRC tax withheld) we make on the H shares or ADSs out of our current or accumulated earnings and profits will be includible in your gross income as dividend income when the distribution is actually or constructively received by you, in the case of the H shares, or by the depository in the case of ADSs. Subject to certain limitations, dividends paid to non-corporate U.S. holders, including individuals, may be eligible for a reduced rate of taxation if we are deemed to be a “qualified foreign corporation” for United States federal income tax purposes. A qualified foreign corporation includes:

- a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program; and
- a foreign corporation if its stock with respect to which a dividend is paid (or ADSs backed by such stock) is readily tradable on an established securities market within the United States,

but does not include an otherwise qualified foreign corporation that is a PFIC in the taxable year the dividend is paid or the prior taxable year. We believe that we will be a qualified foreign corporation so long as we are not a PFIC (and were not a PFIC for our prior taxable year) and we are considered eligible for the benefits of the US—PRC tax treaty. Our status as a qualified foreign corporation, however, may change.

Distributions by a corporation that exceed its current and accumulated earnings and profits (as determined for United States federal income tax purposes) generally are treated as a return of capital to the extent of a shareholder’s basis in the corporation’s shares, and thereafter as capital gain. We do not maintain calculations of our current and accumulated earnings and profits as determined for United States federal income tax purposes, and you should expect that the full amount of any distribution to you will be treated as a dividend for United States federal income tax purposes. Any dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from United States corporations. The amount of any distribution of property other than cash will be the fair market value of such property on the date of such distribution.

If we make a distribution paid in Hong Kong dollars, you will be considered to receive the U.S. dollar value of the distribution determined at the spot HK dollar/U.S. dollar rate on the date such distribution is received by you or by the depository, regardless of whether you or the depository convert the distribution into U.S. dollars on such date. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in your income to the date you or the depository convert the distribution into U.S. dollars will be treated as foreign currency exchange gain or loss that is United States source ordinary income or loss for foreign tax credit limitation purposes.

Subject to various limitations, any PRC tax withheld from distributions in accordance with PRC law, as limited by the US—PRC tax treaty, may be creditable against your United States federal income tax liability. For foreign tax credit limitation purposes, dividends paid on the H shares or ADSs will be foreign source income, and will be treated as “passive category income” or, in the case of some U.S. holders, “general category income.” You may not be able to claim a foreign tax credit (and instead may claim a deduction) for non-United States taxes imposed on dividends paid on the H shares or ADSs if you (i) have held the H shares or ADSs for less than a specified minimum period during which you are not protected from risk of loss with respect to such shares, or (ii) are obligated to make payments related to the dividends (for example, pursuant to a short sale).

Sale, Exchange or Other Disposition

Upon a sale, exchange or other disposition of the H shares or ADSs, you will recognize a capital gain or loss for United States federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and your tax basis, determined in U.S. dollars, in such H shares or ADSs. Any gain or loss will generally be United States source gain or loss for foreign tax credit limitation purposes. Capital gain of certain non-corporate U.S. holders, including individuals, is generally taxed at reduced rates where the H shares or ADSs have been held more than one year. Your ability to deduct capital losses is subject to limitations.

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If any PRC tax is withheld from your gain on a disposition of H shares or ADSs, such tax would only be creditable against your United States federal income tax liability to the extent that you have foreign source income. However, in the event that PRC tax is withheld, a U.S. holder that is eligible for the benefits of the US—PRC tax treaty may be able to treat the gain as foreign source income for foreign tax credit limitation purposes.

If you are paid in a currency other than U.S. dollars, any gain or loss resulting from currency exchange fluctuations during the period from the date of the payment resulting from sale, exchange or other disposition to the date you convert the payment into U.S. dollars will be treated as foreign currency exchange gain or loss that is United States source ordinary income or loss for foreign tax credit limitation purposes.

PFIC Rules

In general, a foreign corporation is a PFIC for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries:

- 75% or more of its gross income consists of passive income, such as dividends, interest, rents and royalties; or
- 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income.

We believe that we were not a PFIC for our taxable year ended December 31, 2015 and do not currently believe that we will be treated as a PFIC for the current or subsequent taxable years. However, PFIC status cannot be determined until the close of a taxable year and, accordingly, there can be no assurance that we will not be a PFIC in the current or subsequent taxable years.

If we were a PFIC in any taxable year that you held the H shares or ADSs, you generally would be subject to special rules with respect to “excess distributions” made by us on the H shares or ADSs and with respect to gain from a disposition of the H shares or ADSs. An “excess distribution” generally is defined as the excess of the distributions you receive with respect to the H shares or ADSs in any taxable year over 125% of the average annual distributions you have received from us during the shorter of the three preceding years or your holding period for the H shares or ADSs. Generally, you would be required to allocate any excess distribution or gain from the disposition of the H shares or ADSs ratably over your holding period for the H shares or ADSs. The portion of the excess distribution or gain allocated to a prior taxable year, other than a year prior to the first year in which we became a PFIC, would be taxed at the highest United States federal income tax rate on ordinary income in effect for such taxable year, and you would be subject to an interest charge on the resulting tax liability, determined as if the tax liability had been due with respect to such particular taxable years. The portion of the excess distribution or gain that is allocated to the current year, together with the portion allocated to the years prior to the first year in which we became a PFIC, would be included in your gross income for the taxable year of the excess distribution or disposition and taxed as ordinary income.

The foregoing rules with respect to excess distributions and dispositions may be avoided or reduced if you are eligible for and timely make a valid “mark-to-market” election. If your H shares or ADSs were treated as shares regularly traded on a “qualified exchange” for United States federal income tax purposes and a valid mark-to-market election was made, in calculating your taxable income for each taxable year you generally would be required to take into account as ordinary income or loss the difference, if any, between the fair market value and the adjusted tax basis of your H shares or ADSs at the end of your taxable year. However, the amount of loss you would be allowed is limited to the extent of the net amount of previously included income as a result of the market-to-market election. Your basis in the H shares or ADSs will be adjusted to reflect any such gain or loss. The NYSE on which the ADSs are traded is a qualified exchange for United States federal income tax purposes.

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Alternatively, a timely election to treat us as a qualified electing fund under Section 1295 of the Code could be made to avoid the foregoing rules with respect to excess distributions and dispositions. You should be aware, however, that if we become a PFIC, we do not intend to satisfy record keeping requirements that would permit you to make a qualified electing fund election.

If you own the H shares or ADSs during any year that we are a PFIC, you generally will be required to file Internal Revenue Service, or IRS, Form 8621, as described in the instructions to Form 8621, subject to certain exceptions based on the value of PFIC stock held. We encourage you to consult your own tax advisor concerning the United States federal income tax consequences of holding the H shares or ADSs that would arise if we were considered a PFIC.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividends in respect of the H shares or ADSs or the proceeds of the sale, exchange, or redemption of the H shares or ADSs paid within the United States, and in some cases, outside of the United States, other than to various exempt recipients. In addition, you may, under some circumstances, be subject to “backup withholding” with respect to dividends paid on the H shares or ADSs or the proceeds of any sale, exchange or transfer of the H shares or ADSs, unless you

- fall within various other exempt categories, and, when required, demonstrate this fact; or
- provide a correct taxpayer identification number on a properly completed IRS Form W-9 or a substitute form, certify that you are exempt from backup withholding and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules generally will be creditable against your United States federal income tax liability provided that you furnish the required information to the IRS in a timely manner. If you do not provide a correct taxpayer identification number, you may be subject to penalties imposed by the IRS.

Certain U.S. holders who are individuals that hold certain foreign financial assets (which may include the H shares or ADSs) are required to report information relating to such assets, subject to certain exceptions. You should consult your own tax advisors regarding the effect, if any, of these requirements on your ownership and disposition of the H shares or ADSs.

Hong Kong Taxation

The following discussion summarizes the material Hong Kong tax provisions relating to the ownership of H shares or ADSs held by you.

Dividends

Under current practice, no tax will be payable by you in Hong Kong in respect of dividends paid by us.

Taxation of Capital Gains

No capital gain tax is generally imposed in Hong Kong in respect of capital gains from the sale of shares (such as the H shares). However, if trading gains from the sale of property by persons as part of profit making are regarded as carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, such trading gains will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Gains from sales of the H shares affected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares realized by persons carrying on a business of trading or dealing in Hong Kong in securities.

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There will be no liability for Hong Kong profits tax in respect of profits from the sale of ADSs (i.e., the profits derived abroad), where purchases and sales of ADSs are effected outside Hong Kong, e.g. on the NYSE.

Hong Kong Stamp Duty

Hong Kong stamp duty will be payable by each of the seller and the purchaser for every sale and purchase, respectively, of the H shares. An ad valorem duty is charged at the rate of 0.2% of the consideration of the fair value of the H shares transferred and the relevant contract notes shall be stamped (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HKD 5 is currently payable on an instrument of transfer of H shares.

The withdrawal of H shares when ADSs are surrendered, and the issuance of ADSs when H shares are deposited, may be subject to Hong Kong stamp duty at the rate described above for sale and purchase transactions, if the withdrawal or deposit results in a change of legal and beneficial ownership under Hong Kong law. The issuance of ADSs for deposited H shares issued directly to the depository or for the account of the depository should not lead to a Hong Kong stamp duty liability. You are not liable for the Hong Kong stamp duty payable on transfers of ADSs outside of Hong Kong.

Hong Kong Estate Duty

Prior to February 11, 2006, estate duty was levied on the value of property situated in Hong Kong passing or deemed passing on the death of a person. H shares are regarded as property situated in Hong Kong for estate duty purposes. HK estate duty is not applicable with respect to estates of persons who passed away on or after Feb. 11, 2006.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We filed with SEC in Washington, D.C. a registration statement on Form F-1 (Registration No. 333-3382) under the Securities Act of 1933, as amended, in connection with our global offering in May 1996. The registration statement contains exhibits and schedules. For further information with respect to our Company and our ADSs, please refer to the registration statement and to the exhibits and schedules filed with the registration statement.

Additionally, we are subject to the informational requirements of the Exchange Act, and in accordance with the Exchange Act, we file annual reports on Form 20-F within four months of our fiscal year end, and we will furnish other reports and information under cover of Form 6-K with the SEC. You may review a copy of the registration statement and other information without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also inspect the registration statement and its exhibits and schedules at the office of the New York Stock Exchange, 11 Wall Street, New York, New York 10005. You may also get copies, upon payment of a prescribed fee, of all or a portion of the registration statement from the SEC's public reference room or by calling the SEC on 1-800-SEC-0330 or visiting the SEC's website at www.sec.gov.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

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I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following paragraphs describe the various market risks to which we were exposed as of December 31, 2014 and 2015.

Currency Risks

We mainly operate in the PRC with most of the transactions settled in RMB. RMB is also the functional currency of our Company. RMB is not freely convertible into other foreign currencies. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government. Any monetary assets and liabilities denominated in currencies other than RMB would subject our Company to currency risks. In addition, we are required to pay dividends in Hong Kong dollars in the future when dividends are declared.

The monetary assets and liabilities held by us that are denominated in U.S. dollars and Hong Kong dollars as of December 31, 2014 and 2015 are set forth below.

Monetary assets and liabilities	As of December 31,		
	Currency	2014	2015
	Denomination	(RMB thousands)	
Cash and cash equivalents	USD	—	—
Cash and cash equivalents	HKD	62,093	72,140
Other receivables	HKD	93	71
Other payables	HKD	—	—

We may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits. We have not used any means to hedge the exposure to foreign exchange risk.

We incurred a foreign exchange gain of RMB3.0 million for the year ended December 31, 2015. As of December 31, 2015, our assets denominated in Hong Kong dollars and U.S. dollars were translated into RMB at the applicable market exchange rates as of that date and amounted to approximately RMB72.1 million. If the applicable market exchange rates were to change by 5%, this would result in a change in fair value of approximately RMB2.7 million in these balances.

While our foreign currency deposits are relatively stable, they are insufficient to pay all dividends and operating expenses, therefore, we bear the risk of exchange rate fluctuations when we convert RMB to pay foreign-currency denominated dividends and operating expenses. However, our management believes that these contingent exposures relating to foreign exchange rate fluctuations have not had and are not likely to have a material effect on our financial position. As a result, we do not enter into any hedging transactions with respect to our exposure to foreign currency movements. Furthermore, we are not aware of any effective financial hedging products that serve as protection against a possible RMB devaluation or appreciation.

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Interest Rate Risks

As of December 31, 2015, funds that we do not need in the short term are generally kept as temporary cash deposits in commercial banks in the form of fixed-term deposits. We do not hold any market risk-sensitive instruments for trading purposes. As we have no significant interest-bearing assets (except for deposits held in banks), our income and operating cash flows are not materially affected by the changes of market interest rates. Other than deposits held in banks, the Group does not have significant interest-bearing assets.

Credit Risks

The carrying amount of cash and cash equivalents, trade and other receivables (excluding prepayments), short-term deposits, and long-term receivables represent our maximum exposure to credit risk in relation to financial assets.

Cash and short-term liquid investments are placed with reputable banks. No significant credit risk is expected.

The majority of our accounts receivable balance relate to the rendering of services or sales of products to third party customers. Our other receivable balances mainly arise from services other than the main railway transportation services. We perform ongoing credit evaluations of our customers/debtors' financial condition and generally do not require collateral from the customers/debtors' account on the outstanding balances. Based on the expected reliability and the timing for collection of the outstanding balances, we maintain a provision for doubtful accounts and actual losses incurred have been within management's expectation.

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

Liquidity Risks

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, our Company's treasury function allows flexibility in funding by maintaining committed credit lines.

We monitor our liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows) on a regular basis. See Note 3 to our audited consolidated financial statements included elsewhere in this annual report, which analyzes our Company's financial liabilities into relevant maturity groups based on the remaining periods at the date of the balance sheet to the contractual maturity date.

Except as described above and in Note 3 to our audited consolidated financial statements included elsewhere in this annual report, our management believes that as of December 31, 2015, at present and in our normal course of business, we are not subject to any other material market-related risks.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

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D. American Depositary Shares

JPMorgan Chase Bank, N.A. is the depository for our ADSs. The depository's office is located at No. 13 Building, 4 New York Plaza, New York, NY 10004. On April 25, 2008, JPMorgan Chase Bank, N.A. signed an agreement with Wells Fargo Bank, pursuant to which Wells Fargo Bank will provide the depository service for our ADSs on behalf of JPMorgan Chase Bank, N.A. Each of our ADRs represents 50 H shares of par value RMB1.00 per share.

In April 2009, we entered into an amendment to our deposit agreement with JPMorgan Chase Bank, N.A., which we initially entered into on May 10, 1996. The revisions include allowing the depository, in line with the current market practice, to charge the holders of the ADSs a cash distribution fee and an annual administrative fee, the aggregate of which should not exceed US\$0.02 per ADS in any calendar year. The amendment of the deposit agreement became effective on May 25, 2009. At such effective date, every holder of our ADSs shall be deemed by holding our ADSs to consent and agree to such amendment and to be bound by the deposit agreement and the American Depositary Receipts as amended by such amendment. For further information, see the Form F-6EF we filed with the SEC on April 24, 2009 and the Form 6-K we furnished on April 28, 2009.

In May 2015, we proposed certain amendments to the form of the deposit agreement and the American Depositary Receipts while keeping the terms of deposit the same as the terms disclosed in the Form F-6EF we filed with the SEC on April 24, 2009. For further information of the amended and restated deposit agreement and the American Depositary Receipts, see the Form F-6 we filed with the SEC on May 12, 2015.

Fees Payable by ADS Holders

The Depository may charge each person, US\$5.00 for each 100 ADSs (or portion thereof) for ADRs issued, delivered, reduced, cancelled or surrendered, as the case may be.

The following additional charges may be incurred by holders of our ADSs:

- a fee of US\$1.50 per ADR for transfers of ADRs;
- a fee of US\$0.02 or less per ADS for any cash distribution made, or the cash distribution fee;
- a fee of US\$5.00 for each 100 ADSs (or portion thereof) for any security distribution;
- an administration fee of US\$0.02 per ADS per calendar year (or portion thereof), provided, however, that the aggregate amount of such administration fee and the cash distribution fee shall not exceed US\$0.02 per ADS in any calendar year;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at the request of the ADS holders;
- transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depository in connection with the conversion of foreign currencies into U.S. dollars.

We will pay all other charges and expenses of the depository and its agents (except the custodian) pursuant to the agreements between us and the depository. The fees described above may be amended from time to time.

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Payments Received by Foreign Private Issuer

The depositary has agreed to reimburse and waive certain fees and expenses incurred by us in connection with our ADR program.

Direct Payments

The table below sets forth the types of expenses that the depositary has reimbursed us for the year ended December 31, 2015:

<u>Category of Expenses</u>	<u>Amount (US\$)</u>
NYSE list fee	64,285.7
Broker reimbursements	43,121.3
U.S. Representative Fee	3,214.3
Total	<u>110,621.3</u>

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our Chairman of the Board, General Manager, Chief Accountant and Company Secretary, evaluated the effectiveness of the design and operation of our Company's disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 20-F. Based on this evaluation, our Chairman of the Board, General Manager, Chief Accountant and Company Secretary concluded that our Company's disclosure controls and procedures were effective as of December 31, 2015. Our Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file and furnish under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and regulations and such information is accumulated and communicated to our Company's management including the Chairman of the Board, General Manager, Chief Accountant and Company Secretary, as appropriate, to allow timely decision regarding required disclosures.

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Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of our Company are being made only in accordance with authorizations of management and directors of our Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

For the year ended December 31, 2015, under the supervision, and with the participation, of our Chairman of the Board, General Manager, Company Secretary and Chief Accountant, our management has conducted an assessment of the effectiveness of our internal control over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on this evaluation, our Company's management has concluded that its internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of our Company's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers (Certified Public Accountants, Hong Kong), an independent registered public accounting firm, as stated in their report which is included elsewhere in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Chen Song is an "audit committee financial expert" as defined in Item 16A of Form 20-F. Mr. Jia Jianmin and each of the other members of the Audit Committee is an "independent director" as defined in Section 303A.02 of the NYSE Listed Company Manual.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our Chairman, General Manager, Company Secretary, Chief Accountant and other senior officers, or the Code of Ethics for Senior Management, on April 20, 2004. On April 23, 2008, we amended the Code of Ethics for Senior Management pursuant to Section 404 of the Sarbanes-Oxley Act. On April 29, 2009, we further amended the Code of Ethics for Senior Management in order to further strengthen our corporate governance, regulate the acts of our executive officers and ensure the better performance of duties by our executive officers. According to the amended Code of Ethics for Senior Management, each of our senior officers is required to sign a certificate for the compliance with the Code of Ethics for Senior Management at his/her initial or subsequent election or engagement, and to submit an annual certificate with respect to his/her compliance with the Code of Ethics for Senior Management. A copy of this amended Code of Ethics for Senior Management is filed as Exhibit 11.1 to our annual report on Form 20-F filed with the SEC on June 25, 2009.

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Resolutions to appoint PricewaterhouseCoopers (certified public accountants in Hong Kong), or PwC, as our auditor for 2015 have been approved at the annual general meeting of our shareholders held on May 28, 2015.

The following table presents the aggregate fees for professional services and other services rendered by PwC to us in 2014 and 2015.

	<u>2014</u>	<u>2015</u>
	(RMB millions)	
Audit Fees	8.08	8.08
Audit-related Fees	—	—
Tax Fees	—	—
All Other Fees	0.33	0.25
Total	<u>8.41</u>	<u>8.33</u>

Notes:

1. Traveling expenses and tax fees are included in the audit fees and do not require additional payment.
2. As of December 31, 2015, there did not exist any amount that became payable but remained outstanding.

All non-audit services to be provided by our independent registered public accountants, PwC, must be approved by our audit committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

During the year ended December 31, 2015, there was no purchase, sale or redemption of our H shares or ADSs by us, or any of our subsidiaries.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

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ITEM 16G. CORPORATE GOVERNANCE

Under the NYSE's corporate governance listing standards, we are required to disclose any significant ways in which our governance practices differ from those followed by U.S. domestic companies under the NYSE listing standards. There are no significant differences in our corporate governance practices compared to those followed by a U.S. domestic company under the NYSE listing standards, except for the following:

- we do not have the majority of our board of directors comprised of independent directors as defined under Section 303A.02 of the NYSE Manual;
- we do not have a nominating committee or a corporate governance committee similar to that required for U.S. domestic companies;
- we do not have a compensation committee wholly made up of independent directors. Our remuneration committee currently consists both executive directors and independent non-executive directors with the independent non-executive directors making up the majority of such committee;
- instead of having formal corporate governance guidelines similar to those required for U.S. domestic companies, we have, in accordance with applicable PRC laws and regulations and the HKSE Listing Rules, adopted the Articles of Association, the General Meeting System, the Working Ordinance for the Board of Directors, the Working Ordinance for the supervisory committee, the Working Ordinance for the General Manager, the Capital Management Measures, the Investment Management Measures, the Code of Ethics for Senior Officers and the Audit Committee Charter that contain provisions addressing (i) director qualification standards and responsibilities; (ii) key board committee responsibilities; (iii) director access to management and, as necessary and appropriate, independent advisors; (iv) director compensation; (v) management succession and (vi) director orientation and continuing education;
- as a company listed on the HKSE, we are required to comply with applicable corporate governance and other related requirements of the HKSE Listing Rules, including the Corporate Governance Code, unless an exemption is available; and
- we have not adopted a set of formal code of business conduct and ethics for our directors, officers and employees similar to that required for U.S. domestic companies. We have implemented code of business conduct and ethics for senior management, including our General Manager, Deputy General Manager, Chief Accountant and Company Secretary. In addition, our directors are required to comply with the Model Code for Securities Transactions by Directors of Listed Companies set out in the HKSE Listing Rules, which sets out standards with which directors are required to comply with respect to transactions involving our securities.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide the financial statements and related information specified in ITEM 18 in lieu of ITEM 17.

ITEM 18. FINANCIAL STATEMENTS

See pages F-1 to F-81 following ITEM 19.

ITEM 19. EXHIBITS

- (a) See pages F-1 to F-81 following this item.
- (b) Index of Exhibits

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Documents filed as exhibits to this annual report:

<u>Exhibit Number</u>	<u>Description</u>
1.1	Amended and Restated Articles of Association
2.1*	Form of Amendment to Deposit Agreement
2.2*	Form of American Depositary Receipt
4.1**	Land Lease Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway (Group) Company
4.2β	Master comprehensive services agreements dated October 18, 2013 between Guangshen Railway Company Limited and each of GRGC, Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company and Yangcheng Railway Company
7.1	Statements explaining how certain ratios are calculated in this annual report
8.1	List of subsidiaries of Guangshen Railway Company Limited as of December 31, 2015
11.1∞	Code of Ethics for the Senior Management as amended on April 29, 2009
12.1	Section 302 principal executive officers' and principal financial officer's certifications
13.1	Certifications of principal executive officers and principal financial officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

* Incorporated by reference from the Registrant's Form F-6 filed with the SEC on May 12, 2015.

** Incorporated by reference from the Registrant's annual report on Form 20-F filed with the SEC on June 28, 2005.

β Incorporated by reference from the Registrant's annual report on Form 20-F filed with the SEC on April 24, 2014.

∞ Incorporated by reference from the Registrant's annual report on Form 20-F filed with the SEC on June 25, 2009.

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: April 27, 2016

GUANGSHEN RAILWAY COMPANY LIMITED

By: /s/ Wu Yong
Wu Yong
Chairman of the Board of Directors

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Guangshen Railway Company Limited

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, of cash flows, and of changes in equity present fairly, in all material respects, the financial position of Guangshen Railway Company Limited (the “Company”) and its subsidiaries (the “Group”) at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as at December 31, 2015, based on criteria established in Internal Control - Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management’s Report on Internal Control over Financial Reporting under Item 15 appearing on pages 99 and 100 of the 2015 Annual Report. Our responsibility is to express opinions on these financial statements and on the Group’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers
Hong Kong
April 27, 2016

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2014 AND 2015
(Amounts in thousands)

	Note	December 31		
		2014 RMB	2015 RMB	2015 US\$*
ASSETS				
Non-current assets				
Fixed assets-net	6	24,179,210	24,073,759	3,716,350
Construction-in-progress	7	401,434	569,573	87,927
Prepayments for fixed assets and construction-in-progress		13,499	46,546	7,185
Leasehold land payments	8	668,005	948,526	146,427
Goodwill	9	281,255	281,255	43,418
Investments in associates	11	147,102	168,711	26,044
Deferred tax assets	12	67,584	93,249	14,395
Long-term prepaid expenses	13	22,004	14,485	2,236
Available-for-sale investments	15	53,826	53,826	8,309
Long-term receivable	16	30,197	30,804	4,755
		<u>25,864,116</u>	<u>26,280,734</u>	<u>4,057,046</u>
Current assets				
Materials and supplies	17	400,509	307,056	47,401
Trade receivables	18	2,313,405	2,886,066	445,531
Prepayments and other receivables	19	189,576	142,613	22,016
Short-term deposits	20	104,000	106,000	16,364
Cash and cash equivalents	20	1,665,057	2,220,803	342,833
		<u>4,672,547</u>	<u>5,662,538</u>	<u>874,145</u>
Total assets		<u>30,536,663</u>	<u>31,943,272</u>	<u>4,931,191</u>
EQUITY AND LIABILITIES				
Capital and reserves attributable to the Company's equity holders				
Share capital	21	7,083,537	7,083,537	1,093,510
Share premium		11,562,738	11,562,738	1,784,979
Other reserves	22	2,596,783	2,708,543	418,127
Retained earnings		5,502,785	6,107,670	942,862
		<u>26,745,843</u>	<u>27,462,488</u>	<u>4,239,478</u>
Non-controlling interests		40,617	(18,226)	(2,814)
Total equity		<u>26,786,460</u>	<u>27,444,262</u>	<u>4,236,664</u>
Liabilities				
Non-current liabilities				
Deferred income relating to government grants	23	88,771	103,985	16,053
Deferred tax liabilities	12	—	71,376	11,018
		<u>88,771</u>	<u>175,361</u>	<u>27,071</u>
Current liabilities				
Trade payables	25	1,438,444	1,105,291	170,628
Payables for fixed assets and construction-in-progress		1,094,814	1,425,998	220,136
Dividends payable		548	14,318	2,210
Income tax payable		157,865	313,656	48,420
Accruals and other payables	26	969,761	1,464,386	226,062
		<u>3,661,432</u>	<u>4,323,649</u>	<u>667,456</u>
Total liabilities		<u>3,750,203</u>	<u>4,499,010</u>	<u>694,527</u>
Total equity and liabilities		<u>30,536,663</u>	<u>31,943,272</u>	<u>4,931,191</u>

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

* Translation of amounts from Renminbi ("RMB") into United States dollars ("US\$") for the convenience of the reader has been made at US\$1.00=RMB6.4778, the certified exchange rates for December 31, 2015 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on December 31, 2015 or on any other date.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(Amounts in thousands, except per share and per ADS data)

	Note	Years ended December 31			
		2013 RMB	2014 RMB	2015 RMB	2015 US\$*
Revenue from Railroad and Related Business					
Passenger transportation		8,058,291	6,988,288	6,997,562	1,080,237
Freight transportation		1,603,288	1,763,679	1,761,449	271,921
Railway network usage and other transportation related services		<u>5,034,676</u>	<u>5,031,241</u>	<u>5,874,727</u>	<u>906,902</u>
		14,696,255	13,783,208	14,633,738	2,259,060
Revenue from other businesses		<u>1,104,422</u>	<u>1,017,573</u>	<u>1,091,571</u>	<u>168,509</u>
Total revenue		<u>15,800,677</u>	<u>14,800,781</u>	<u>15,725,309</u>	<u>2,427,569</u>
Operating expenses					
Railroad and Related business					
Business tax		(357,824)	(61,021)	(46,785)	(7,222)
Labour and benefits	27	(3,932,120)	(4,441,615)	(4,767,083)	(735,911)
Equipment leases and services		(4,166,329)	(3,629,757)	(3,908,545)	(603,375)
Land use right leases	35(b)	(56,000)	(53,962)	(55,090)	(8,504)
Materials and supplies		(1,587,251)	(1,310,106)	(1,224,262)	(188,993)
Repair and facilities maintenance costs, excluding materials and supplies		(501,711)	(905,540)	(716,193)	(110,561)
Depreciation of fixed assets		(1,392,010)	(1,405,580)	(1,387,534)	(214,198)
Amortisation of leasehold land payments		(15,001)	(18,245)	(17,949)	(2,771)
Social services expenses		(67,990)	(12,430)	(16,080)	(2,482)
Utility and office expenses		(71,525)	(74,740)	(63,602)	(9,818)
Impairment for trade and other receivables and materials and supplies		—	—	(59,637)	(9,206)
Others		(731,055)	(816,832)	(887,645)	(137,031)
		<u>(12,878,816)</u>	<u>(12,729,828)</u>	<u>(13,150,405)</u>	<u>(2,030,072)</u>
Other businesses					
Business tax		(37,098)	(29,957)	(31,759)	(4,903)
Labour and benefits	27	(493,072)	(469,273)	(443,014)	(68,390)
Materials and supplies		(338,547)	(306,128)	(341,386)	(52,701)
Depreciation of fixed assets		(22,002)	(23,694)	(24,208)	(3,737)
Amortisation of leasehold land payments		(920)	(919)	(10,464)	(1,615)
Utility and office expenses		(156,914)	(192,162)	(155,499)	(24,005)
		<u>(1,048,553)</u>	<u>(1,022,133)</u>	<u>(1,006,330)</u>	<u>(155,351)</u>
Total operating expenses		<u>(13,927,369)</u>	<u>(13,751,961)</u>	<u>(14,156,735)</u>	<u>(2,185,423)</u>
Other income and other gains/(losses) - net	28	14,903	7,138	(114,627)	(17,695)
Operating profit		1,888,211	1,055,958	1,453,947	224,451
Finance costs	29	(191,686)	(180,373)	(4,608)	(711)
Share of results of associates	11	5,228	5,048	2,499	385
Profit before income tax		1,701,753	880,633	1,451,838	224,125
Income tax expense	30	(430,670)	(219,507)	(388,530)	(59,979)
Profit for the year		<u>1,271,083</u>	<u>661,126</u>	<u>1,063,308</u>	<u>164,146</u>

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(Amounts in thousands, except per share and per ADS data)

	Note	Years ended December 31			
		2013 RMB	2014 RMB	2015 RMB	2015 US\$*
Profit for the year		1,271,083	661,126	1,063,308	164,146
Other comprehensive income		—	—	—	—
Total comprehensive income for the year, net of tax		<u>1,271,083</u>	<u>661,126</u>	<u>1,063,308</u>	<u>164,146</u>
Profit attributable to:					
Equity holders of the Company		1,273,841	662,021	1,070,822	165,306
Non-controlling interests		(2,758)	(895)	(7,514)	(1,160)
		<u>1,271,083</u>	<u>661,126</u>	<u>1,063,308</u>	<u>164,146</u>
Total comprehensive income attributable to:					
Equity holders of the Company		1,273,841	662,021	1,070,822	165,306
Non-controlling interests		(2,758)	(895)	(7,514)	(1,160)
		<u>1,271,083</u>	<u>661,126</u>	<u>1,063,308</u>	<u>164,146</u>
Earnings per share for profit attributable to the equity holders of the Company during the year					
- Basic and diluted	31	<u>RMB 0.18</u>	<u>RMB 0.09</u>	<u>RMB 0.15</u>	<u>US\$ 0.02</u>
Earnings per equivalent ADS					
- Basic and diluted	31	<u>RMB 8.99</u>	<u>RMB 4.67</u>	<u>RMB 7.56</u>	<u>US\$ 1.17</u>

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

* Translation of amounts from Renminbi (“RMB”) into United States dollars (“US\$”) for the convenience of the reader has been made at US\$1.00=RMB6.4778, the certified exchange rates for December 31, 2015 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on December 31, 2015 or on any other date.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(Amounts in thousands)

	Note	Year ended December 31			
		2013 RMB	2014 RMB	2015 RMB	2015 US\$*
Cash flows from operating activities:					
Cash generated from operations	33(a)	2,423,086	2,421,206	2,520,379	389,079
Interest paid		(167,650)	(167,650)	—	—
Income tax paid		(372,025)	(307,980)	(260,688)	(40,243)
Net cash generated from operating activities		<u>1,883,411</u>	<u>1,945,576</u>	<u>2,259,691</u>	<u>348,836</u>
Cash flows from investing activities:					
Payments for acquisition of fixed assets and construction-in-progress and prepayment for fixed assets, net of related payables		(1,376,601)	(999,633)	(1,292,273)	(199,492)
Proceeds from disposal of fixed assets and leasehold land	33(b)	75,250	708	7,821	1,207
Government grants received		647	—	8,160	1,260
Interest received		127,318	128,139	2,895	447
Payment for investment in associates		—	—	(19,110)	(2,950)
(Increase)/ decrease in short-term deposits with maturities more than three months, net		(309,600)	4,379,600	(2,000)	(309)
Dividends received		4,904	4,904	5,884	908
Payment for business combination, net of cash acquired		(94,879)	(139,897)	(60,612)	(9,357)
Net cash (used in)/generated from investing activities		<u>(1,572,961)</u>	<u>3,373,821</u>	<u>(1,349,235)</u>	<u>(208,286)</u>
Cash flows from financing activities:					
Repayments of bond payables		—	(3,500,000)	—	—
Dividends paid to non-controlling interests' shareholders		—	—	(533)	(82)
Dividends paid to the Company's shareholders		(566,680)	(566,685)	(354,177)	(54,676)
Acquisition of additional interests in subsidiary from non-controlling interests		(5,947)	—	—	—
Payments for management fee of bond payables		(158)	(333)	—	—
Net cash used in financing activities		<u>(572,785)</u>	<u>(4,067,018)</u>	<u>(354,710)</u>	<u>(54,758)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(262,335)</u>	<u>1,252,379</u>	<u>555,746</u>	<u>85,792</u>
Cash and cash equivalents, at beginning of year		<u>675,013</u>	<u>412,678</u>	<u>1,665,057</u>	<u>257,041</u>
Cash and cash equivalents, at end of year	20	<u>412,678</u>	<u>1,665,057</u>	<u>2,220,803</u>	<u>342,833</u>

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

* Translation of amounts from Renminbi ("RMB") into United States dollars ("US\$") for the convenience of the reader has been made at US\$1.00=RMB6.4778, the certified exchange rates for December 31, 2015 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on December 31, 2015 or on any other date.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
 (Amounts in thousands)

	Attributable to equity holders of the Company								Total equity RMB
	Share capital RMB (Note 21)	Share premium RMB	Statutory surplus reserve RMB (Note 22)	Discretionary surplus reserve RMB (Note 22)	Other reserve RMB (Note 22)	Retained earnings RMB	Total RMB	Non- controlling interests RMB	
Balance at January 1, 2013	7,083,537	11,564,581	2,098,207	304,059	—	4,894,806	25,945,190	50,849	25,996,039
Total comprehensive income	—	—	—	—	—	1,273,841	1,273,841	(2,758)	1,271,083
Profit for the year	—	—	—	—	—	1,273,841	1,273,841	(2,758)	1,271,083
Other comprehensive income	—	—	—	—	—	—	—	—	—
Special reserve-Safety Production Fund (Note 22)	—	—	—	—	—	—	—	—	—
Appropriation	—	—	—	—	200,839	(200,839)	—	—	—
Utilisation	—	—	—	—	(200,839)	200,839	—	—	—
Acquisition of additional interests in subsidiary from non-controlling interests	—	(1,804)	—	—	—	—	(1,804)	(4,143)	(5,947)
Appropriations from retained earnings (Note 22)	—	—	128,481	—	—	(128,481)	—	—	—
Dividends relating to 2012	—	—	—	—	—	(566,683)	(566,683)	(127)	(566,810)
Balance at December 31, 2013	<u>7,083,537</u>	<u>11,562,777</u>	<u>2,226,688</u>	<u>304,059</u>	<u>—</u>	<u>5,473,483</u>	<u>26,650,544</u>	<u>43,821</u>	<u>26,694,365</u>
Balance at January 1, 2014	7,083,537	11,562,777	2,226,688	304,059	—	5,473,483	26,650,544	43,821	26,694,365
Total comprehensive income	—	—	—	—	—	662,021	662,021	(895)	661,126
Profit for the year	—	—	—	—	—	662,021	662,021	(895)	661,126
Other comprehensive income	—	—	—	—	—	—	—	—	—
Special reserve-Safety Production Fund (Note 22)	—	—	—	—	—	—	—	—	—
Appropriation	—	—	—	—	208,250	(208,250)	—	—	—
Utilisation	—	—	—	—	(208,250)	208,250	—	—	—
Liquidation of a subsidiary	—	(39)	—	—	—	—	(39)	(1,905)	(1,944)
Appropriations from retained earnings (Note 22)	—	—	66,036	—	—	(66,036)	—	—	—
Dividends relating to 2013	—	—	—	—	—	(566,683)	(566,683)	(404)	(567,087)
Balance at December 31, 2014	<u>7,083,537</u>	<u>11,562,738</u>	<u>2,292,724</u>	<u>304,059</u>	<u>—</u>	<u>5,502,785</u>	<u>26,745,843</u>	<u>40,617</u>	<u>26,786,460</u>
Balance at December 31, 2014	<u>US\$1,141,659</u>	<u>US\$ 1,863,575</u>	<u>US\$ 369,520</u>	<u>US\$ 49,005</u>	<u>—</u>	<u>US\$ 886,888</u>	<u>US\$ 4,310,647</u>	<u>US\$ 6,546</u>	<u>US\$ 4,317,193</u>

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(Amounts in thousands)

	Attributable to equity holders of the Company								Non-controlling interests RMB	Total equity RMB
	Share capital RMB (Note 21)	Share premium RMB	Statutory surplus reserve RMB (Note 22)	Discretionary surplus reserve RMB (Note 22)	Other reserve RMB (Note 22)	Retained earnings RMB	Total RMB			
Balance at January 1, 2015	7,083,537	11,562,738	2,292,724	304,059	—	5,502,785	26,745,843	40,617	26,786,460	
Total comprehensive income	—	—	—	—	—	1,070,822	1,070,822	(7,514)	1,063,308	
Profit for the year	—	—	—	—	—	1,070,822	1,070,822	(7,514)	1,063,308	
Other comprehensive income	—	—	—	—	—	—	—	—	—	
Special reserve-Safety Production Fund (Note 22)	—	—	—	—	—	—	—	—	—	
Appropriation	—	—	—	—	192,860	(192,860)	—	—	—	
Utilisation	—	—	—	—	(192,860)	192,860	—	—	—	
Business combination	—	—	—	—	—	—	—	(49,902)	(49,902)	
Appropriations from retained earnings (Note 22)	—	—	111,760	—	—	(111,760)	—	—	—	
Dividends relating to 2014	—	—	—	—	—	(354,177)	(354,177)	(1,427)	(355,604)	
Balance at December 31, 2015	7,083,537	11,562,738	2,404,484	304,059	—	6,107,670	27,462,488	(18,226)	27,444,262	
Balance at December 31, 2015(*)	<u>US\$1,093,510</u>	<u>US\$ 1,784,979</u>	<u>US\$ 371,188</u>	<u>US\$ 46,939</u>	<u>—</u>	<u>US\$ 942,862</u>	<u>US\$ 4,239,478</u>	<u>US\$ (2,814)</u>	<u>US\$ 4,236,664</u>	

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

* Translation of amounts from Renminbi (“RMB”) into United States dollars (“US\$”) for the convenience of the reader has been made at US\$1.00=RMB6.4778, the certified exchange rates for December 31, 2015 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on December 31, 2015 or on any other date.

Chairman

General Manager

Chief Accountant

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

1 GENERAL INFORMATION

Guangshen Railway Company Limited (the “Company”) was established as a joint stock limited company in the People’s Republic of China (the “PRC”) on 6 March 1996. On the same date, the Company assumed the business operations of certain railroad and other related businesses (collectively the “Businesses”) that had been undertaken previously by its predecessor, Guangshen Railway Company (the “Predecessor”), certain subsidiaries of the Predecessor; and Guangzhou Railway (Group) Company (the “Guangzhou Railway Group”) and certain of its subsidiaries prior to the formation of the Company.

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

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

In December 2006, the Company issued 2,747,987,000 A Shares on the Shanghai Stock Exchange through an initial public offering of shares in order to finance the acquisition of the business and related assets and liabilities associated with the railway transportation business (“Yangcheng Railway Business”) of Guangzhou Railway Group Yangcheng Railway Enterprise Development Company (“Yangcheng Railway”), a wholly owned subsidiary of Guangzhou Railway Group which operates a railway line between the cities of Guangzhou and Pingshi in the Southern region of the PRC.

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

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

On 14 March 2013, pursuant to the approved plan on State Council Institutional Reform and Transformation of Government Functions and Approval On Setting Up China Railway Company by the State Council, the previous controlling entity of Guangzhou Railway Group, MOR, was dissolved. The administrative functions of MOR will be transferred to the Ministry of Transport and a newly established National Railway Bureau. The business functions and all related assets, liabilities and human resources will be transferred to the China Railway Corporation (“CRC”). Accordingly, the equity interests of Guangzhou Railway Group which was wholly controlled by MOR previously will also be transferred to the CRC. Once the transfer is completed, the actual controlling entity of the Company’s largest shareholder will become CRC (See Note 37 for more details).

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

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

The financial statements were authorised for issue by the board of directors of the Company on 27 April 2016.

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

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared under the historical cost convention.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015:

- Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans.
The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.
- Amendments from annual improvements to IFRSs – 2010 – 2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.
- Amendments from annual improvements to IFRSs – 2011 – 2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement'.

The directors of the Company consider that the adoption of the amendments to standards have no material impact on the Group's operating results and financial position.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) The following new standards, amendments and interpretations have been issued as at 31 December 2015 but are not effective for IFRS financial statements for the year ended 31 December 2015(continued):

- Amendment to IFRS 11 “Accounting for acquisitions of interests in joint operations”. The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business (as defined in IFRS 3, Business combinations). Specifically, an investor will need to: measure identifiable assets and liabilities at fair value; expense acquisition-related costs; recognise deferred tax; and recognise the residual as goodwill. All other principles of business combination accounting apply unless they conflict with IFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. This amendment will be effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 “Clarification of acceptable methods of depreciation and amortisation”. The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances: where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. These amendments will be effective for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”. The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. These amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
- Amendment to IAS 27 “Equity method in separate financial statements”. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment will be effective for annual periods beginning on or after 1 January 2016.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

- (b) The following new standards, amendments and interpretations have been issued as at 31 December 2015 but are not effective for IFRS financial statements for the year ended 31 December 2015(continued):
- Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment entities: applying the consolidation exception”. The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10. The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity’s investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties. The amendments to IAS 28 allow an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a relief to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture for their subsidiaries when applying the equity method. These amendments will be effective for annual periods beginning on or after 1 January 2016.
 - Annual improvements 2014. The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards: IFRS 5, “Non-current assets held for sale and discontinued operations”, IFRS 7, “Financial instruments: Disclosures”, IAS 19, “Employee benefits”, and IAS 34, “Interim financial reporting”. These amendments will be effective for annual periods beginning on or after 1 January 2016.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

- (b) The following new standards, amendments and interpretations have been issued as at 31 December 2015 but are not effective for IFRS financial statements for the year ended 31 December 2015(continued):
- Amendments to IAS 1 “Disclosure initiative”. The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. The key areas addressed by the changes are as follows: 1) Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material; 2) Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented; 3) Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users; 4) Accounting policies: how to identify a significant accounting policy that should be disclosed; 5) Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not. These amendments will be effective for annual periods beginning on or after 1 January 2016.
 - IFRS 9, “Financial instruments”. IFRS 9 (2014), “Financial instruments” replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of IAS39. This standard will be effective for annual periods beginning on or after 1 January 2018.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2.2 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) The following new standards, amendments and interpretations have been issued as at 31 December 2015 but are not effective for IFRS financial statements for the year ended 31 December 2015(continued):

- IFRS 15 “Revenue from Contracts with Customers”. IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes to an ‘asset-liability’ approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue- Barter Transactions Involving Advertising Services. This standard will be effective for annual periods beginning on or after 1 January 2018.
- IFRS16 “Leases”. IFRS 16 provides updated guidance on the definition of leases, and the guidance on the combination and separation of contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognize lease liability reflecting future lease payments and a ‘right-of-use-asset’ for almost all lease contracts, with an exemption for certain short-term leases and leases of low-value assets. The lessors accounting stays almost the same as under IAS 17. However, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. This standard will be effective for annual periods beginning on or after 1 January 2019.

Management is in the process of making an assessment of the impact of the above new and amended standards. Management is not yet in a position to state what impact they would have, if any, on the Group’s results of operations and financial position.

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(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.9).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the comprehensive income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of result of associates' in the comprehensive income statement.

Profits or losses and other comprehensive income resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in associates are accounted for at cost less provision for impairment losses. Cost also includes direct attributable costs of investment. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executives that make strategic decisions.

2.5 Foreign currency transaction

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the comprehensive income statement.

Foreign exchange gains and losses are presented in the consolidated comprehensive income statement within 'Finance costs'.

2.6 Fixed assets

Fixed assets are initially recorded at historical cost with the balance subsequently adjusted for depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items (for the case of fixed assets acquired by the Company from Predecessor during the Restructuring, the revaluated amount in the Restructuring was deemed costs).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the comprehensive income statement during the financial period in which they are incurred.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.6 Fixed assets (continued)

Depreciation is calculated using the straight-line method to allocate the cost amount, after taking into account the estimated residual value of not more than 4% of cost, of each asset over its estimated useful life. The estimated useful lives are as follows:

Buildings (Note a)	20 to 40 years
Tracks, bridges and service roads (Note a)	16 to 100 years
Locomotives and rolling stock	20 years
Communications and signaling systems	8 to 20 years
Other machinery and equipment	4 to 25 years

Note a:

The estimated useful lives of some buildings, tracks, bridges and service roads exceed the initial lease periods of land use rights from operation lease(details contained in Note 35(b)); and the initial period of land use right acquired (Note 2.8), on which these assets are located.

Pursuant to the relevant laws and regulations in the PRC governing the land use right lease grants, the Group is able to apply and renew the respective leases of the land use right acquired for periods of more than 50 years with additional consideration to be paid. In addition, based on the provision of the land use right operating lease agreement entered into with the single largest shareholder (Note 35(b)), the Company can renew the lease at its own discretion upon expiry of the operating lease term. Based on the above consideration, the directors consider the current estimated useful lives of those assets to be reasonable.

The assets' residual values and estimated useful lives are reviewed, and adjusted if appropriate, at the end of each year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and other gains/(losses) - net", included in the comprehensive income statement.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.7 Construction-in-progress

Construction-in-progress represents buildings, tracks, bridges and service roads, mainly includes the construction related costs for the associated facilities of the existing railway line of the Group. Construction-in-progress is stated at cost, which includes all expenditures and other direct costs, site restoration costs, prepayments attributable to the construction and interest charges arising from borrowings used to finance the construction during the construction period, less impairment loss. Construction-in-progress is not depreciated until such assets are completed and ready for their intended use.

2.8 Leasehold land payments

The Group acquired the right to use certain parcels of land for certain of its rail lines, stations and other businesses. The payment paid for such land represents pre-paid lease payments, which are amortised over the lease terms of 36.5 to 50 years using the straight-line method.

2.9 Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of identifiable net assets acquired. Goodwill arising from acquisitions of subsidiaries' business is disclosed separately on the balance sheet.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of investment in subsidiaries, associates and non-financial assets other than goodwill

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Assets that subjected to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held to maturity investment. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. In current year, the Group held loan and receivables and available-for-sale financial assets.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "long-term receivables", "trade and other receivables", "short-term deposits" and "cash and cash equivalents" in the balance sheet (Notes 2.16 and 2.17).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value, except for those investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which shall be measured at cost. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the comprehensive income statement as “other income and other gains/(losses) - net”.

Dividends on available-for-sale equity instruments are recognised in the comprehensive income statement as part of other income when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. In case of unlisted equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determined via valuation techniques, they are measured at cost, subject to impairment review.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the comprehensive income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the comprehensive income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated comprehensive income statement on equity instruments are not reversed through the consolidated comprehensive income statement.

2.14 Long-term prepaid expenses

Long-term prepaid expenses include the various expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

2.15 Materials and supplies

Materials and supplies are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Materials and supplies are charged as fuel costs and repair and maintenance expenses when consumed, or capitalised to fixed assets when the items are installed with the related fixed assets, whichever is appropriate. The cost of materials and supplies may not be recoverable if they are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined due to various reasons. When such circumstances happen, cost of materials and supplies is written to net realisable value, which is the estimated selling price less applicable variable expenses.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand; deposits held at call with banks; and other short-term highly liquid investments with original maturities of three months or less.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost; and any difference between proceeds (net of transaction costs) and the redemption value is recognised in the comprehensive income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated comprehensive income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in PRC where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, and associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, and associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits

(a) Defined contribution plan

The Group pays contributions to defined contribution schemes operated by the local government for employee benefits in respect of pension and unemployment. The Group also pays contribution to defined contribution schemes operated by Guangzhou Railway Group for employee supplementary pension benefit. The Group has no further payment obligations once the contributions have been paid. The contributions to the defined contribution schemes are recognised as staff costs when they are due.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.24 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (CONTINUED)

The Group recognizes revenue when the services are rendered and the amount of revenue can be reliably measured, future economic benefits will probably flow to the entity with reasonable certainty, and specific criteria have been met for each of the Group's activities as described below. The recognition also involves use of estimates exercised by management based on historical results, takes into consideration the different type of customers, transactions and the specifics of each arrangement.

(a) Revenue from railroad and related business

Revenue from passenger transportation

The passenger transportation is generally classified by transportation business of Guangzhou-Shenzhen inter-city express trains, long-distance trains and Guangzhou-Hong Kong city through trains. These services are provided in cooperation with other railway companies in PRC and the corresponding revenue information is captured and processed by CRC through a central clearance system.

Revenues are recognized on a monthly basis when the train transportation services are rendered within the month, i.e. upon the passenger tickets with fixed prices and dates of travel, which are non-refundable and non-reschedulable, are sold and the respective trains have reached the prescribed destinations within that particular month; as well as upon approval and notification is made by CRC on a monthly basis (the "CRC Monthly Statement") for transactions completed within that month and when the amounts of revenue can be reliably measured and collectability is certain. The revenue is presented net of value-added tax but before deduction of any sales handling commissions.

Revenue from freight transportation

The Group also operates with other railway companies in PRC for the provision of freight transportation services. Service information and computation of the attributable revenues entitled by the Group are processed by the central clearance system of CRC on a monthly basis. Revenue from outbound and inbound freight transportation with ports of loading and discharge located at railway lines owned and operated by the Group; pass-through transportation with freight trains passing through railway lines owned and operated by the Group; as well as goods loading and discharge services rendered at ports located at railway lines owned by the Group, are recognized, on a monthly basis, when the goods are delivered to the ports of discharge within a month, or when the loading/discharge services are rendered, and when the amounts are approved and notified in the CRC Monthly Statement, upon which the amounts can be reliably measured and collectability is certain.

The revenues are presented at the gross amounts of the attributable freight charges computed from the standard freight charges imposed by CRC.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(a) Revenue from railroad and related business (continued)

Revenue from railway network usage and other transportation related services

Revenue from railway network usage and other transportation related services, mainly consist of network usage services (locomotive traction, track usage and electric catenary service, etc.) and railway operation services and other services, are rendered by the Group together with other railway companies in PRC. The information relating to network usage service is captured and processed by the central clearance system of CRC. The revenue from network usage services are recognized on a monthly basis, when the services are rendered within that month and revenue can be reliably measured, i.e. upon approval and notification made in the CRC Monthly Statement, for the transactions completed within that month, when the respective revenue amounts can be reliably measured and when collectability is certain. Railway operation services and other services are rendered solely by the Group and they are recognized when the services are rendered and revenue can be reliably measured. All proceeds are collected by the Group directly.

The operations of the railway business of the Group form part of the nationwide railway system in PRC and they are supervised and governed by CRC. The Group render the passenger transportation and freight transportation services in cooperation with other railway companies and the related service fees and charges are collected either by the Group itself or by other railway companies. In addition, the Group also receives service fees and charges for on behalf of other railway companies. The respective fares and charges of the services, fee sharing basis, and processing of the respective revenue sharing among different railway companies are done centrally by a central clearance system operated by CRC. The Group records revenues based on the amounts of attributable revenue approved and notified in the CRC Monthly Statement for services undertaken by the Group completed within the specific month, upon then the revenues can be reliably measured and collectability is certain. The respective share of revenues, in excess of amount collected by the Group itself, are credited by CRC to bank accounts maintained by the Group. In the case that the attributable amount is less than the amount collected by the Group, the Group remits the surplus to CRC.

(b) Revenue from other businesses

Revenue from other business mainly consist of on-board catering services, leasing, sales of materials, sale of goods and other businesses related to railway transportation. Revenues from on-board catering services are recognized when the related services are rendered. Revenues from sales of materials and supplies and sale of goods are recognized when the respective materials and goods are delivered to customers. Revenue from operating lease arrangements on certain properties and locomotives is recognized on a straight-line basis over the period of the respective leases.

The subsidiaries of the Group also offer various insignificant auxiliary services to facilitate the Other Businesses undertaken by the Company.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

2.27 Dividend income

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

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the comprehensive income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the comprehensive income statement on a straight-line basis over the expected lives of the related assets.

2.29 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

2.30 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factor

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects on the financial performance of the Group.

(a) Market risk

(i) Foreign currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. RMB is also the functional currency of the Group. RMB is not freely convertible into other foreign currencies. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government. Any foreign currency denominated monetary assets and liabilities other than in RMB would subject the Group to foreign exchange exposure.

The Group's objective of managing the foreign currency risk is to minimise potential adverse effects arising from foreign transaction movements. Depending on volatility of specific foreign currency exposed, measures are taken by management to manage the foreign currency positions.

The following table shows the Group's foreign currency denominated monetary assets and liabilities (in RMB equivalent):

Monetary assets and liabilities	Currency denomination	As at 31 December	
		2014 (RMB'000)	2015 (RMB'000)
Cash and cash equivalents	HKD	62,093	72,140
Other receivables	HKD	93	71

The Group may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with monetary assets shown above. The Group has not used any means to hedge the exposure.

As at 31 December 2015, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, profit after tax for the year would have been RMB2,708,000 (2014: RMB2,332,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HKD-denominated cash in banks.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. The average interest rate of deposits held in banks in the PRC throughout the year was approximately 1.71% (2013: 2.87% and 2014: 2.59%). Any change in the interest rate promulgated by the People's Bank of China from time to time is not considered to have a significant impact to the Group.

As at 31 December 2015 and 2014, the Group had no interest bearing debts, which may expose the Group to any interest rate risk.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from bank balances, trade and other receivables (excluding prepayments) and long-term receivable.

The credit quality of financial assets that are neither past due nor impaired can be analysed by the nature of counterparties as follows:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Trade receivables		
Due from CRC together with its subsidiaries ("CRC Group")	628,576	885,472
Due from related parties	736,737	804,845
Due from third parties	585,572	499,946
	<u>1,950,885</u>	<u>2,190,263</u>
Other receivables excluding prepayments		
Due from CRC Group	8,904	6,378
Due from related parties	1,076	6,953
Due from third parties	86,034	69,536
	<u>96,014</u>	<u>82,867</u>
Long-term receivable		
Due from a third party	<u>30,197</u>	<u>30,804</u>

For trade and other receivables, management performs ongoing credit evaluations of its customers/debtors' financial condition and generally does not require collateral from the customers/debtors. After assessing the expected realizability and timing for collection of the outstanding balances, the Group maintains a provision for impairment of receivables and actual losses incurred have been within management's expectation.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

	As at December 31, 2014 RMB'000	As at December 31, 2015 RMB'000
Cash at bank and short-term deposits		
Placed in listed banks in the PRC	1,769,023	2,326,757
Placed in unlisted banks in the PRC	—	—
	<u>1,769,023</u>	<u>2,326,757</u>

Cash and short term deposits are placed with reputable banks. There was no recent history of default of cash and cash equivalents and short-term deposits from such financial institutions.

There were no other financial assets carrying a significant exposure to credit risk.

None of the financial assets that are fully performing has been renegotiated in the current year.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserves (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
At 31 December 2015			
Trade and other payables excluding tax payables, employee benefits payables and advances	2,136,570	—	—
Dividends payable	14,318	—	—
Payables for fixed assets and construction-in-progress	<u>1,425,998</u>	<u>—</u>	<u>—</u>
At 31 December 2014			
Trade and other payables excluding tax payables, employee benefits payables and advances	1,942,431	—	—
Dividends payable	548	—	—
Payables for fixed assets and construction-in-progress	<u>1,094,814</u>	<u>—</u>	<u>—</u>

3.2 Capital risk management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by regularly reviewing the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bonds payable less cash and cash equivalents. Total capital is the total equity as shown in the consolidated balance sheet plus net debt.

As at December 2015 and 2014, the Group did not have borrowings and bonds. The directors are of the opinion that the Group's capital risk is low.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

According to amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, it requires disclosure of fair value measurements by level of following fair value measurement hierarchy:

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

As at 31 December 2015, the Group did not have any financial instruments that were measured at fair value.

As at 31 December 2015, the fair values of other financial instruments approximated their carrying values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Depreciable lives of fixed assets

The estimate of depreciable lives of fixed assets, especially tracks, bridges and service roads, was made by the directors with reference to the following: (1) the historical usage of the assets; (2) their expected physical wear and tear; (3) results of recent durability assessment performed; (4) technical or commercial obsolescence arising from changes or improvements in production of similar fixed assets; (5) the right of the Group to renew the land use right grants and the land use right lease on which these assets are located (Notes 2.6 and 36(b)); (6) the changes in market demand for, or legal or comparable limits imposed on, the use of such fixed assets. The useful lives and residual values for the year have been reviewed by the directors and no change was made in current year.

The current estimated useful lives are stated in Note 2.6. If the estimated depreciable lives of tracks, bridges and service roads had been extended/shortened by 10%, the depreciation expenses of fixed assets for the year ended 31 December 2015 would have been decreased/increased by approximately RMB19,362,000 and RMB23,665,000 respectively (2013: RMB18,502,000 and RMB22,613,000 respectively; 2014: RMB19,149,000 and RMB23,404,000).

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4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 9).

(c) Impairment assessment of non-financial assets (other than goodwill)

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(d) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (All amounts expressed in Renminbi unless otherwise stated)

5 SEGMENT INFORMATION

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

Senior executives evaluate the business from a perspective of revenues and operating results generated from the railroad and related business (details described in Note 2.25 conducted by the Company ("the Railway Transportation Business")). Other segments include insignificant auxiliary services offered by certain subsidiaries of the Group. Senior executives assess the performance of the operating segments based on a measure of the profit before income tax. Other information provided, except as noted below, to senior executives is measured in a manner consistent with that in the financial statements.

The segment results for 2013, 2014 and 2015 are as follows:

	The Railway Transportation Business			Others			Elimination			Total		
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
Segment revenue												
- Railroad and Related Business	14,696,255	13,783,208	14,633,738	—	—	—	—	—	—	14,696,255	13,783,208	14,633,738
- Other Businesses	664,635	586,564	672,455	—	—	—	—	—	—	664,635	586,564	672,455
- Others	—	—	—	464,827	473,204	458,944	(25,040)	(42,195)	(39,828)	439,787	431,009	419,116
Total revenue	15,360,890	14,369,772	15,306,193	464,827	473,204	458,944	(25,040)	(42,195)	(39,828)	15,800,677	14,800,781	15,725,309
Segment result	1,706,027	869,701	1,487,249	(5,011)	13,394	(28,549)	737	(2,462)	(6,862)	1,701,753	880,633	1,451,838
Finance costs	191,501	180,208	4,448	185	165	160	—	—	—	191,686	180,373	4,608
Share of results of associates	5,228	5,048	2,499	—	—	—	—	—	—	5,228	5,048	2,499
Depreciation	1,409,325	1,423,023	1,404,439	4,687	6,251	7,303	—	—	—	1,414,012	1,429,274	1,411,742
Amortisation of leasehold land payments	15,001	18,245	17,950	920	919	10,463	—	—	—	15,921	19,164	28,413
Amortisation of long-term prepaid expenses	12,697	13,610	13,842	201	321	337	—	—	—	12,898	13,931	14,179
Impairment of fixed assets	—	—	80,393	—	—	—	—	—	—	—	—	80,393
Impairment of construction-inprogress	—	—	2,434	—	—	—	—	—	—	—	—	2,434
Investment loss	—	—	—	—	—	45,073	—	—	—	—	—	45,073
Impairment of materials and supplies	—	—	64,096	—	—	—	—	—	—	—	—	64,096
Provision for/(reversal of) impairment of receivables	(5,788)	1,150	(4,449)	(49)	—	(10)	—	—	—	(5,837)	1,150	(4,459)

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
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5 SEGMENT INFORMATION (CONTINUED)

A reconciliation of the segment results to profit of 2013, 2014 and 2015 is as follows:

	The Railway Transportation Business			All other segments			Elimination			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment result	1,706,027	869,701	1,487,249	(5,011)	13,394	(28,549)	737	(2,462)	(6,862)	1,701,753	880,633	1,451,838
Income tax expense	(426,445)	(214,389)	(372,142)	(4,225)	(5,118)	(16,388)	—	—	—	(430,670)	(219,507)	(388,530)
Profit/(loss) for the year	<u>1,279,582</u>	<u>655,312</u>	<u>1,115,107</u>	<u>(9,236)</u>	<u>8,276</u>	<u>(44,937)</u>	<u>737</u>	<u>(2,462)</u>	<u>(6,862)</u>	<u>1,271,083</u>	<u>661,126</u>	<u>1,063,308</u>

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

	The Railway Transportation Business			All other segments			Elimination			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment assets	33,183,049	30,498,118	31,554,271	221,612	234,430	595,173	(172,672)	(195,885)	(206,172)	33,231,989	30,536,663	31,943,272
Total segment assets include:												
Investment in associate	142,054	147,102	168,711	—	—	—	—	—	—	142,054	147,102	168,711
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,399,997	1,376,436	1,625,915	16,900	3,302	363,926	—	—	—	1,416,897	1,379,738	1,989,841
Total segment liabilities	<u>6,544,338</u>	<u>3,770,778</u>	<u>4,066,001</u>	<u>105,449</u>	<u>121,647</u>	<u>578,754</u>	<u>(112,163)</u>	<u>(142,222)</u>	<u>(145,745)</u>	<u>6,537,624</u>	<u>3,750,203</u>	<u>4,499,010</u>

Revenues of approximately RMB2,508,916,000 (2013: RMB1,723,972,000 and 2014: RMB1,958,375,000) are derived from Guangzhou Railway Group and its subsidiaries. These revenues are attributable to the Railway Transportation Business. Except that, no revenues derived from a single external customer have exceeded 10% of the total revenues.

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GUANGSHEN RAILWAY COMPANY LIMITED

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6 FIXED ASSETS-NET

	Buildings RMB'000	Tracks, bridges and service roads RMB'000	Locomotives and rolling stock RMB'000	Communications and signalling systems RMB'000	Other machinery and equipment RMB'000	Total RMB'000
At 1 January 2014						
Cost	6,186,344	15,114,616	7,486,484	1,711,693	5,579,411	36,078,548
Accumulated depreciation	(1,818,560)	(2,571,144)	(3,048,188)	(1,097,795)	(3,237,435)	(11,773,122)
Impairment	—	—	—	—	(2,773)	(2,773)
Net book amount	<u>4,367,784</u>	<u>12,543,472</u>	<u>4,438,296</u>	<u>613,898</u>	<u>2,339,203</u>	<u>24,302,653</u>
Year ended 31 December 2014						
Opening net book amount	4,367,784	12,543,472	4,438,296	613,898	2,339,203	24,302,653
Additions due to business combination	114,062	26,948	—	64	10,972	152,046
Other additions	7,513	—	69,937	14,284	131,860	223,594
Transfer from construction-in-progress (Note 7)	418,963	482,166	14,282	25,016	169,509	1,109,936
Reclassifications	323	—	—	(189)	(134)	—
Disposals	(1,013)	(175,756)	(103)	(1,346)	(1,527)	(179,745)
Depreciation charges	(250,291)	(212,208)	(442,015)	(155,389)	(369,371)	(1,429,274)
Closing net book amount	<u>4,657,341</u>	<u>12,664,622</u>	<u>4,080,397</u>	<u>496,338</u>	<u>2,280,512</u>	<u>24,179,210</u>
At 31 December 2014						
Cost	6,723,551	15,433,890	7,568,098	1,712,493	5,810,040	37,248,072
Accumulated depreciation	(2,066,210)	(2,769,268)	(3,487,701)	(1,216,155)	(3,528,366)	(13,067,700)
Impairment	—	—	—	—	(1,162)	(1,162)
Net book amount	<u>4,657,341</u>	<u>12,664,622</u>	<u>4,080,397</u>	<u>496,338</u>	<u>2,280,512</u>	<u>24,179,210</u>
Year ended 31 December 2015						
Opening net book amount	4,657,341	12,664,622	4,080,397	496,338	2,280,512	24,179,210
Additions due to business combination	22,550	1,346	—	—	599	24,495
Other additions	8,991	—	488,335	11,845	113,443	622,614
Transfer from construction-in-progress (Note 7)	241,860	234,030	38,470	90,469	218,690	823,519
Reclassifications	616	—	—	—	(616)	—
Impairment (a)	—	—	(80,393)	—	—	(80,393)
Disposals	(5,187)	(48,341)	(26,408)	(293)	(3,715)	(83,944)
Depreciation charges	(273,380)	(217,204)	(431,070)	(132,392)	(357,696)	(1,411,742)
Closing net book amount	<u>4,652,791</u>	<u>12,634,453</u>	<u>4,069,331</u>	<u>465,967</u>	<u>2,251,217</u>	<u>24,073,759</u>
At 31 December 2015						
Cost	6,989,242	15,615,264	7,657,021	1,807,311	6,022,269	38,091,107
Accumulated depreciation	(2,336,451)	(2,980,811)	(3,587,690)	(1,341,344)	(3,769,890)	(14,016,186)
Impairment	—	—	—	—	(1,162)	(1,162)
Net book amount	<u>4,652,791</u>	<u>12,634,453</u>	<u>4,069,331</u>	<u>465,967</u>	<u>2,251,217</u>	<u>24,073,759</u>

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6 FIXED ASSETS-NET (CONTINUED)

- (a) In June 2015, the management of the Company made an impairment loss of approximately RMB80,393,000 against the carrying amounts of certain locomotives, which had ceased to be deployed for commercial operations due to technological changes and developments. The impairment loss reflects the portion of their carrying amounts in excess of their assessed recoverable amounts. As at 31 December 2015, the locomotives were disposed and approximately RMB10,000 has been recognised in “other income and other gains/(losses)-net”.
- (b) As at 31 December 2015, the ownership certificates of certain buildings of the Group with an aggregate carrying value of approximately RMB1,753,314,000 (2014: RMB1,921,120,000) had not been obtained by the Group. After consultation made with the Company’s legal counsel, the directors of the Company consider that there is no legal restriction for the Group to apply for and obtain the ownership certificates of such buildings and it should not lead to any significant adverse impact on the operations of the Group.
- (c) As at 31 December 2015, fixed assets of the Group with an aggregate net book value of approximately RMB100,888,000 (2014: RMB85,941,000) had been fully depreciated but they were still in use.

7 CONSTRUCTION-IN-PROGRESS

	2014	2015
	RMB'000	RMB'000
At 1 January	543,350	401,434
Additions due to business combination	1,665	—
Other additions	995,931	994,092
Transfer to fixed assets (Note 6)	(1,109,936)	(823,519)
Transfer to leasehold land	(29,576)	—
Impairment	—	(2,434)
At 31 December	<u>401,434</u>	<u>569,573</u>

Construction-in-progress as at 31 December 2015 mainly was improvement projects for road existing railway equipment in the PRC.

For the year ended 31 December 2015, no interest expense (2014: Nil) had been capitalised in the construction-in-progress balance as the impact of interest capitalisation was not material.

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8 LEASEHOLD LAND PAYMENTS

The Group's interests in leasehold land represent prepaid operating lease payments in the PRC and its net book value are analysed as follows:

	RMB'000
At 1 January 2014	
Cost	935,572
Accumulated amortisation	<u>(277,979)</u>
Net book amount	<u>657,593</u>
Year ended 31 December 2014	
Opening net book amount	657,593
Additions	29,576
Amortisation charges	<u>(19,164)</u>
Closing net book amount	<u>668,005</u>
At 31 December 2014	
Cost	965,148
Accumulated amortisation	<u>(297,143)</u>
Net book amount	<u>668,005</u>
Year ended 31 December 2015	
Opening net book amount	668,005
Addition due to business combination	308,934
Amortisation charges	<u>(28,413)</u>
Closing net book amount	<u>948,526</u>
At 31 December 2015	
Cost	1,274,082
Accumulated amortisation	<u>(325,556)</u>
Net book amount	<u>948,526</u>

As at 31 December 2015, land use right certificates of certain parcels of land of the Group with an aggregate carrying value of approximately RMB236,522,000 (2014: RMB228,630,000) had not been obtained. After consultation made with the Company's legal counsel, the directors consider that there is no legal restriction for the Group or the Company to apply for and obtain the land use right certificates and it should not lead to any significant adverse impact on the operations of the Group or the Company.

The remaining lease period of leasehold land as at 31 December 2015 was as follows:

	2015 RMB'000	2014 RMB'000
Lease of between 10 to 50 years	<u>948,526</u>	<u>668,005</u>

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9 GOODWILL

	RMB'000
Year ended 31 December 2014 and 2015	
Opening net book amount	281,255
Additions	—
Impairment	—
Closing net book amount	<u>281,255</u>
At 31 December 2014 and 2015	
Cost	281,255
Accumulated impairment	—
Net book amount	<u>281,255</u>

As at 31 December 2015 and 2014, the outstanding balance of goodwill arose from the excess of a purchase consideration paid by the Company over the aggregate fair values of the identifiable assets, liabilities and contingent liabilities of the Yangcheng Railway Business acquired by the Company.

On 1 January 2009, the Group integrated the Yangcheng Railway Business with the Group's railway business in order to improve the operation efficiency. As a result, the management considers that the Yangcheng Railway Business and the Group's remaining railway business (collectively the "Combined Railway Business") represents the lowest level of CGUs within the Group at which goodwill is monitored for internal management purposes. As a result, the goodwill balance has been allocated to the CGU comprising the Combined Railway Business.

The recoverable amount of the CGU is determined based on higher of value-in-use and fair value less costs to sell. These calculations use pre-tax cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

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9 GOODWILL (CONTINUED)

The key assumptions used for value-in-use calculations are as follows:

Railroad business	2014	2015
Gross margin	24.64%	18.02%
Growth rate	2%	2%
Discount rate	<u>12.44%</u>	<u>12.44%</u>

Management estimated the gross margin and growth rate based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflect specific risks relating to the railroad business segment.

If the budgeted growth rate used in the value-in-use calculation for the CGU in railroad business had been 10% lower than management's estimates as at 31 December 2015, the Group would have no impairment recognised against goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows for the CGU in railroad business had been 1% higher than management's estimates as at 31 December 2015, the Group would have no impairment recognised against goodwill.

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10 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

Name of the entity	Place of incorporation and nature of legal entity	Principal activities and place of operation	Proportion of equity interests held by the Company (%)	Proportion of equity interests held by the group (%)	Proportion of equity interests held by non-controlling interests (%)
Dongguan Changsheng Enterprise Company Limited	China, limited liability company	Warehousing in PRC	51%	51%	49%
Shenzhen Fu Yuan Enterprise Development Company Limited	China, limited liability company	Hotel management in PRC	100%	100%	—
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited	China, limited liability company	Cargo loading and unloading, warehousing, freight transportation in PRC	100%	100%	—
Shenzhen Nantie Construction Supervision Company Limited	China, limited liability company	Supervision of construction projects in PRC	67.46%	76.66%	23.34%
Shenzhen Railway Property Management Company Limited	China, limited liability company	Property management in PRC	—	100%	—
Shenzhen Shenhuasheng Storage and Transportation Company Limited	China, limited liability company	Warehousing, freight transport and packing agency services	41.50%	100%	—
Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited	China, limited liability company	Catering management in PRC	—	100%	—
Shenzhen Railway Station Passenger Services Company Limited	China, limited liability company	Catering services and sales of merchandise in PRC	100%	100%	—

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10 SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries at 31 December 2015 (continued):

Name of the entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of equity interests held by the Company (%)	Proportion of equity interests held by the group (%)	Proportion of equity interests held by non-controlling interests (%)
Guangshen Railway Station Dongqun Trade and Commerce Service Company Limited	China, limited liability company	Sales of merchandises in PRC	100%	100%	—
Guangzhou Railway Huangpu Service Company Limited	China, limited liability company	Cargo loading and unloading, warehousing, freight transportation in PRC	100%	100%	—
Zengcheng Lihua Stock Company Limited (“Zengcheng Lihua”) (a)	China, limited liability company	Real estate construction, provision of warehousing, cargo uploading and unloading services	44.72%	44.72%	55.28%

In 2015, Shenzhen Guangshen Railway Travel Service Ltd. (“Guangshen Tielv”), a 100% owned subsidiary of the Company was liquidated. The comprehensive income statement of Guangshen Tielv are continuously be consolidated in 2015.

As at 31 December 2015, the non-wholly owned subsidiaries is not significant to the Group. Therefore, financial information of the non-wholly owned subsidiaries are not disclosed.

- (a) In 2015, the Company acquired additional 17.74% equity interest of a then associate, Zengcheng Lihua, with a cash consideration of RMB 4,704,000. Upon completion of the acquisition, the Company began to hold 44.72% equity interests in Zengcheng Lihua in aggregate. According to the Articles of Association of Zengcheng Lihua, the remaining shareholders are all natural persons and none of individual holds more than 0.5% equity interest in Zengcheng Lihua. All directors of Zengcheng Lihua were appointed by the Company. After considering all shareholders of Zengcheng Lihua other than the Company are individuals with individual interest holding of less than 0.5% and such individuals do not act as concert, and also all directors of Zengcheng Lihua were appointed by the Company, the directors of the Company consider that the Company has the de facto control power over the board on the substantial financial and operating decisions of Zengcheng Lihua. On 12 February 2015, the company obtained control of Zengcheng Lihua and began to consolidate the financial statements of Zengcheng Lihua from then onwards.

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11 INVESTMENTS IN ASSOCIATES

As at 31 December 2015, the Group had direct interests in the following companies which are incorporated/established and are operating in the PRC:

<u>Name of the entity</u>	<u>Date of incorporation/ establishment</u>	<u>Percentage of equity interest attributable to the Company</u>	<u>Paid-in capital</u>	<u>Principal activities</u>
Guangzhou Tiecheng Enterprise Company Limited (“Tiecheng”)	2 May 1995	49%	RMB343,050,000	Properties leasing and trading of merchandise
Shenzhen Guangzhou Railway Civil Engineering Company (“Shentu”)	1 March 1984	49%	RMB64,000,000	Construction of railroad properties

All the above associates are limited liability companies and they are unlisted companies. There are no significant contingent liabilities relating to the Group’s interest in the associates and there are no significant restrictions on the transfer of assets or earnings from the associates to the Group.

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11 INVESTMENTS IN ASSOCIATES (CONTINUED)

Set out below are the summarised financial information for Tiecheng and Shentu which are accounted for using the equity method in the consolidated financial statements.

Summarised balance sheets

	Tiecheng		Shentu	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Current assets	71,947	58,149	871,300	772,956
Non-current assets	346,761	352,300	7,734	9,291
Total assets	418,708	410,449	879,034	782,247
Current liabilities	211,121	207,378	742,313	685,109
Total liabilities	211,121	207,378	742,313	685,109
Equity	207,587	203,071	136,721	97,138
Share of net assets	101,718	99,505	66,993	47,597
Carrying amount of interest in associates	101,718	99,505	66,993	47,597

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates as follows:

Summarised financial information	Tiecheng		Shentu		Total	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Opening net assets	203,071	197,975	97,138	91,932	300,209	289,907
Profit for the year	4,516	5,096	583	5,206	5,099	10,302
Increase in paid-in capital	—	—	39,000	—	39,000	—
Closing net assets	207,587	203,071	136,721	97,138	344,308	300,209
Percentage of ownership interest	49%	49%	49%	49%	49%	49%
Carrying value	101,718	99,505	66,993	47,597	168,711	147,102

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12 DEFERRED TAX ASSETS/(LIABILITIES)

	2015	2014
	RMB'000	RMB'000
Deferred tax assets	113,418	88,906
Less: Offsetting of deferred tax liabilities	<u>(20,169)</u>	<u>(21,322)</u>
Deferred tax assets (net)	<u>93,249</u>	<u>67,584</u>
Deferred tax liabilities	(91,545)	(21,322)
Less: Offsetting of deferred tax assets	<u>20,169</u>	<u>21,322</u>
Deferred tax liabilities(net)	<u>(71,376)</u>	<u>—</u>
	<u>21,873</u>	<u>67,584</u>

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December 2014	As at 31 December 2015
	RMB'000	RMB'000
Deferred tax assets:		
-Deferred tax assets to be recovered after more than 12 months	84,497	112,511
-Deferred tax assets to be recovered within 12 months	<u>4,409</u>	<u>907</u>
	<u>88,906</u>	<u>113,418</u>
Deferred tax liabilities:		
-Deferred tax liabilities to be recovered after more than 12 months	(19,976)	(88,325)
-Deferred tax liabilities to be recovered within 12 months	<u>(1,346)</u>	<u>(3,220)</u>
	<u>(21,322)</u>	<u>(91,545)</u>

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12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movement in deferred tax assets and liabilities of the Group during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	At 1 January 2014 RMB'000	Charged/ (Credited) to the comprehensive income statement RMB'000	At 31 December 2014 RMB'000	Charged/ (Credited) to the comprehensive income statement RMB'000	At 31 December 2015 RMB'000	
Deferred tax assets:						
Impairment provision for receivables	19,285	288	19,573	(11,745)	7,828	
Impairment provision for fixed assets and construction-in-progress	2,533	(403)	2,130	609	2,739	
Impairment provision for interests in associates	7,422	—	7,422	(7,422)	—	
Impairment provision for materials and supplies	4,511	—	4,511	7,326	11,837	
Difference in accounting base and tax base of the government grants	21,271	(284)	20,987	3,965	24,952	
Difference in accounting base and tax base of employee benefits obligations	54,622	(20,738)	33,884	1,323	35,207	
Loss on disposal of fixed assets	2,915	(2,566)	349	30,456	30,805	
Other	50	—	50	—	50	
	<u>112,609</u>	<u>(23,703)</u>	<u>88,906</u>	<u>24,512</u>	<u>113,418</u>	
	At 1 January 2014 RMB'000	Credited/ (Charged) to the comprehensive income statement RMB'000	At 31 December 2014 RMB'000	Business combination RMB'000	Credited/ (Charged) to the comprehensive income statement RMB'000	At 31 December 2015 RMB'000
Deferred tax liabilities:						
Difference in accounting base and tax base in recognition of fixed assets	11,031	(166)	10,865	—	(1,258)	9,607
Difference in accounting base and tax base in recognition of intangible assets	—	—	—	73,661	(2,285)	71,376
Others	10,351	106	10,457	—	105	10,562
	<u>21,382</u>	<u>(60)</u>	<u>21,322</u>	<u>73,661</u>	<u>(3,438)</u>	<u>91,545</u>

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12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred income tax assets are recognised for tax loss carry-forwards and other temporary difference to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of tax losses and other temporary difference amounting to RMB75,926,000 (2014: RMB62,368,000) that can be carried forward against future taxable income as follows:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Tax losses can be carried forward (Note a)	49,379	63,452
Deductible temporary differences	12,989	12,474
	<u>62,368</u>	<u>75,926</u>

Note a:

The tax loss carry-forwards in which no deferred income tax assets were recognised amounting to RMB63,452,000 (2014: RMB49,379,000) will expire in the following years:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
2015	1,839	—
2016	10,984	8,746
2017	15,405	15,405
2018	14,418	14,307
2019	6,733	6,516
2020	—	18,478
	<u>49,379</u>	<u>63,452</u>

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13 LONG-TERM PREPAID EXPENSES

The movements of long-term prepaid expenses are set forth as follows:

	2014 RMB'000	2015 RMB'000
At 1 January		
Cost	54,703	57,110
Accumulated amortisation	(21,175)	(35,106)
Net book amount	<u>33,528</u>	<u>22,004</u>
Year ended 31 December		
Opening net book amount	33,528	22,004
Additions	2,407	6,660
Amortisation	(13,931)	(14,179)
Closing net book amount	<u>22,004</u>	<u>14,485</u>
At 31 December		
Cost	57,110	63,770
Accumulated amortisation	(35,106)	(49,285)
Net book amount	<u>22,004</u>	<u>14,485</u>

14 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Available- for-sale RMB'000	Total RMB'000
Assets as per consolidated balance sheet			
<i>As at 31 December 2014:</i>			
Available-for-sale investments (Note 15)	—	53,826	53,826
Long-term receivable (Note 16)	30,197	—	30,197
Trade and other receivables excluding prepayments (Notes 18 and 19)	2,456,619	—	2,456,619
Short-term deposits (Note 20)	104,000	—	104,000
Cash and cash equivalents (Note 20)	<u>1,665,057</u>	—	<u>1,665,057</u>
Total	<u>4,255,873</u>	<u>53,826</u>	<u>4,309,699</u>
<i>As at 31 December 2015:</i>			
Available-for-sale investments (Note 15)	—	53,826	53,826
Long-term receivable (Note 16)	30,804	—	30,804
Trade and other receivables excluding prepayments (Notes 18 and 19)	3,022,923	—	3,022,923
Short-term deposits (Note 20)	106,000	—	106,000
Cash and cash equivalents (Note 20)	<u>2,220,803</u>	—	<u>2,220,803</u>
Total	<u>5,380,530</u>	<u>53,826</u>	<u>5,434,356</u>

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14 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Other financial liabilities RMB'000
Liabilities as per consolidated balance sheet	
<i>As at 31 December 2014:</i>	
Trade and other payables excluding tax payables, employee benefits payables and advances (Notes 25 and 26)	1,942,431
Dividends payable	548
Payables for fixed assets and construction-in-progress	1,094,814
Total	3,037,793
<i>As at 31 December 2015:</i>	
Trade and other payables excluding tax payables, employee benefits payables and advances (Notes 25 and 26)	2,136,570
Dividends payable	14,318
Payables for fixed assets and construction-in-progress	1,425,998
Total	3,576,886

15 AVAILABLE-FOR-SALE INVESTMENTS

	2014 RMB'000	2015 RMB'000
Beginning and the end of the year	53,826	53,826

The equity interests held by the Group in these investments are all less than 10%. No quoted market price in an active market was available for these investments and the directors of the Company are of the opinion that their fair values could not be reliably measured by alternative valuation methods. As a result, the above non-current available-for-sale investments had been carried at cost, subject to review for impairment loss. As at 31 December 2014 and 2015, no impairment provision was considered necessary by the directors.

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16 LONG-TERM RECEIVABLE

	2014	2015
	RMB'000	RMB'000
Opening net book amount	29,588	30,197
Unwinding of interest accrued (Note 28)	2,609	2,607
Repayment received	<u>(2,000)</u>	<u>(2,000)</u>
Closing net book amount	<u>30,197</u>	<u>30,804</u>

The long-term receivable balance represents freight service fees receivable from a third party customer which was acquired from Yangcheng Railway Business. On the acquisition date of Yangcheng Railway Business, it was remeasured at its then fair value, which was assessed by the discounted cash flow method by making reference to the repayment schedule agreed by both parties.

The balance is subsequently carried at amortised cost using an average effective interest rate of 6.54%.

The balance approximated its fair value as at 31 December 2015.

17 MATERIALS AND SUPPLIES

	As at 31 December 2014	As at 31 December 2015
	RMB'000	RMB'000
Raw materials	167,543	156,441
Reusable rail-line track materials	147,115	93,134
Accessories	83,616	55,264
Retailing consumables	<u>2,235</u>	<u>2,217</u>
	<u>400,509</u>	<u>307,056</u>

The costs of materials and supplies consumed by the Group during the year were recognised as 'operating expenses' in the amount of approximately RMB1,565,648,000 (2013:RMB1,925,798,000 and 2014: RMB1,616,234,000).

As at 31 December 2015, the balance of the provision for writing down the materials and supplies to their net realizable values was approximately RMB47,348,000 (2014: RMB18,044,000). During the year, RMB64,096,000 additional provision had been made and RMB34,792,000 was written off due to the reusable rail-line track materials and accessories disposal (2014: Nil).

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18 TRADE RECEIVABLES

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Trade receivables	2,320,408	2,894,461
Including: receivables from related parties	765,098	862,199
Less: Provision for impairment of receivables	(7,003)	(8,395)
	<u>2,313,405</u>	<u>2,886,066</u>

As at 31 December 2015, the Group's trade receivables were all denominated in RMB (2014: RMB).

The passenger transportation services are usually transacted on a cash basis. The Group does not have formal contractual credit terms agreed with its customers for freight transportation services and other businesses but the trade receivables are usually settled within a period less than one year. As a result, the Group regards any receivable balance within a one-year credit period being not overdue. The aging analysis of the outstanding trade receivables is as follows:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Within 1 year	1,950,885	2,190,263
Over 1 year but within 2 years	324,455	547,527
Over 2 years but within 3 years	17,444	133,764
Over 3 years	27,624	22,907
	<u>2,320,408</u>	<u>2,894,461</u>

As at 31 December 2015, the Group's trade receivables of approximately RMB695,803,000 (2014: RMB362,520,000), were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Over 1 year but within 2 years	324,189	547,527
Over 2 year but within 3 years	17,444	133,764
Over 3 years	20,887	14,512
	<u>362,520</u>	<u>695,803</u>

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18 TRADE RECEIVABLES (CONTINUED)

As at 31 December 2015, the Group's trade receivables of approximately RMB8,395,000 (2014: RMB7,003,000), had been impaired and provided for. The amount of the provision made by the Group was approximately RMB8,395,000 as at 31 December 2015 (2014: RMB7,003,000). The impaired receivable balances were mainly related to the provision of freight transportation services. The related customers were in unexpected difficult financial conditions. The aging analysis of these receivables is as follows:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Over 1 year but within 2 years	266	—
Over 3 years	6,737	8,395
	<u>7,003</u>	<u>8,395</u>

Movements on the provision for impairment of trade receivables are as follows:

	2014 RMB'000	2015 RMB'000
At 1 January	6,195	7,003
Provision for impairment loss	808	3,305
Reversal	—	(127)
Written-off	—	(1,786)
At 31 December	<u>7,003</u>	<u>8,395</u>

The creation and release of provision for impaired receivables have been included in operating expenses in the comprehensive income statement. Amounts charged to the allowance account are generally written off against the gross accounts receivable balances when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value mentioned above. The Group does not hold any collateral as security.

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19 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Due from third parties	141,843	134,825
Due from other related parties	47,733	7,788
	<u>189,576</u>	<u>142,613</u>

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Other receivables	205,274	150,234
Less: Provision for impairment loss	<u>(62,060)</u>	<u>(13,377)</u>
Other receivables, net (Note (a))	143,214	136,857
Prepayments (Note (b))	<u>46,362</u>	<u>5,756</u>
	<u>189,576</u>	<u>142,613</u>

(a) Other receivables mainly represent miscellaneous deposits and receivables arising from the course of provision of non-railway transportation services by the Group.

(b) Prepayments mainly represent amounts paid in advance to the suppliers for utilities and other operating expenses of the Group. Movements on the provision for impairment of other receivables are as follows:

	2014 RMB'000	2015 RMB'000
At 1 January	61,718	62,060
Provision for impairment loss	346	62
Reversal of impairment loss provision	(4)	(7,699)
Written-off	—	(28,734)
Elimination arising from business combination	—	(12,312)
At 31 December	<u>62,060</u>	<u>13,377</u>

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19 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the Group's prepayments and other receivables are denominated in the following currencies:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
RMB	189,483	142,542
HKD	93	71
	<u>189,576</u>	<u>142,613</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Cash at bank and on hand	1,213,057	1,268,803
Term deposits with initial term not more than three months	452,000	952,000
Cash and cash equivalents	1,665,057	2,220,803
Term deposits with initial term of over three months (Note a)	104,000	106,000
	<u>1,769,057</u>	<u>2,326,803</u>

Note a: The original effective interest rate of term deposits was 2.50%p.a (2014: 3.05%p.a).

The carrying amounts of the cash and cash equivalents and short-term deposits are denominated in the following currencies:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
RMB	1,706,964	2,254,663
HKD	62,093	72,140
	<u>1,769,057</u>	<u>2,326,803</u>

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21 SHARE CAPITAL

As at 31 December 2015, the total authorised number of ordinary shares is 7,083,537,000 shares (2014: 7,083,537,000 shares) with a par value of RMB1.00 per share (2014: RMB1.00 per share). These shares are divided into A shares and H shares. They rank pari passu against each other and they were fully paid up (2014: same).

	As at 31 December 2013 RMB'000	Movement RMB'000	As at 31 December 2014 RMB'000	Movement RMB'000	As at 31 December 2015 RMB'000
Authorised, issued and fully paid:					
Listed shares					
- H shares	1,431,300	—	1,431,300	—	1,431,300
- A shares	<u>5,652,237</u>	<u>—</u>	<u>5,652,237</u>	<u>—</u>	<u>5,652,237</u>
Total	<u>7,083,537</u>	<u>—</u>	<u>7,083,537</u>	<u>—</u>	<u>7,083,537</u>

22 RESERVES

According to the provisions of the articles of association of the Company, the Company shall first set aside 10% of its profit after tax attributable to shareholders as indicated in the Company's statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the Company's registered share capital) in each year. The Company may also make appropriations from its profit attributable to shareholders to a discretionary surplus reserve, provided that it is approved by a resolution passed in 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 the prior approval obtained from the shareholders in a shareholders' general meeting under specific circumstances.

When the statutory surplus reserve is not sufficient to make good for any losses of the Company in previous years, the current year profit attributable to shareholders shall be used to make good the losses before any allocations are set aside for the statutory surplus reserve.

The statutory surplus reserve, the discretionary surplus reserve and the share premium account could be converted into share capital of the Company provided it is approved by a resolution passed in a shareholders' general meeting with the provision that the ending balance of the statutory surplus reserve does not fall below 25% of the registered share capital amount. The Company may either allot newly created shares to the shareholders at the same proportion of the existing number of shares held by these shareholders, or it may increase the par value of each share.

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22 RESERVES (CONTINUED)

For the year ended 31 December 2014 and 2015, the directors proposed the following appropriations to reserves of the Company:

	2014 RMB'000	2014 RMB'000	2015 Percentage	2015 RMB'000
Statutory surplus reserve	10%	66,036	10%	111,760

In accordance with the provisions of the articles of association of the Company, the profit after appropriation to reserves and available for distribution to shareholders shall be the lower of the retained earnings determined under (a) PRC GAAP or (b) IFRS. Due to the fact that the statutory financial statements of the Company have been prepared in accordance with PRC GAAP, the retained earnings so reported may be different from those reported in the statement of changes in shareholders' equity prepared under IFRS contained in these financial statements. The main difference between the retained earnings of the Company determined under PRC GAAP and those determined under IFRS was relating to accounting policies in respect of investment in associates adopted under PRC GAAP and IFRS.

For the year 2014 and 2015, the movement of 'Special reserve - Safety Production Fund' of the Group is as below:

	2014 RMB'000	2015 RMB'000
Beginning of the year	—	—
Appropriation	208,250	192,860
Utilisation	(208,250)	(192,860)
End of the year	—	—

The Company is engaged in passenger and freight transportation business. In accordance with the regulation issued by Ministry of Finance and State Administration of Work Safety, the Company is required to establish a special reserve ("Safety Production Fund") calculated based on the passenger and freight transportation revenue of the previous year using the following percentages:

- (a) 1% for regular freight business;
- (b) 1.5% for passenger transportation, dangerous goods delivery business and other special business.

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GUANGSHEN RAILWAY COMPANY LIMITED

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22 RESERVES (CONTINUED)

The Safety Production Fund is mainly used for the renovation and maintenance of security equipment and facilities. For the purpose of the consolidated financial statements under IFRS, such reserve is established through an appropriation from retained earnings based on the aforementioned method. When the Safety Production Fund is actually utilised, the actual expenses incurred are charged to comprehensive income statement. Meanwhile, the corresponding Safety Production Fund reserve is released back to retained earnings.

23 DEFERRED INCOME RELATING TO GOVERNMENT GRANTS

	2014 RMB'000	2015 RMB'000
Beginning of the year	90,404	88,771
Additions	6,330	22,563
Credited to comprehensive income statement	(7,963)	(7,349)
Including: amortisation	(3,249)	(2,529)
End of the year	<u>88,771</u>	<u>103,985</u>

24 EMPLOYEE BENEFITS OBLIGATIONS

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Employee benefits obligations	44,928	13,380
Less: current portion included in accruals and other payables (Note 26)	<u>(44,928)</u>	<u>(13,380)</u>
	<u>—</u>	<u>—</u>

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

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

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24 EMPLOYEE BENEFITS OBLIGATIONS (CONTINUED)

The employee benefits obligations have been provided for by the Group at amounts equal to the total expected benefit payments. Where the obligation does not fall due within twelve months, the obligation payable has been discounted using a pre-tax rate that reflects management's current market assessment of the time value of money and risk specific to the obligation. The discount rate was determined with reference to market yields when the liability was recognised at the inception date on high quality investments in the PRC.

The movement in the employee benefits obligation over the year is as follows:

	2014	2015
	RMB'000	RMB'000
At 1 January	113,733	44,928
Additions	32,410	—
Amortisation of interest (Note 29)	4,594	226
Payments	(105,809)	(31,774)
At 31 December	<u>44,928</u>	<u>13,380</u>

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25 TRADE PAYABLES

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Payables to third parties	820,622	673,641
Payables to related parties	617,822	431,650
	<u>1,438,444</u>	<u>1,105,291</u>

The aging analysis of trade payables was as follows:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Within 1 year	1,322,771	939,640
Over 1 year but within 2 years	68,497	138,648
Over 2 years but within 3 years	23,391	9,545
Over 3 years	23,785	17,458
	<u>1,438,444</u>	<u>1,105,291</u>

26 ACCRUALS AND OTHER PAYABLES

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Due to third parties	940,704	1,064,752
Due to related parties	29,057	399,634
	<u>969,761</u>	<u>1,464,386</u>

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Payables to GEDC assumed by the business combination with Zengcheng Lihua	—	368,560
Advances received from customers	237,095	249,825
Other deposits received	204,116	232,776
Deposits received for construction projects	124,253	188,416
Salary and welfare payables	129,977	152,727
Deposits received from ticketing agencies	35,762	37,543
Other taxes payable	53,774	17,175
Housing maintenance fund	15,802	15,859
Employee benefits obligations (Note 24)	44,928	13,380
Other payables	124,054	188,125
	<u>969,761</u>	<u>1,464,386</u>

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27 LABOUR AND BENEFITS

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Wages and salaries	3,127,540	3,414,192	3,672,234
Provision for medical, housing scheme and other employee benefits (a)	779,845	857,203	916,965
Contributions to the defined contribution scheme (b)	517,807	639,493	620,898
	<u>4,425,192</u>	<u>4,910,888</u>	<u>5,210,097</u>

(a) Housing scheme

In accordance with the PRC housing reform regulations, the Group is required to make contributions to a state-sponsored housing fund at 9% or 13% of the salaries of the employees. At the same time, the employees are also required to make a contribution at 9% or 13% of the salaries out of their payroll. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Group has no further legal or constructive obligation for housing benefits of these employees beyond the above contributions made.

(b) Defined contribution pension scheme

All the full-time employees of the Group are entitled to join a statutory pension scheme. The employees would receive pension payments equal to their basic salaries payable upon their retirement up to their death. 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 26% of the standard salary set by the provincial government, of which 18% is borne by the Company or its subsidiaries and the remainder 8% is borne by the employees. The government agency is responsible for the pension liabilities due to the employees upon their retirement. The Group accounts for these contributions on an accrual basis and charges the related contributions to expense in the year to which the contributions relate.

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28 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Loss on disposal of fixed assets and leasehold land	(136,986)	(123,567)	(49,008)
Interest income from banks	137,958	122,020	38,145
Dividend income on available-for-sale investments	4,904	4,904	5,884
Government grants (Note 23)	5,143	7,963	7,349
Unwinding of interest accrued on long-term receivable (Note 16)	3,725	2,609	2,607
Impairment of long lived assets and investment loss (Note 5)	—	—	(127,900)
Income from compensation	—	—	1,167
Others	159	(6,791)	7,129
	<u>14,903</u>	<u>7,138</u>	<u>(114,627)</u>

29 FINANCE COSTS

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Interest expense	167,650	160,760	—
Bank charges	5,522	7,332	7,387
Amortisation of bonds payable	7,250	7,277	—
Amortisation of interest for employee benefit obligations (Note 24)	9,127	4,594	226
Net foreign exchange (gains)/losses	2,137	410	(3,005)
	<u>191,686</u>	<u>180,373</u>	<u>4,608</u>

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30 INCOME TAX EXPENSE

In 2015, 2014 and 2013, the applicable income tax rate of the Company was 25%.

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

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current income tax	412,736	195,864	416,480
Deferred income tax (Note 12)	17,934	23,643	(27,950)
	<u>430,670</u>	<u>219,507</u>	<u>388,530</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit before tax	<u>1,701,753</u>	<u>880,633</u>	<u>1,451,838</u>
Tax calculated at the statutory rate of 25% (2014 and 2013: 25%)	425,438	220,158	362,960
Effect of tax rates differentials	119	118	—
Effect of income not subject to tax	(2,533)	(2,498)	(2,096)
Effect of expenses and losses not deductible for tax purposes	3,969	451	13,188
Reversal of deferred tax assets for the impairment loss of investments in associates and other receivable recognized in prior years	—	—	10,500
Tax losses for which no deferred tax asset was recognized in prior years	4,010	1,683	4,619
Utilisation of previously unrecognized tax losses	<u>(333)</u>	<u>(405)</u>	<u>(641)</u>
Income tax expense	<u>430,670</u>	<u>219,507</u>	<u>388,530</u>

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31 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year attributable to equity holders of approximately RMB1,070,822,000 (2013 and 2014: RMB1,273,841,000 and RMB662,021,000), divided by the weighted average number of ordinary shares outstanding during the year of 7,083,537,000 shares (2013 and 2014: 7,083,537,000 shares). There were no dilutive potential ordinary shares during each of the three years in the period ended December 31, 2015. The calculation of earnings per equivalent ADS is based on the net profit for the year attributable to equity holders, divided by the weighted average equivalent ADSs (one ADS represents 50 H Shares) outstanding during the year of 141,670,740 ADSs (2013 and 2014: 141,670,740 ADSs).

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit attributable to owners of the company	1,273,841	662,021	1,070,822
Weighted average number of ordinary shares in issue	7,083,537	7,083,537	7,083,537
Weighted average equivalent ADSs	141,670	141,670	141,670
Basic and diluted earnings per share	RMB0.18	RMB0.09	RMB0.15
Basic and diluted earnings per equivalent ADS	RMB8.99	RMB4.67	RMB7.56

32 DIVIDENDS

The dividends paid to the ordinary shareholders of the Group in 2013, 2014 and 2015 were, RMB566,683,000 (RMB0.08 per share), RMB566,683,000 (RMB0.08 per share) and RMB354,177,000 (RMB0.05 per share) respectively.

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Final, proposed, of RMB0.08 (2013: RMB0.08 2014: RMB0.05) per ordinary share	566,683	354,177	566,683

At the meeting of the directors held on 29 March 2016, the directors proposed a final dividend of RMB0.08 per ordinary share for the year ended 31 December 2015, which is subject to the approval by the shareholders in general meeting. This proposed dividend was not reflected as a dividend payable in the financial statements as at 31 December 2015.

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33 CASH FLOW GENERATED FROM OPERATIONS

(a) Reconciliation from profit before income tax to cash generated from operations:

	2013 RMB'000	2014 RMB'000	2015 RMB'000
Profit before income tax:	1,701,753	880,633	1,451,838
Adjustments for:			
Depreciation of fixed assets (Note 6)	1,414,012	1,429,274	1,411,742
Impairment of long lived assets and investment loss	—	—	127,900
Impairment of materials and supplies (Note 17)	—	—	64,096
Amortisation of leasehold land payments (Note 8)	15,921	19,164	28,413
Loss on disposal of fixed assets and leasehold land (Note 28)	136,986	123,567	49,008
Amortisation of long-term prepaid expenses (Note 13)	12,898	13,931	14,179
Amortisation of interest for employee benefit obligations (Note 24)	9,127	4,594	226
Share of results of associates (Note 11)	(5,228)	(5,048)	(2,499)
Dividends income on available-for-sale investments (Note 28)	(4,904)	(4,904)	(5,884)
Investment income from liquidation of a subsidiary	—	(39)	—
Provision for/(reversal of) impairment of receivables	(5,837)	1,150	(4,459)
Write-off of long outstanding of payables	(295)	—	—
Amortisation of bonds payable	7,250	7,277	—
Amortisation of government grants related to property, plant and equipment (Note 23)	(3,107)	(3,249)	(2,529)
Interest expense	167,650	160,760	—
Interest income	(129,711)	(90,112)	(5,502)
Operating profit before working capital changes	3,316,515	2,536,998	3,126,529
Increase in trade receivables	(550,421)	(752,684)	(553,980)
Decrease in materials and supplies	70,264	44,909	34,843
Decrease/(increase) in prepayments and other receivables	(94,178)	15,083	83,553
Decrease in long-term receivable	5,000	2,000	2,000
Increase/(decrease) in trade payables	(282,972)	514,289	(270,151)
Decrease in employee benefit obligations	(105,992)	(7,909)	—
Increase in accrued and other payables	64,870	68,520	97,585
Cash generated from operations	<u>2,423,086</u>	<u>2,421,206</u>	<u>2,520,379</u>

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33 CASH FLOW GENERATED FROM OPERATIONS (CONTINUED)

(b) In the cash flow statement, proceeds from disposal of fixed assets and leasehold land comprise:

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Net book amount (Note 6)	249,072	179,745	83,944
Receivable arising from disposal of fixed assets and leasehold land	(12,334)	(2,089)	(21,627)
Transfer to inventories	(24,502)	(53,381)	(5,488)
Loss on disposal of fixed assets and leasehold land	(136,986)	(123,567)	(49,008)
Proceeds from disposal of fixed assets and leasehold land	<u>75,250</u>	<u>708</u>	<u>7,821</u>

(c) No non-cash investing or financing activities incurred in the year ended 31 December 2015 (2013 and 2014: Nil).

34 CONTINGENCY

There were no significant contingent liabilities as at the date of approval of these financial statements.

35 COMMITMENTS

(a) Capital commitments

As at 31 December 2014 and 2015, the Group had the following capital commitments which are authorised but not contracted for, and contracted but not provided for:

	As at 31 December 2014 RMB'000	As at 31 December 2015 RMB'000
Authorised but not contracted for	<u>1,309,633</u>	<u>1,967,894</u>
Contracted but not provided for	<u>146,979</u>	<u>304,199</u>

A substantial amount of these commitments is related to the reform of stations or facilities relating to the existing railway line of the Company, which would be financed by self-generated operating cash flow.

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35 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

In connection with the acquisition of Yangcheng Railway Business, the Company signed an agreement on 15 November 2004 with Guangzhou Railway Group for leasing the land use rights associated with the land on which the acquired assets of Yangcheng Railway Business are located. The agreement became effective upon the completion of the acquisition on 1 January 2007 and the remaining lease term is 20 years, renewable at the discretion of the Company. According to the terms of the agreement, the rental for such lease would be agreed by both parties every year with a maximum amount not exceeding RMB74,000,000 per year. During the year ended 31 December 2015, the related lease rental paid and payable was approximately RMB55,090,000 (2013 and 2014: RMB56,000,000 and RMB53,962,000).

36 RELATED PARTY TRANSACTIONS

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

(a) Related parties that control the Company or are controlled by the Company:

See Note 10 for the subsidiaries.

None of the shareholders is the controlling entity of the Company.

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36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Nature of the principal related parties that do not control/are not controlled by the Company:

Name of related parties	Relationship with the Company
<i>Single largest shareholder and its subsidiaries</i>	
Guangzhou Railway Group	Single largest shareholder
Guangzhou Railway Group YangCheng Railway Enterprise Development Company	Subsidiary of the single largest shareholder
Guangmeishan Railway Company Limited	Subsidiary of the single largest shareholder
GEDC	Subsidiary of the single largest shareholder
Guangzhou Railway Material Supply Company	Subsidiary of the single largest shareholder
Guangzhou Railway Engineer Construction Enterprise Development Company	Subsidiary of the single largest shareholder
Yangcheng Construction Company of YangCheng Railway Enterprise Development Company	Subsidiary of the single largest shareholder
Guangzhou Railway Real Estate Construction Company	Subsidiary of the single largest shareholder
Yuehai Railway Company Limited	Subsidiary of the single largest shareholder
Shichang Railway Company Limited	Subsidiary of the single largest shareholder
Guangzhou Railway Station Service Centre	Subsidiary of the single largest shareholder
Changsha Railway Construction Company Limited	Subsidiary of the single largest shareholder
Guangdong Sanmao Railway Company Limited	Subsidiary of the single largest shareholder
Guangzhou Qingda Transportation Company Limited	Subsidiary of the single largest shareholder
Guangzhou Yuetie Operational Development Company	Subsidiary of the single largest shareholder
Guangzhou Railway Rolling Stock Works	Subsidiary of the single largest shareholder
Foreign Economic & Trade Development Corporation of Guangzhou Railway Group	Subsidiary of the single largest shareholder
Shenzhen Guangshen Railway Living Service Centre	Subsidiary of the single largest shareholder
Guangzhou Yangcheng Living Service Centre	Subsidiary of the single largest shareholder
Pajiangkou Stone Pit of YangCheng Railway Enterprise Development Company	Subsidiary of the single largest shareholder
Guangdong Tieqing International Travel Agency Company Limited	Subsidiary of the single largest shareholder
Guangdong Sanmao Enterprise Development Company Limited	Subsidiary of the single largest shareholder
Huaihua Railway Engineer Construction Company	Subsidiary of the single largest shareholder
Lechang Anjie Railway Sleeper Company Limited	Subsidiary of the single largest shareholder
Xiashen Railway Guangdong Company Limited	Subsidiary of the single largest shareholder
Ganshao Railway Company Limited	Subsidiary of the single largest shareholder
Guangzhou Railway Economic Technology Development Corporation	Subsidiary of the single largest shareholder
Hunan Changtie Industrial Development Co. Ltd.	Subsidiary of the single largest shareholder
<i>Associates of the Group</i>	
Tiecheng	Associate of the Group
Shentu	Associate of the Group

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GUANGSHEN RAILWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts expressed in Renminbi unless otherwise stated)

36 RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with related parties:

	2013 RMB'000	2014 RMB'000	2015 RMB'000
Provision of services and sales of goods			
<i>Railroad and Related Business</i>			
Provision of train transportation services to Guangzhou Railway Group and its subsidiaries (i)	367,745	424,743	751,956
Revenue collected by CRC for railway network usage and related services provided to Guangzhou Railway Group and its subsidiaries (ii)	1,255,572	1,153,630	1,180,852
Revenue from railway operation service provided to Guangzhou Railway Group's subsidiaries (iii)	76,480	359,740	550,168
	<u>1,699,797</u>	<u>1,938,113</u>	<u>2,482,976</u>
<i>Other businesses</i>			
Sales of materials and supplies to Guangzhou Railway Group and its subsidiaries (iv)	<u>24,174</u>	<u>22,579</u>	<u>25,940</u>
Services received and purchase made			
<i>Railroad and Related Business</i>			
Provision of train transportation services by Guangzhou Railway Group and its subsidiaries (i)	665,189	633,382	888,903
Cost settled by CRC for railway network usage and related services provided by Guangzhou Railway Group and its subsidiaries (ii)	1,564,499	1,436,711	1,406,962
Operating lease rental paid to Guangzhou Railway Group for the leasing of land use rights (Note 35 (b))	56,000	53,962	55,090
	<u>2,285,688</u>	<u>2,124,055</u>	<u>2,350,955</u>
<i>Other businesses</i>			
Social services (employee housing and public security services and other ancillary services) provided by GEDC and Yangcheng Railway (iii)	67,990	12,430	16,080
Provision of repair and maintenance services by Guangzhou Railway Group and its subsidiaries (iv)	346,831	295,283	489,038
Purchase of materials and supplies from Guangzhou Railway Group and its subsidiaries (v)	666,771	560,034	384,262
Provision of construction services by Guangzhou Railway Group and its subsidiaries (vi)	229,999	280,983	226,089
Others	12,889	8,729	—
	<u>1,324,480</u>	<u>1,157,459</u>	<u>1,115,469</u>

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GUANGSHEN RAILWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts expressed in Renminbi unless otherwise stated)

36 RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with related parties (continued):
- (i) The service charges are determined based on a pricing scheme set by the CRC or based on negotiation between the contracting parties with reference to full cost principle.
 - (ii) Such revenues/charges are determined by the CRC based on its standard charges applied on a nationwide basis.
 - (iii) The service charges are levied based on contract prices determined based on “cost plus a profit margin” and explicitly agreed between both contracting parties.
 - (iv) The prices are determined based on mutual negotiation between the contracting parties with reference to full cost principle.
 - (v) The prices are determined based on mutual negotiation between the contracting parties with reference to procurement costs incurred plus a management fee ranged from 0.3% to 5% on the costs.
 - (vi) Based on construction amount determined under national railway engineering guidelines.
- (d) **Key management compensation**
The compensation paid or payable to key management for employee services is shown in Note 27(c).

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GUANGSHEN RAILWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts expressed in Renminbi unless otherwise stated)

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) As at 31 December 2015 and 2014, the Group had the following material balances maintained with related parties:

	2014 RMB'000	2015 RMB'000
Trade receivables	765,098	862,199
- Guangzhou Railway Group (i)	260,554	96,314
- Subsidiaries of Guangzhou Railway Group (i)	504,544	765,885
Prepayments and other receivables	47,733	7,788
- Guangzhou Railway Group	5,399	6,011
- Subsidiaries of Guangzhou Railway Group	37,560	1,777
- Associates(v)	17,086	—
Less: impairment provision (v)	(12,312)	—
Prepayments for fixed assets and construction-in-progress	1,092	1,092
- Guangzhou Railway Group	1,092	1,092
Trade payables	617,822	431,650
- Guangzhou Railway Group (i)	119,953	24,467
- Subsidiaries of Guangzhou Railway Group (ii)	433,805	366,015
- Associates	64,064	41,168
Payables for fixed assets and construction-in-progress	208,955	185,339
- Guangzhou Railway Group	12,610	18,829
- Subsidiaries of Guangzhou Railway Group	159,381	128,871
- Associates	36,964	37,639
Accruals and other payables	29,057	399,634
- Guangzhou Railway Group	4,133	1,891
- Subsidiaries of Guangzhou Railway Group (iii)	20,600	396,590
- Associates (iv)	4,324	1,153

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GUANGSHEN RAILWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts expressed in Renminbi unless otherwise stated)

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) As at 31 December 2015 and 2014, the Group had the following material balances maintained with related parties (continued):

- (i) The trade balances due from/to Guangzhou Railway Group, subsidiaries of Guangzhou Railway Group mainly represented service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC.
- (ii) The trade payables due to subsidiaries of Guangzhou Railway Group mainly represented payables arising from unsettled fees for purchase of materials and provision of other services according to various service agreements entered into between the Group and the related parties.
- (iii) The other payables due to subsidiaries of Guangzhou Railway Group mainly represented the performance deposits received for construction projects and deposits received from ticketing agencies.
- (iv) The other payables due to associates mainly represented the performance deposits received for construction projects operated by associates.
- (v) In 2015, the Company has consolidated Zengcheng Lihua and nil balance was shown in 2015.

As at 31 December 2014 and 2015, all the balances maintained with related parties were unsecured, non-interest bearing and were repayable on demand.

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GUANGSHEN RAILWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts expressed in Renminbi unless otherwise stated)

37 TRANSACTIONS WITH CRC AND OTHER RAILWAY COMPANIES

On 14 March 2013, pursuant to the Approval, the previous controlling entity of Guangzhou Railway Group, MOR, had been dismantled. According to the Approval, the administrative function of MOR will be transferred to the Ministry of Transport and the newly established National Railway Bureau, and its business functions and all related assets, liabilities and human resources will be transferred to the CRC. Accordingly, the equity interests of Guangzhou Railway Group which was wholly controlled by MOR previously will be transferred to the CRC. Once the transfer is completed, the controlling entity of the Company's largest shareholder will become CRC. In the current year, although the transfer has not been completed, the transactions between the Group and CRC together with the subsidiaries which were wholly controlled by MOR previously are disclosed considering the requirements of the accounting standards. In order to facilitate user's comprehensive understanding of the Company's business transactions, the Company discloses these transactions with CRC Group for 2013, 2014 and 2015. Unless otherwise specified, the transactions disclosed below have excluded the transactions with Guangzhou Railway Group and its subsidiaries disclosed in Note 36.

The Company works in cooperation with the CRC and other railway companies owned and controlled by the CRC for the operation of certain long distance passenger train and freight transportation businesses within the PRC. The revenues generated from these long-distance passenger and freight transportation businesses are collected and settled by the CRC according to its settlement systems. The charges for the use of the rail lines and services provided by other railway companies are also instructed by the CRC and settled by the CRC based on its systems. Since March 2013, the collecting, processing and distribution functions of revenues which were executed by CRC previously had been transferred to CRC. As at 31 December 2015, the cooperation mode and pricing model had not been subject to any material changes.

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GUANGSHEN RAILWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts expressed in Renminbi unless otherwise stated)

37 TRANSACTIONS WITH CRC AND OTHER RAILWAY COMPANY (CONTINUED)

- (a) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with the CRC Group:

	2013 RMB'000	2014 RMB'000	2015 RMB'000
<i>Provision of services and sales of goods</i>			
<i>Railroad and Related Business</i>			
Provision of train transportation services to CRC Group (i)	30,450	5,229	36,515
Revenue collected by CRC for services provided to CRC Group (ii)	2,070,966	1,706,558	1,752,666
Revenue from railway operation service provided to CRC Group (iii)	968,477	950,966	1,421,995
	<u>3,069,893</u>	<u>2,662,753</u>	<u>3,211,176</u>
<i>Other businesses</i>			
Provision of repairing services for cargo trucks to CRC Group (ii)	286,265	259,470	284,348
Sales of materials and supplies to CRC Group (iv)	65,897	43,239	38,395
Provision of apartment leasing services to CRC Group (iv)	780	732	762
	<u>352,942</u>	<u>303,441</u>	<u>323,505</u>
<i>Services received and purchases made</i>			
<i>Railroad and Related Business</i>			
Provision of train transportation services by CRC Group (i)	264,372	292,866	277,138
Cost settled by CRC for services provided by CRC Group (ii)	1,457,451	1,265,873	1,365,352
	<u>1,721,823</u>	<u>1,558,739</u>	<u>1,642,490</u>
<i>Other businesses</i>			
Provision of repair and maintenance services by CRC Group (iv)	68,963	28,531	2,813
Purchase of materials and supplies from CRC Group (v)	131,061	9,317	33,591
Provision of construction services by CRC Group (vi)	—	—	13,538
	<u>200,024</u>	<u>37,848</u>	<u>49,942</u>

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GUANGSHEN RAILWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts expressed in Renminbi unless otherwise stated)

37 TRANSACTIONS WITH CRC AND OTHER RAILWAY COMPANY (CONTINUED)

- (a) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with the CRC Group (continued):
- (i) The service charges are determined based on a pricing scheme set by the CRC or based on negotiation between the contracting parties with reference to full cost principle.
 - (ii) Such revenues/charges are determined by the CRC based on its standard charges applied on a nationwide basis.
 - (iii) The service charges are levied based on contract prices determined based on “cost plus a profit margin” and explicitly agreed between both contracting parties.
 - (iv) The prices are determined based on mutual negotiation between the contracting parties with reference to full cost principle.
 - (v) The prices are determined based on mutual negotiation between the contracting parties with reference to procurement costs incurred plus a management fee ranged from 0.3% to 5% on the costs.
 - (vi) Based on construction amounts determined under national railway engineering guidelines.
- (b) Revenue collected and settled through the CRC:

	2013 RMB'000	2014 RMB'000	2015 RMB'000
- Passenger transportation	7,740,887	6,630,629	6,642,129
- Freight transportation	871,173	920,255	1,022,025
- Luggage and parcel	100,884	148,863	86,199
	<u>8,712,944</u>	<u>7,699,747</u>	<u>7,750,353</u>

The Company works in cooperation with the CRC and other railway companies owned and controlled by the CRC for the operation of certain long distance passenger trains and freight transportation businesses within the PRC. The revenues generated from these long-distance passenger trains and freight transportation businesses are collected and settled by the CRC Group on behalf of the Group through the CRC's settlement systems.

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GUANGSHEN RAILWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts expressed in Renminbi unless otherwise stated)

37 TRANSACTIONS WITH CRC AND OTHER RAILWAY COMPANY (CONTINUED)

(c) Balances due from/to CRC Group:

	As at 31 December	
	2014	2015
	RMB'000	RMB'000
Due from CRC Group		
- Trade receivables	643,182	897,030
- Other receivables	<u>9,411</u>	<u>6,700</u>
Due to CRC Group		
- Trade payables	37,843	62,709
- Other payables	<u>294</u>	<u>19,968</u>

38 SUBSEQUENT EVENTS

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

**ARTICLES OF ASSOCIATION OF
GUANGSHEN RAILWAY COMPANY LIMITED**

- (Approved by Special Resolution passed by the Shareholders’
General Meeting held on March 14, 1996)
- (Amended by Special Resolution Adopted at the Shareholders’
General Meeting Held on June 24, 1997)
- (Amended by Special Resolution Adopted at the Interim Shareholders’
General Meeting Held on February 8, 2001)
- (Amended by Special Resolution Adopted at the Shareholders’
General Meeting Held on June 28, 2002)
- (Amended by Special Resolution Adopted at the Shareholders’
General Meeting Held on June 10, 2004)
- (Amended by Special Resolution Adopted at the Interim Shareholders’
General Meeting Held on December 30, 2004)
- (Amended by Special Resolution Adopted at the Shareholders’
General Meeting Held on May 12, 2005)
- (Amended by Special Resolution Adopted at the Shareholders’ General Meeting Held
on May 11, 2006)
- (Amended by Special Resolution Adopted at the Shareholders’ General Meeting Held
on June 28, 2007)
- (Amended by Special Resolution Adopted at the Shareholders’ General Meeting Held
on June 26, 2008)
- (Amended by Special Resolution Adopted at the Shareholders’ General Meeting Held
on June 25, 2009)
- (Amended by Special Resolution Adopted at the Extraordinary General Meeting Held
on September 27, 2012)
- (Amended by Special Resolution Adopted at the Shareholders’ General Meeting Held
on May 28, 2015)

CHAPTER 1: GENERAL PROVISIONS

ARTICLE 1 The Company is a joint stock limited company established in accordance with the “Company Law of the People’s Republic of China” (the “Company Law”), “State Council’s Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Shares” (the “Special Regulations”) and other relevant laws and regulations of the State.

The Company was established by way of promotion with the approval under the document “Ti Gai Sheng” [1995] No.151 of the Peoples’ Republic of China’s State Commission for Restructuring the Economic System. It is registered with and has obtained a business licence from the Administration Bureau of Industry and Commerce of Shenzhen, Guangdong Province, the PRC on the sixth (6) day of March 1996. The number of the Company’s business licence is 4403011022106.

The promoter of the Company is Guangzhou Railway (Group) Company.

ARTICLE 2 The Company's registered name in Chinese is 广深铁路股份有限公司

and in English is: **GUANGSHEN RAILWAY COMPANY LIMITED.**

ARTICLE 3 The Company's address: No. 1052, Heping Road, Shenzhen, China

Zip Code	: 518010
Telephone	: (0755) 25584891
Facsimile	: (0755) 25591480

ARTICLE 4 The Company's legal representative is the Chairman of the board of directors of the Company.

ARTICLE 5 The Company is a joint stock limited company in perpetual existence.

ARTICLE 6 In accordance with the Company Law, the Special Regulations, "Mandatory Provisions for the Articles of Association of Companies to be Listed Outside China" (the "Mandatory Provisions"), Guidelines for Articles of Association of Listed Companies, other relevant laws, administrative regulations and regulatory documents of the State, the articles of association adopted on 22 January 1996 and the amended articles of association approved at the respective shareholders' general meetings held on 14 March 1996, 24 June 1997, 8 February 2001, 28 June 2002, 10 June 2004, 30 December 2004, 12 May 2005, 11 May 2006, 28 June 2007 and 26 June 2008 (referred to as the "Original Articles of Association"), the Company formulates these articles of association of the Company on 25 June 2009 (hereinafter referred to as the "Articles of Association of the Company" or "Articles of Association").

ARTICLE 7 The Original Articles of Association have taken effect since the completion of registration formalities with the Administration Bureau of Industry and Commerce of Shenzhen, Guangdong Province, the PRC.

These articles of association of the Company will take effect after it is approved by the Securities Committee of the State Council and the companies approving department authorized by the State Council. The Original Articles of Association of the Company will be replaced by these articles of association of the Company when the latter take effect.

The Company shall, within the period stipulated by laws or administrative regulations, process the registration of changing of mandatory registered items due to the amendment of the Original Articles of Association.

ARTICLE 8 From the date of these articles of association becoming effective, these articles of association constitute a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se.

ARTICLE 9 These articles of association are binding on the Company and its shareholders, directors, supervisors, general manager, deputy general managers and other senior administrative officers of the Company; all of whom are entitled to claim rights concerning the affairs of the Company in accordance with these articles of association.

These articles of association are actionable by a shareholder against the Company and vice versa, by shareholders against each other and by a shareholder against the directors, supervisors, general manager, deputy general managers and other senior administrative officers of the Company.

The actions referred to in the preceding paragraph include court proceedings and arbitration proceedings.

Other senior administrative officers referred to in the first paragraph of this article include chief accountant, chief economist, chief engineer and secretary of the board of directors.

ARTICLE 10 The Company may invest in other limited liability companies or joint stock limited companies. The Company's liabilities to an investee company shall be limited to the amount of its capital contribution to the investee company.

ARTICLE 11 On condition of compliance with applicable laws and administrative regulations of the People's Republic of China ("PRC"), the Company has the power to raise and borrow money which power includes without limitation the issue of debentures, the charging or pledging of part or whole of the Company's business or properties and other rights permitted by PRC laws and administrative regulations.

CHAPTER 2: PURPOSES AND SCOPE OF BUSINESS

ARTICLE 12 The business purposes of the Company are: to utilize the public funding in and outside the country for the purpose of improving the Company's standard of technology, the standard of the equipment, the quality of the service, to improve the Company's market competitiveness, to ensure the safety of railway transportation, to accelerate the development of the railway transportation business, to become a first class international railway transportation enterprise and to let the shareholders have a reasonable financial benefit as well as a satisfactory return on capital.

Article 13 Scope of business of the Company shall be subject to the items approved by the company registration authority.

The scope of business of the Company covers: the provision of passenger and cargo railway transport services, the technology services of railway facilities, the agency for domestic cargo transport, the agency for railway cargo transport, leasing of railway equipment, the processing and repairing of mechanical equipment, the inspection, testing, repairing, refitting, leasing and installation of instruments and equipment specially used in railway, the construction management services in relation to railway projects, the leasing of properties owned by the Company, the utility maintenance and installation services, property management, the provision of warehousing, storage and cargo handling services, the agency for passenger railway tickets and advertisement business, the domestic supply and marketing entities for trade materials and resources (except for franchise, centralized control or exclusive agency), import and export of goods and technology and the reorganization and operation of various enterprises (separate declaration required for individual projects).ARTICLE 14 The Company may, according to its ability to develop, and upon the approval by special resolution adopted by the shareholders' general meeting and the approval of the relevant state governing authority, adjust its scope of business or investment orientation and method etc.

CHAPTER 3: SHARES AND REGISTERED CAPITAL

ARTICLE 15 There must, at all times, be ordinary shares in the Company. Subject to the approval of the companies approving department authorized by the State Council, the Company may, according to its requirements, create other classes of shares.

ARTICLE 16 The shares issued by the Company shall have a par value of Renminbi one yuan.

The Renminbi referred to in the preceding paragraph is the legal currency of the People's Republic of China.

ARTICLE 17 Subject to the approval of the securities authority of the State Council, the Company may issue and offer shares to domestic investors or foreign investors for subscription.

Foreign investors referred to in the preceding paragraph mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for shares issued by the Company. Domestic investors mean those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for shares issued by the Company.

ARTICLE 18 Shares issued by the Company to domestic investors for subscription in Renminbi shall be referred to as "Domestic-Invested Shares". Domestic-Invested Shares include shares issued to the promoter by the Company upon its establishment and shares issued to the public in the PRC after its establishment. Shares issued by the Company to foreign investors for subscription in foreign currencies shall be referred to as "Foreign-Invested Shares". Foreign-Invested Shares which are listed overseas are called "Overseas Listed Foreign Invested Shares.

The foreign currencies referred to in the preceding paragraph mean the legal currencies (apart from Renminbi) of other countries or districts which are recognized by the foreign exchange control authority of the State and can be used to pay the Company for the share price.

ARTICLE 19 Overseas-Listed Foreign-Invested Shares issued by the Company and listed in Hong Kong shall be called “H Shares”. H Shares are shares which have been admitted for listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the par value of which is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.

ARTICLE 20 Subject to the approval of companies approving department authorized by the State Council, the Company may issue 2,904,250,000 shares to Guangzhou Railway (Group) Company (the “Promoter”) on the establishment of the Company.

ARTICLE 21 The Company made its first increase of capital after its incorporation by issuing 1,431,300,000 H shares, including those by the exercise of over-allotment options.

Subsequent to the increase of capital by issuing shares as referred to in the preceding paragraph, the share capital structure of the Company is:

4,335,550,000 ordinary shares, of which 2,904,250,000 shares are held by the Promoter, representing 66.99 per cent of the total number of ordinary shares, and 1,431,300,000 shares are held by holders of H Shares, representing 33.01 per cent of the total number of ordinary shares.

The first issuance of 2,747,987,000 Renminbi-denominated ordinary shares to the public in the PRC on 13 December 2006 by the Company was approved by China Securities Regulatory Commission on 6 December 2006, and such shares are listed on the Shanghai Stock Exchange on 22 December 2006.

Subsequent to the increase of capital by issuing shares to the public in the PRC as referred to in the preceding paragraph, the share capital structure of the Company is: 7,083,537,000 ordinary shares, of which 2,904,250,000 shares are held by the Promoter, 2,747,987,000 shares are held by public shareholders in the PRC and 1,431,300,000 shares are held by holders of H Shares, representing 41.0 per cent, 38.8 per cent and 20.2 per cent of the total number of ordinary shares, respectively.

ARTICLE 22 Upon approval by the securities governing authority of the State Council of the proposal to issue Overseas-Listed Foreign-Invested Shares and Domestic-Invested Shares, the company’s board of directors may make implementing arrangements for separate issues.

The Company's proposal to issue separately Overseas-Listed Foreign-Invested Shares, and Domestic-Invested Shares pursuant to the preceding paragraph may be implemented within fifteen (15) months from the date of the approval of Securities Committee of the State Council.

ARTICLE 23 In respect of the total number of shares as stated in a shares issuing proposal, where the Company shall separately issue Overseas-Listed Foreign-Invested Shares and Domestic-Invested Shares, these respective shares shall be fully subscribed for at their respective offerings. If the shares cannot be fully subscribed for at their offerings due to some special circumstances, then subject to the approval of the Securities Committee of the State Council the shares may be issued by installments.

ARTICLE 24 Subsequent to the increase in capital by issuing of shares to the public in the PRC as referred to in Article 21, the Company's registered capital is Renminbi 7,083,537,000.

ARTICLE 25 The Company may, based on its requirements for operation and development and in accordance with the relevant provisions of these articles of association, approve an increase in capital.

The Company may increase its capital in the following ways:

- (1) offering new shares to non-specially-designated investors for subscription;
- (2) placing new shares to its existing shareholders;
- (3) distributing new shares to its existing shareholders;
- (4) transferring public welfare funds to increase capital;
- (5) any other ways permitted by laws and administrative regulations.

The Company's increase in capital by issuing new shares shall, after being approved in accordance with the provisions of these articles of association, be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations of the State.

ARTICLE 26 Unless otherwise provided by law or administrative regulation, shares in the Company are freely transferable and are not subject to any lien.

CHAPTER 4: REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

ARTICLE 27 The Company does not accept shares of the Company as the subject of a pledge.

ARTICLE 28 Shares of the Company held by the Promoter shall not be transferred within one year from the date of establishment of the Company. Shares of the Company held by the Promoter before the public offering of the Company shall not be transferred within one year from the date of trading of shares of the Company at a domestic stock exchange.

The directors, supervisors, general manager, deputy general managers and other senior management shall report to the Company on a regular basis as to the Company's shares held by them during their terms of office. They may not transfer the shares of the Company held by them during their terms of office and within six months from the termination of their office.

ARTICLE 29 Where a shareholder of the Company holding 5 per cent or more of the shares carrying the right to vote pledges the shares held, he/she shall report to the Company in writing within three working days from the date on which the event occurs.

ARTICLE 30 Where a shareholder of the Company holding 5 per cent or more of the shares carrying the right to vote sells the shares held within six months from the date of acquisition of the shares or acquires shares of the Company again within six months from the date of sale of the shares, the profits arising from such transactions shall belong to the Company.

The provision in the preceding paragraph is applicable to the directors, supervisors, general manager, deputy general managers and other senior management of the Company.

Where the board do not execute in accordance with the provision in the first paragraph of this article, the shareholders shall have the right to ask the board to execute within 30 days. Where the board fail to execute within the above-mentioned period, the shareholders shall have the right to bring a suit directly before a people's court in his/her name for the interests of the Company.

Where the board do not execute in accordance with the provision in the first paragraph, the directors liable for the matter shall bear joint responsibility in accordance with the law.

In the event that the regulatory authorities of the place where the Overseas-Listed Foreign-Invested Shares are listed have different requirements, such requirement shall prevail.

ARTICLE 31 In accordance with the provisions of these articles of association, the Company may reduce its registered capital.

ARTICLE 32 When the Company reduces its registered capital, it must draw up a balance sheet and an inventory of assets.

The Company shall notify its creditors within ten (10) days of the date of the Company's resolution for reduction of capital and shall publish a notice in a newspaper within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within forty-five (45) days of the date of the public notice, to demand the Company to repay its debts or provide a corresponding guarantee for such debt.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

ARTICLE 33 The Company may, with approval according to the procedures provided in these articles of association and subject to the approval of the relevant governing authority of the State, repurchase its issued shares under the following circumstances:

- (1) cancellation of shares for capital reduction;
- (2) merging with another company that holds shares of the Company;
- (3) paying shares to its employees as bonus;
- (4) repurchasing, upon request, any shares held by any shareholder who is opposed to the Company's resolution for merger or spin-off at a shareholders' general meeting of the Company.

Any repurchase of shares under items (1) to (3) of the foregoing paragraph shall be approved by shareholders' general meeting of the Company. After repurchase of the shares according to the foregoing paragraph by the Company, the shares repurchased under item (1) shall be cancelled within ten days from the date of the repurchase; and the shares repurchased under items (2) and (4) shall be transferred or cancelled in six months.

The shares repurchased by the Company under item (3) of the first paragraph may not exceed 5 per cent of the total of the Company's issued shares. Such repurchase shall be financed by the Company's profit after tax. The shares so repurchased shall be transferred to the employees within one year.

The Company shall not permit the shares of the Company being used as the object of a mortgage.

In the event that the regulatory authorities at the place of listing of the overseas-listed foreign shares have different requirements, such requirements shall prevail.

ARTICLE 34 The Company may, with the approval of the relevant State governing authority for repurchasing its shares, conduct the repurchase in one of the following ways:

- (1) making a pro rata general offer of repurchase to all its shareholders;
- (2) repurchasing shares through public dealing on a stock exchange;
- (3) repurchase by an off-market agreement.

ARTICLE 35 Where the Company repurchases its shares by an off-market agreement, the prior sanction of shareholders' general meeting shall be obtained in accordance with these articles of association. The Company may release or vary a contract so entered into by the Company or waive its rights therein with the prior approval of shareholders' general meeting obtained in the same manner.

A contract to repurchase shares referred to in the preceding paragraph includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares of the Company.

The Company shall not assign the contract for repurchasing its shares or any rights therein.

ARTICLE 36 Shares which shall be cancelled according to the laws, regulations, Articles of Association or resolution of shareholders' general meeting after the repurchase in accordance with the law by the Company, shall be cancelled within the period prescribed by the laws and administrative regulations, and the Company shall apply to the original companies registration authority for registration of the change in its registered capital.

The aggregate par value of those cancelled shares shall be reduced from the amount of the Company's registered capital.

ARTICLE 37 Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding shares:

- (1) where the Company repurchases shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose;

(2) where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value may be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

- (i) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
 - (ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor the current amount of the Company's capital common reserve fund account (including the premiums on the fresh issue) at the time of the repurchase;
- (3) payment by the Company in consideration of the following shall be made out of the Company's distributable profits:
- (i) acquisition of rights to repurchase shares of the Company;
 - (ii) variation of any contract to repurchase shares of the Company;
 - (iii) release of any of the Company's obligations under any contract to repurchase shares of the Company;
- (4) after the Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for paying up the par-value portion of the shares repurchased shall be transferred to the Company's capital common reserve fund account.

CHAPTER 5: FINANCIAL ASSISTANCE FOR ACQUISITION OF THE COMPANY'S SHARES

ARTICLE 38 The Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. The said acquirer of shares of the Company includes a person who directly or indirectly incurs any obligations due to the acquisition of shares in the Company.

The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said obligor as referred to in the preceding paragraph for the purpose of reducing or discharging the obligations assumed by that person.

This Article shall not apply to the circumstances specified in Article 40 of this Chapter.

ARTICLE 39 For the purpose of this Chapter, "financial assistance" includes (without limitation) the following meanings:

- (1) gift;

(2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of the Company's own default) or release or waiver of any rights;

(3) provision of loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party or the novation of the parties to, or the assignment of rights arising under, such loan or agreement;

(4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

For the purpose of this Chapter, "incurring any obligations" includes the incurring of obligations by the obligor through changing of the obligor's financial position by way of contract or the making of arrangement (whether enforceable or not, and whether made on its own account or with any other person), or by any other means.

ARTICLE 40 The following, shall not be deemed to be activities prohibited by Article 34 of this Chapter.

(1) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose in giving the financial assistance is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of some overall plan of the Company;

(2) the lawful distribution of the Company's assets by way of dividend;

(3) the allotment of bonus shares as dividends;

(4) a reduction of registered capital, a repurchase of shares of the Company or a reorganization of the share capital structure of the Company effected in accordance with these articles of association;

(5) the lending of money by the Company within its scope of business for its normal business activities (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company);

(6) the provision of money by the Company for contributions to staff and workers' shares schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company).

**CHAPTER 6: SHARE CERTIFICATES AND REGISTER
OF SHAREHOLDERS**

ARTICLE 41 Share certificates of the Company shall be in registered form. The following items shall be stated on the share certificate of the Company:

- (1) the Company's name;
- (2) the date of registration of the Company;
- (3) the class of the share certificate, the par value and the number of shares represented by the share certificate;
- (4) the serial number of the share certificate;
- (5) other items required to be stated by the stock exchange on which the Company's shares are listed.

ARTICLE 42 Share certificates of the Company shall be signed by the Chairman of the Company's board of directors. Where the stock exchange on which the Company's shares are listed requires other senior administrative officer(s) of the Company to sign on the share certificates, the share certificates shall also be signed by such senior administrative officer(s). The share certificates shall take effect after being sealed or printed with the special seal for securities of the Company. The share certificates shall only be sealed with the Company's special seal for securities under the authorization of the board of directors. The signatures of the Chairman of board of directors or other senior administrative officer(s) of the Company may be printed in mechanical form.

ARTICLE 43 The Company shall keep a register of its shareholders and enter in the register the following particulars:

- (1) the name (title) and address (residence), the occupation or nature of each shareholder;
- (2) the class and quantity of shares held by each shareholder;
- (3) the amount paid or payable on the shares of each shareholder;
- (4) the share certificate numbers of the shares held by each shareholder;
- (5) the date on which each person was entered in the register as a shareholder;
- (6) the date on which any shareholder ceased to be a shareholder. Unless contrary evidence is shown, the register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company.

ARTICLE 44 The Company may, in accordance with the mutual understanding and agreements between the securities governing authority of the State Council and overseas securities regulatory organizations; maintain the register of shareholders of Overseas-Listed Foreign-Invested Shares overseas and appoint overseas agent(s) to manage such share register.

The original share register for holders of H Shares shall be maintained in Hong Kong. A duplicate of the share register for holders of Overseas-Listed Foreign-Invested Shares shall be maintained at the Company's address. The appointed overseas agent(s) shall at all times ensure the consistency between the original and the duplicate of the share register.

If there is any inconsistency between the original and the duplicate of the share register for holders of Overseas-Listed Foreign-Invested Shares, the original shall prevail.

ARTICLE 45 The Company shall have a complete register of shareholders which shall comprise the following:

(1) a part of the shareholders' register maintained at the Company's address other than those parts mentioned in sub-paragraphs (2) and (3) of this Article;

(2) a part of the shareholders' register in respect of the holders of Overseas-Listed Foreign-Invested Shares of the Company maintained in the place of the overseas stock exchange on which the shares are listed; and

(3) any other parts of the shareholders' register maintained at such other places as the board of directors may consider necessary for the purpose of listing the shares of the Company.

ARTICLE 46 Different parts of the share register shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

All the fully paid up Domestic-Invested Shares and H Shares can be freely transferred in accordance with provisions of the laws and regulations and these articles of association. However, where H Shares are transferred, the board of directors may refuse to recognize any instrument of transfer without giving any reason unless:

(1) a fee (for each instrument of transfer) of two dollars and fifty cents Hong Kong dollars or any higher fee as agreed by the Stock Exchange has been paid to the Company for registration of any instrument of transfer or any other document which is related to or will affect ownership of the shares;

(2) the instrument of transfer only involves H Shares;

(3) the stamp duty chargeable on the instrument of transfer has been paid;

(4) the relevant share certificate and upon the reasonable request of the board of directors any evidence in relation to the right of the transferor to transfer the shares have been submitted;

(5) if it is intended to transfer the shares to joint holders, then the maximum number of joint holders shall not exceed four (4);

(6) the Company does not have any lien on the relevant shares. The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained. If the Company refuses to register any transfer of shares, the Company shall within two months of the formal application for the transfer provide the transferor and the transferee with a notice of refusal to register such transfer.

ARTICLE 47 No changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a shareholder' general meeting or within five (5) days before the record date for the Company's distribution of dividends.

ARTICLE 48 Where the Company decides to convene a shareholders' general meeting distribute dividends, liquidate or carry out other activities which would require the determination of shareholdings, the board of directors shall fix a record date for the purpose of determining shareholdings. A person who is registered in the register as shareholders of the Company at the end of the record date shall be a shareholder of the Company.

ARTICLE 49 Any person aggrieved and claiming to be entitled to have his name (title) to be entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.

ARTICLE 50 Any person who is a registered shareholder on the register of shareholders or who claims to be entitled to have his name (title) entered into the register of shareholders in respect of shares in the Company may, if his share certificate (the "original certificate") relating to the shares is lost, apply to the Company for a replacement new share certificate in respect of such shares (the "Relevant Shares"). If a shareholder of domestic shares loses his share certificate and applies for a replacement for new certificate, the Company shall process the application in accordance with the Company Law.

If a shareholder of Overseas-Listed Foreign-Shares loses his share certificate and applies for a replacement new share certificate, it may be dealt with in accordance with the law of the place where the original register of holders of Overseas-Listed Foreign-Invested Shares is maintained, rules of the stock exchange or other relevant regulations.

If a shareholder of H Shares loses his share certificate, the issue of a replacement new share certificate shall comply with the following requirements:

(1) The applicant shall submit an application in a standard form prescribed by the Company and accompanied by a notarial certificate or a statutory declaration (i) stating the grounds upon which the application is made and the circumstances and the evidence of the loss of share certificate; and (ii) declaring that no other person is entitled to have his name entered in respect of the Relevant Shares.

(2) Before the Company decides to issue the replacement new share certificate, no statement made by any person other than the applicant declaring that his name shall be entered in the register of shareholders in respect of such shares has been received.

(3) The Company shall, if it intends to issue a replacement new share certificate to the applicant, publish a notice of its intention at least once every thirty (30) days in a period of ninety (90) consecutive days in such newspapers as may be prescribed by the board of directors.

(4) The Company shall have, prior to publication of its intention to issue a replacement new share certificate, delivered to the stock exchange on which its shares are listed a copy of the notice to be published and may publish the notice upon receiving confirmation from such stock exchange that the notice has been exhibited in the premises of the stock exchange. Such notice shall be exhibited in the premises of Stock Exchange for a period of 90 days.

In the case of an application made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the notice to be published;

(5) If, by the expiration of the 90-day period referred to in paragraphs (3) and (4) of this Article, the Company shall not have received from any person notice of any disagreement to such application, the Company may issue a replacement new share certificate to the applicant accordingly.

(6) Where the Company issues a replacement new share certificate under this Article, it shall forthwith cancel the original share certificate and enter the cancellation and issue in the register of shareholders accordingly.

(7) All expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by the Company shall be borne by the applicant and the Company is entitled to refuse to take any action until reasonable security is provided by the applicant.

ARTICLE 51 Where the Company issues a replacement new share certificate pursuant to these articles of association, the name (title) of a bona fide purchaser gaining possession of such new share certificate or the person who is subsequently entered in the register of shareholders as holder of such shares (if he is a bona fide purchaser) shall not be removed from the register of shareholders.

ARTICLE 52 The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original share certificate or the issue of the new share certificate, unless the claimant proves that the Company has acted deceitfully.

CHAPTER 7: SHAREHOLDERS' RIGHTS AND OBLIGATIONS

ARTICLE 53 A shareholder of the Company is a person who lawfully holds shares in the Company and whose name (title) is entered in the register of shareholders. A shareholder shall enjoy rights and bear obligations according to the class and proportion of the shares held by him; shareholders who hold shares of the same class shall enjoy the same rights and bear the same obligations.

ARTICLE 54 The ordinary shareholders of the Company shall enjoy the following rights:

- (1) the right to dividends and other distributions in proportion to number of shares held;
- (2) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- (3) the right of supervisory management over the Company's business operations, and the right to present proposals or enquiries;
- (4) the right to transfer, give or pledge the shares held in accordance with laws, administrative regulations and provisions of these articles of association;
- (5) the right to obtain relevant information in accordance with the provisions of laws, regulations and these articles of association, including:
 - (i) the right to obtain a copy of these articles of association, subject to payment of the cost of such copy;
 - (ii) the right to inspect free of charge, and copy subject to payment of a reasonable charge:
 - (a) all parts of the share register;
 - (b) personal particulars of each of the Company's directors, supervisors, general manager, deputy general managers and other senior management, including:
 - (aa) present name and alias and any former name or alias;

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- (bb) principal address (residence);
 - (cc) nationality;
 - (dd) primary and all other part time occupations and duties;
 - (ee) identification document and its number.
 - (c) state of the Company's share capital;
 - (d) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of last accounting year and the aggregate amount paid by the Company for this purpose;
 - (e) minutes of shareholders' general meetings;
 - (f) the latest audited financial reports and the directors', auditors' and supervisors' reports thereon;
 - (g) special resolutions of the Company;
 - (h) a copy of the latest annual financial report filed with the national taxation department or other authorities in charge;
 - (6) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company in accordance with the number of shares held;
 - (7) other rights conferred by laws, administrative regulations and these articles of association.

ARTICLE 55 The ordinary shareholders of the Company shall assume the following obligations:

- (1) to abide by these articles of association;
- (2) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (3) except as stipulated under laws and regulations, withdrawal shall not be made;
- (4) other obligations imposed by laws, administrative regulations and these articles of association.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

ARTICLE 56 In addition to the obligations imposed by laws and administrative regulations or required by the listing rules of the stock exchange on which shares of the Company are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders as a whole or of some of the shareholders of the Company:

- (1) to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;
- (2) to approve the expropriation by a director or supervisor (for his/her own benefit or for the benefit of another person), in any guise, of the Company's assets, including (without limitation) opportunities beneficial to the Company;
- (3) to approve the expropriation by a director or supervisor (for his/her own benefit or for the benefit of another person) of the individual rights of other shareholders including (without limitation) rights to distributions and voting rights save pursuant to a corporate restructuring submitted to the shareholders' general meeting for approval in accordance with these articles of association.

In the flows of operating capital between the controlling shareholder and other connected parties and the Company, appropriation of the Company's capital shall be stringently restricted. The controlling shareholder and other connected parties shall not request the Company to pay in advance salaries, benefits, insurance, advertisement and other fees for them. Also, they may not bear the costs and other expenses on behalf of one another.

The Company shall not directly or indirectly provide capital to the controlling shareholder and other connected parties for use in the following ways:

- (1) to lend capital of the Company to the controlling shareholder and other connected parties for use whether at a consideration or at nil consideration;
- (2) to extend entrusted loans to the connected parties through banks or non-bank financial institutions;
- (3) to entrust the controlling shareholder and other connected parties to conduct investment activities;
- (4) to issue a bill of acceptance without real transaction background for the controlling shareholder and other connected parties;
- (5) to pay off liability for the controlling shareholder and other connected parties;
- (6) other ways specified by China Securities Regulatory Commission.

ARTICLE 57 For the purpose of the foregoing Article, a “controlling shareholder” means a shareholder who holds 50 per cent or more of the shares of the Company, or in the case of less than 50 per cent, the voting rights represented by the shares held by whom are sufficient to exert a significant influence upon the resolutions of the general meeting.

ARTICLE 58 Subject to the compliance of relevant laws, regulations and rules, where the Company intends to issue preference shares, the rights and obligations of holders of such shares shall be resolved upon by the shareholders in general meeting.

CHAPTER 8: SHAREHOLDERS’ GENERAL MEETINGS

ARTICLE 59 The shareholders’ general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

ARTICLE 60 The shareholders’ general meeting shall have the following functions and powers:

- (1) to decide on the Company’s operational policies and investment plans;
- (2) to elect and replace directors and decide on matters relating to the remuneration of directors;
- (3) to elect and replace the supervisors who are representatives of shareholders and decide on matters relating to the remuneration of supervisors;
- (4) to examine and approve reports of the board of directors;
- (5) to examine and approve reports of the supervisory committee;
- (6) to examine and approve the Company’s proposed annual preliminary and final financial budgets;
- (7) to examine and approve the Company’s profit distribution plans and plans for making up losses;
- (8) to decide on increases or reductions in the Company’s registered capital;
- (9) to decide on matters such as merger, division, dissolution and liquidation of the Company;
- (10) to decide on the issue of debentures by the Company;
- (11) to decide on the appointment, dismissal and disengagement of the accounting firm of the Company;

(12) to amend these articles of association;

(13) to consider motions raised by shareholders who represent 3 per cent or more of the total shares of the Company carrying the right to vote;

(14) to consider and approve the proposals for the establishment of strategy, audit, nomination, remuneration, appraisal and other special committees of the board of directors of the Company;

(15) to decide on other matters which require resolutions of the shareholders in general meeting according to relevant laws, administrative regulations and provisions of these articles of association;

(16) to decide on matters which the board of directors may be delegated or authorized to deal with by the shareholders in general meeting.

ARTICLE 61 The Company shall not, without the prior approval of shareholders in general meeting, enter into any contract with any person other than a director, supervisor; general manager, deputy general manager or other senior administrative officer whereby the management and administration of the whole or any substantial part of the business of the Company is to be handed over to such person.

ARTICLE 62 Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the board of directors. Annual general meetings shall be held once every year and within six (6) months from the end of the preceding accounting year. In the event that the Company is not able to convene the annual general meeting within the aforesaid prescribed period for any reasons, it shall report to the relevant stock exchanges to explain the reasons and make an announcement.

Under any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two (2) months:

(1) when the number of directors is less than the number of directors required by the Company Law or two-thirds of the number of directors specified in these Articles of Association;

(2) when the unrecovered losses of the Company amount to one-third of the total amount of its paid in share capital;

(3) when the shareholder(s) holding 10 per cent or more of the Company's outstanding shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting;

(4) when deemed necessary by the board of directors;

(5) when requested by the supervisory committee.

Article 63 A shareholders' general meeting shall be convened by a written notice served by way of announcement or other means specified under these Articles of Association (if necessary) at least forty-five (45) days before the date of the meeting to notify all shareholders whose names are shown on the register of members of the matters to be considered and the date and venue of the meeting. A shareholder who intends to attend the shareholders' general meeting shall deliver his written reply concerning the attendance of the meeting to the Company twenty (20) days before the date of the meeting.

In order to assure the legality and validity of the shareholders' general meeting, the Company will provide convenience for shareholders to attend shareholders' general meetings through various means and approaches and will provide priority to modern information technology methods such as online voting platform.

ARTICLE 64 Shareholders who severally or jointly holding more than 3 per cent of the Company's shares, are entitled to present a new proposal in written form to the board of directors at an annual general meeting. The Company shall include the matters in the proposal within the functions and powers of a shareholders' general meeting in the agenda of the meeting.

ARTICLE 65 The Company shall, based on the written replies received twenty (20) days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches one half or more of the Company's total voting shares, the Company may hold the meeting; if not, then the Company shall within five (5) days notify the shareholders again by public notice of the matters to be considered, the place and date for, the meeting. The Company may then hold the meeting after such publication of notice.

An extraordinary general meeting shall not resolve any matter not stated in the notice of such meeting.

Article 66 A notice of shareholders' general meeting shall meet the following requirements:

- (1) it shall be given by way of announcement or other means specified under these Articles of Association (if necessary);
- (2) it shall specify the place, the date and time of the meeting;
- (3) it shall state the matters to be considered;
- (4) it shall provide the shareholders with all such information and explanations as are necessary for the shareholders to make an informed decision on the proposals put before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganize the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

(5) if any director, supervisor, general manager, deputy general manager or other senior administrative officer has a material interests in matters to be considered, he shall disclose the nature and the extent of such interest; and if the matters to be considered have an effect on such director, supervisor, general manager, deputy general manager or other senior administrative officer in his capacity as shareholder in so far as it is different from the effect on the interests of the shareholders of the same class, such differences shall be specified;

(6) it shall contain the full text of any special resolution to be proposed for approval at the meeting;

(7) it shall expressly specify in writing that all shareholders are entitled to attend the shareholders' general meeting. The shareholders entitled to attend and vote at the meeting shall have the right to appoint one or more proxies to attend on his behalf and to vote thereat and the proxy or proxies need not be a shareholder;

(8) it shall specify the time and place for lodging proxy forms for the relevant meeting; and

(9) The voting time and voting procedures (if any) for online voting or other methods of voting.

Article 67 Notice of shareholders' general meeting shall be given to the shareholders (whether or not entitled to vote at the meeting) by way of public notice or served on them by delivery or prepaid airmail to their addresses as shown in the register of shareholders.

Notice of shareholders' general meeting to holders of domestic shares shall be published in one or more newspapers designated by securities regulatory authority under the State Council at least forty-five (45) days before the date of the meeting. After the publication of such notice, all holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

Notice of shareholders' general meeting to holders of overseas listed foreign-invested shares shall be published in the website of the Company (www.gsrc.com) at least forty-five (45) days before the date of the meeting. After the publication of such notice, all holders of overseas listed foreign-invested shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

ARTICLE 68 The accidental omission to give notice of a meeting to, or the failure to receive the notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting and the resolutions made at that meeting.

ARTICLE 69 Any shareholder who is entitled to attend and vote at a shareholders' general meeting have the right to appoint one or more persons (whether being a shareholder or not) as his proxies to attend and vote at such meeting on his behalf. Such proxy or proxies may exercise the following rights pursuant to the authorization from that shareholder:

(1) the shareholder's right to speak at the shareholders' general meeting;

(2) the right to demand or join in demanding a poll;

(3) the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The board of directors, independent directors and shareholders that meet certain requirements may make a call to the shareholders for voting rights at the shareholders' general meeting in accordance with relevant provisions.

Information shall be fully disclosed to persons whose voting rights are solicited. No consideration or other form of de facto consideration shall be involved in soliciting voting rights from shareholders. The Company shall not impose any limitation related to minimum shareholdings on soliciting voting rights.

ARTICLE 70 The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a legal entity, either under seal or under the hand of a director or attorney duly authorized.

ARTICLE 71 The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority shall be deposited at the address of the Company or at such other place as is specified for that purpose in the notice convening the meeting, not less than twenty-four (24) hours before the time for holding the meeting at which the proxy propose to vote or the time appointed for the passing of the resolution.

If the appointor is a legal person, its legal representative or such person as is authorized by resolution of its board of directors or other governing body may attend at any meeting of shareholders of the Company as a representative of the appointor.

ARTICLE 72 Any form issued to a shareholder by the board of directors of the Company for use by him for appointing a proxy shall be such as to enable the shareholder, according to his free will, to instruct the proxy to vote in favour of or against the motions, such instructions being given in respect of each individual matter to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

ARTICLE 73 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, incapacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

ARTICLE 74 A proxy who attends a shareholders' general meeting on behalf of a shareholder shall present his identification document.

If a shareholder who is a legal person appoints its legal representative to attend the meeting, the legal representative shall present his own identification document and a notarially certified copy of the resolution or letter of authorization of the board of directors or other governing body of the appointor appointing such legal representative.

ARTICLE 75 Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

The shareholders (including proxies) present at the meeting shall expressly state their agreement with, objection to or abstention from every matter to be determined by voting, except for the securities registration and settlement institutions which, being the nominal holders of shares subject to Shanghai- Hong Kong Stock Connect, shall make declaration according to the intentions of actual holders. Any vote which is not completed, erroneously completed or illegible or uncast votes shall be counted as an abstention of voting rights by the voters and the voting results of the number of shares they hold shall be counted as "abstain."

Where any shareholder is required to abstain from voting on a particular resolution or restricted to vote only in favor of or against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

ARTICLE 76 When shareholders (including their proxies) vote at the shareholders' general meeting, they shall exercise their voting rights according to the number of voting shares that they represent. Each share shall carry one voting right. Any share of the Company held by the Company shall not carry any voting right. However, when electing directors or supervisors, the number of voting rights each share carries shall be the same as the number of directors or supervisors to be elected. The voting rights of shareholders may be exercised collectively in favor of one or several of the directors or supervisors.

When substantial matters that affect small and medium investors' interests are reviewed in the general meeting, the votes of small and medium investors shall be counted separately. Results from the separate counting shall be disclosed to the public in due course.

ARTICLE 77 At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is (before or after any vote by show of hands) demanded:

(1) by the chairman of the meeting;

(2) by at least two shareholders entitled to vote present in person or by proxy;

(3) by one or more shareholders present in person or by proxy and individually or collectively representing 10 per cent or more of all shares carrying the right to vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman that a resolution has on a show of hands been carried unanimously, and, an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn by the person who makes such demand.

ARTICLE 78 A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

ARTICLE 78(A) Before a resolution is put to vote at a shareholders' general meeting, two (2) representatives of the shareholders shall be elected to participate in counting the votes as well as to act as scrutineer. If a shareholder has interest in the matter to be considered, such shareholder and its proxy shall not participate in the counting of the votes nor act as scrutineer.

When proposals are being voted at a shareholders' general meeting, lawyers, representatives of the shareholders and representatives of the supervisors shall be jointly responsible for the counting of votes and scrutinizing of the votes. The results of the voting shall be announced at the meeting and shall be recorded in the minutes of meeting.

Shareholders or their proxies who vote via internet or in other methods are entitled to check their own voting results through the relevant voting system.

ARTICLE 79 On a poll taken at a meeting, only one of the voting methods, namely voting on-site, voting online or other voting methods, can be selected for the same voting right. In case of duplicate voting for the same voting right, only the first voting result is considered as valid. A shareholder (including proxy) entitled to two or more votes need not cast all his votes in the same way.

ARTICLE 80 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to one additional vote.

ARTICLE 81 The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

- (1) work reports of the board of directors and the supervisory committee;
- (2) plans formulated by the board of directors for distribution of profits and for making up losses;
- (3) removal of the members of the board of directors and members of the supervisory committee, their remuneration and method of payment;
- (4) annual preliminary and final budgets, balance sheets and profit and loss statements and other financial statements of the Company;
- (5) matters other than those required by the laws and administrative regulations or by these articles of association to be adopted by special resolutions.

ARTICLE 82 The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- (1) the increase or reduction in share capital and the issue of shares of any class, warrants and other similar securities by the Company;

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- (2) the issue of debentures by the Company;
 - (3) the spin-off, merger, dissolution and liquidation of the Company;
 - (4) the amendments to these Articles of Association;
 - (5) the alternation of the form of the Company;
 - (6) the acquisition or sale of major assets or guarantees within one year exceeding 30 per cent of the total assets of the Company;
 - (7) any other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and would need to be adopted by a special resolution.

ARTICLE 83 Where the shareholders' general meeting is considering matters related to a connection transaction, a connected shareholder shall not participate in voting and the shares with voting rights which they represent shall not be counted in the total number of valid votes. Announcement on the resolutions passed at the shareholders' general meeting shall adequately disclose the details of the unconnected shareholders' votes. If the connected shareholders are unable to abstain from voting due to special reasons, they may vote according to the normal procedures after the Company has obtained consent of the competent authority. Detailed explanation shall be given in the announcement regarding the resolutions passed at the general meeting.

A connected transaction referred to in the preceding paragraph refers to an event whereby a transfer of resources or obligations takes place between connected parties, regardless of whether a consideration is paid, for instance:

- (1) the sale or purchase of merchandise;
- (2) the sale or purchase of assets other than merchandise;
- (3) outside investment, including entrust finance and entrust loans, etc;
- (4) provision of financial assistance;
- (5) provision of guarantees, excluding counter guarantees;
- (6) lease-in/lease-out of assets;
- (7) assets and business management trust;

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- (8) giving or being given assets;
 - (9) credit and debt restructuring;
 - (10) signing of licence agreements;
 - (11) transfer or receipt of research and development projects;
 - (12) the provision or receipt of labour services;
 - (13) sale trust;
 - (14) joint investment by connected parties.
 - (15) other events whereby a transfer of resources or obligations takes place through agreement, or other transactions deemed by securities exchange institutions.

The following transactions with connected parties may be exempted from resolution and disclosure as connected transactions without violating the regulations, rules or codes formulated and/or implemented from time to time by the regulatory authorities where its shares or securities are listed:

- (1) one party subscribes in cash for the shares, corporate bonds and debentures, convertible bonds or other derivatives offered publicly by the other party;
- (2) one party, as a member of a underwriting syndicate, underwrites the shares, corporate bonds and debentures, convertible bonds or other derivatives offered publicly by the other party;
- (3) a connected party receives dividends, bonuses or remuneration in accordance with a resolution of shareholders' general meeting of the other party;
- (4) connected transactions arising from any party participating in public biddings or auctions, etc;
- (5) other transactions deemed by securities exchange institute.

A connected shareholder shall voluntarily abstain from voting and surrender his voting rights in the shareholders' general meeting. In the event that a connected shareholder does not voluntarily abstain from voting, the chairman of the meeting shall request the connected shareholder to abstain from voting. In case where the chairman needs to abstain from voting, the vice-chairman or other directors shall request the chairman and other connected shareholders to abstain from voting. Any shareholder who does not need to abstain from voting may request connected shareholders to abstain from voting.

Should a shareholder being requested to abstain from voting or other shareholders object to the nature of the connected transaction and the disclosure of interest, abstention from voting and surrender of voting rights in the meeting arising therefrom, an extraordinary board meeting of the directors who do not need to abstain from voting may be sought to resolve the matter. Such resolution shall be final. Should the dissenter still have an objection, he may file a complaint to the agency of the Securities Regulatory Commission or seek to solve the case in other ways after the shareholders' general meeting."

ARTICLE 84 Shareholders calling for an extraordinary general meeting or a class meeting shall follow the following procedures:

(1) Shareholder(s) severally or jointly holding for more than ninety (90) consecutive days an aggregate of 10 per cent or more of the shares carrying the right to vote at the proposed meeting may sign one or more written request(s) requiring the board of directors to convene an extraordinary general meeting or a class meeting and stating the object of the meeting therein. The board of directors shall as soon as possible proceed to convene the extraordinary general meeting or a class meeting thereof after receiving such request.

The number of shares held by the above shareholders shall be calculated as at the date of such request, and evidence of holding the Company's shares for more than ninety (90) consecutive days shall be provided to the Company.

(2) If the board of directors fails to issue a notice of such a meeting within thirty (30) days from the date of receipt of such request, the supervisory committee shall promptly convene an extraordinary general meeting or a class meeting thereof. If the supervisory committee fails to issue a notice convening such meeting within thirty (30) days, the shareholders making such request may themselves convene such a meeting by such procedures as similar as possible as that in which shareholders' meetings are to be convened by the board of directors within four (4) months from the date of receipt of such request by the board of directors.

Any expenses reasonably incurred by such shareholders as a result of convening any such meeting due to the failure of the board of directors in convening such meeting shall be repaid to such shareholders by the Company and any sum so repaid shall be offset against any sum owed by the Company to the directors in default.

ARTICLE 85 The Chairman of the board of directors shall convene and take the chair of every shareholders' general meeting. If the Chairman is unable to attend the meeting for any reason, the vice-chairman of the board of directors shall convene and take the chair of the meeting. If both the Chairman and vice chairman of the board of directors are unable to attend the meeting, then a director of the Company shall be recommended by more than half of the members of the board to convene and take the chair of the meeting. If no chairman of the meeting has been so designated, shareholders present shall choose one person to be the chairman of the meeting. If for any reason, the shareholders shall fail to elect a chairman, then the shareholder (including proxy) present in person or by proxy and holding the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.

ARTICLE 86 The conclusion of the on-site meeting shall not be earlier than the closing time of online voting or other methods. The chairman of the meeting shall be responsible for the determination of whether a resolution is passed. His decision, which is final and conclusive, shall be announced at the meeting and recorded in the minutes of meeting.

Before the formal announcement of the voting result, the related parties including companies, vote counters, scrutineers, major shareholders and network service providers at the meeting or participating in online voting or other methods of voting, shall bear the duty of confidentiality of the voting.

ARTICLE 87 If the chairman of the meeting has any doubt as to the result of a resolution put to the vote of the meeting, he may have the votes counted. If the chairman of the meeting fails to have the votes counted, any shareholder who is present in person or by proxy and who objects to the result announced by the chairman of the meeting may demand that the votes be counted immediately after the declaration of the result, the chairman of the meeting shall have the votes counted immediately.

ARTICLE 88 If the votes are counted at a shareholders' general meeting, the result of counting of votes shall be recorded in the minutes of the meeting and signed by directors present at the meeting. The minutes of the shareholders' general meeting shall record the following matters:

- (1) the number of shares carrying the right to vote attending the shareholders' general meeting and its ratio to the total number of shares of the Company;
- (2) the date and venue of the meeting;
- (3) the name of the chairman of the meeting and the agenda;
- (4) the key points of each speaker on each matter for consideration;
- (5) the voting result of each resolution;
- (6) details of the queries and suggestions of shareholders and the responses or explanations of the board of directors and supervisory committee;
- (7) other contents that should be recorded in the minute book as believed by the shareholders' general meeting and required by these Articles of Association.

The minutes, the signature book of shareholders attending the meeting, the proxy forms and valid information of voting through online and other methods shall be kept at the address of the Company for no less than 10 years.

ARTICLE 89 Copies of the minutes of proceedings of any shareholders' general meeting shall, during business hours of the Company, be open for inspection by any shareholder without charge. If a shareholder demands from the Company a copy of such minutes, the Company shall send a copy of such minutes to him within seven (7) days after having received reasonable charges.

CHAPTER 9: SPECIAL PROCEDURES FOR VOTING BY A CLASS OF SHAREHOLDERS

ARTICLE 90 Those shareholders who hold different types of shares are different classes of shareholders.

Apart from the holders of other classes of shares, the holders of the Domestic-Invested Shares and holders of Overseas-Listed Foreign-Invested Shares shall be deemed to be shareholders of different classes.

A class of shareholders shall, in accordance with laws, administrative regulations and these articles of association, enjoy rights and bear obligations.

ARTICLE 91 Rights conferred on any class of shareholders in the capacity of shareholders ("class rights") may not be varied or abrogated unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with Articles 89 to 93.

ARTICLE 92 The following circumstances shall be deemed to be variation or abrogation of the class rights of a class:

- (1) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or equity rights or other privileges equal or superior to those of the shares of such class;
- (2) to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;
- (3) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;
- (4) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;
- (5) to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to shares of such class;

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- (6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;
 - (7) to create a new class of shares having voting or equity right or other privileges equal or superior to those of the shares of such class;
 - (8) to restrict the transfer or ownership of the shares of such class or add to such restriction;
 - (9) to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
 - (10) to increase the rights and privileges of shares of another class;
 - (11) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring;
 - (12) to vary or abrogate the provisions of this Chapter.

ARTICLE 93 Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning sub-paragraphs (2) to (8), (11) and (12) of Article 88, but interested shareholder(s) shall not be entitled to vote at class meetings.

The meaning of "interested shareholder(s)" as mentioned in the preceding paragraph is:

- (1) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange under Article 30, a "controlling shareholder" within the meaning of Article 53;
- (2) in the case of a repurchase of share by an off-market contract under Article 30, a holder of the shares to which the proposed contract relates;
- (3) in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate obligation imposed on that class under the proposed restructuring or who has an interest different from the interest of shareholders of that class.

ARTICLE 94 Resolutions of a class meeting of shareholders shall be passed only by votes representing more than two-thirds of the voting rights of shareholders of that class represented at the relevant meeting in accordance with Article 89.

Where any shareholder is, under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, required to abstain from voting on a particular resolution in a class meeting or restricted to voting only in favour of or against any particular resolution in a class meeting, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 95 A written notice of a class meeting shall be given by way of public notice or other means specified under these articles of association (if necessary) at least forty-five (45) days before the date of the class meeting to notify all shareholders whose names are shown in the share register of the class of the matters to be considered, the date and venue of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning his attendance at the class meeting to the Company twenty (20) days before the date of the class meeting.

If the number of shares carrying voting rights at the meeting represented by the shareholders who intend to attend the class meeting reaches more than one half of the voting shares at the class meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days notify the shareholders again by public notice of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after such publication of notice.

ARTICLE 96 Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of general meetings of shareholders. The provisions of these articles of association relating to the manner to conduct any shareholders' general meeting shall apply to any meeting of a class of shareholders.

ARTICLE 97 The special procedures for voting at a class of shareholders shall not apply to the following circumstances:

(1) where the Company issues, upon the approval by a special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20 per cent of each of its outstanding Domestic-Invested Shares and Overseas-Listed Foreign-Invested Shares;

(2) where the Company's plan to issue Domestic-Invested Shares and Overseas-Listed Foreign-Invested Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the Securities Committee of the State Council.

CHAPTER 10: BOARD OF DIRECTORS

ARTICLE 98 The Company shall establish a board of directors. The board shall consist of 9 directors. The board shall have one Chairman.

ARTICLE 99 Directors shall be elected at the shareholders' general meeting and serve a term of 3 years. A director may serve consecutive terms if re-elected upon the expiration of his term.

The written notice of an intention to nominate a candidate of director and that of a willingness to accept the nomination by the candidate shall be delivered no earlier than the day after the dispatch of the notice of the meeting for election of the relevant director and end no later than 7 days prior to the date of such meeting.

The Chairman of the board shall be elected and removed by the approval of more than half of all the directors of the board.

The Chairman of the board shall serve a term of 3 years and may serve consecutive terms if re-elected upon the expiration of his term.

Subject to compliance with relevant laws and regulations, any director may be removed by ordinary resolution before the expiration of his term of office (but without prejudice to any claim for damages under any contract).

The directors shall not be required to hold shares of the Company.

ARTICLE 100 The directors of the Company shall include independent directors and at least one-third of the board members shall be independent directors.

An independent director is a director who does not act in other capacities in the Company other than as a director, and who does not have any relationship with the Company or its substantial shareholders which may affect the director in making independent and objective judgment.

(1) The board of directors, supervisory committee of the Company or shareholders, individually or jointly, holding 1 per cent or more of the issued shares of the Company may nominate a candidate as independent director. Independent directors shall be elected at the shareholders' general meeting.

Independent directors shall serve a term of 3 years. A director may serve consecutive terms if re-elected upon the expiration of his term. However, an independent director shall not consecutively hold the office for more than six years.

(2) The board of directors may propose to the shareholders' general meeting to remove any independent director who is absent from the board meetings for three consecutive times. Except where a person shall not act as a director as stipulated in the Company Law, an independent director shall not be removed before expiration of office without reason. In the event of early removal from office, the Company shall disclose the same as a special disclosure matter. Should the independent director being removed from office consider the reason of removal to be improper, a public statement may be made.

(3) An independent director may resign before the expiration of his term. The independent director shall submit a written resignation to the board of directors, and state any matter that is related to his resignation or which he considers it necessary that the attention of the shareholders and creditors of the Company should be drawn to. Should the resignation of the independent director cause the ratio of independent directors in the board of directors of the Company to fall below one-third, the resignation of the independent director shall become effective after the vacancy is filled by the succeeding independent director.

(4) An independent director shall have the following special duties:

A. a connected transaction of which the total consideration accounts for more than 5 per cent of the latest audited net asset value of the Company shall be approved by the independent directors before submission to the board of the directors for discussion;

B. to propose to the board of directors any engagement or removal of accountants;

C. to propose to the board of directors the convening of an extraordinary general meeting;

D. to propose the convening of a board meeting;

E. to engage external auditors or consultants independently;

F. should a matter proposed for discussion at a shareholders' general meeting by the board require independent financial report by an independent financial adviser, the independent financial adviser shall be engaged by the independent directors;

G. to make a call for voting rights to the shareholders before the shareholders' general meeting;

H. to make independent opinions on significant events of the Company.

To exercise the above duties, independent directors shall obtain approval of more than half of all independent directors.

ARTICLE 101 To ensure that the independent directors can effectively perform their duties, the Company shall provide to the independent director with the necessary working conditions as follows:

(1) The Company shall ensure that the independent directors enjoy equal rights to information as other directors. In respect of any significant matter subject to board decision, the Company shall give prior notice to the independent directors within the prescribed time and provide them with adequate information at the same time. Should the independent directors consider the information to be inadequate, they may request for supplementary information. In the case where 2 or more independent directors consider the information to be inadequate or the grounds to be unclear, they may propose jointly in writing to postpone the board meeting or delay the discussion of the relevant matters by the board of the directors. Such proposal shall be accepted by the board of directors.

(2) The Company shall provide the independent directors with the necessary working conditions for the discharge of their duties. The secretary to the board of directors of the Company shall actively assist the independent directors with their discharge of duties, including briefing on the situation and provision of materials, etc..

(3) When the independent directors perform their duties, the relevant staff of the Company shall actively coordinate with them, and shall not refuse, hinder or conceal, and shall not interfere with their independence in discharging their duties. The Company shall make disclosure where the proposals of independent directors are not accepted or their duties cannot be performed.

(4) The fees required for the engagement of intermediaries and discharge of other duties by the independent directors shall be borne by the Company.

(5) The Company shall offer appropriate allowances to the independent directors. The budget for the level of allowances shall be formulated by the board of directors and approved at a shareholders' general meeting. Apart from the above allowances, the independent directors shall not obtain other additional or undisclosed benefits from the Company and its substantial shareholders or an institution in which the independent directors have interests and its staff.

(6) The Company may establish a compulsory liability insurance system of the independent directors according to its needs.

ARTICLE 102 An independent director shall fulfill the following requirements:

(1) possesses the qualifications as an independent director of a listed company in accordance with the laws, regulations and other related requirements;

(2) satisfies the criteria of independence as stipulated in laws, administrative regulations and regulatory documents;

(3) has basic knowledge of the operations of a listed company, and is familiar with the relevant laws, administrative regulations, regulations and rules;

(4) possesses more than 5 years' working experience in practicing law, finance or possess other experience necessary for discharging the duties as an independent director;

(5) other requirements as specified in these articles of association.

The following persons shall not act as an independent director:

- (1) an employee of the Company or its subsidiaries and his/her direct relatives and main social relations (direct relatives include spouse, parents and children while main social relations include siblings, parents-in-law, sons/daughters-in-law, spouses of siblings, siblings of spouse);
- (2) a natural person shareholder holding, directly or indirectly, more than 1 per cent of the shares of the Company in issue or being a top 10 shareholder of the Company and his/her direct relatives;
- (3) an employee of a corporate shareholder directly or indirectly holding more than 5 per cent of the shares of the Company or an employee of any of the top 5 corporate shareholders, and his/her direct relatives;
- (4) any person who falls within any of the above 3 categories in the most recent year;
- (5) any person who provides financial, legal, consultation services to the Company or its subsidiaries or an employee of such relevant institutions;
- (6) other persons stipulated by the law, rules and other regulations.

ARTICLE 103 The board of directors is responsible to the shareholders' general meeting and exercises the following powers:

- (1) to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders' general meeting;
- (2) to implement the resolutions of the shareholders' general meetings;
- (3) to decide on the Company's business plans and investment plans;
- (4) to formulate the Company's annual preliminary and final financial budgets;
- (5) to formulate the Company's profit distribution plans and plan for making up losses;
- (6) to formulate proposals for increases or reductions in the Company's registered capital and the issue of debentures of the Company;
- (7) to draw up plans for the merger, division or dissolution of the Company;
- (8) to formulate proposals for the establishment of strategy, audit, nomination, remuneration, appraisal and other special committees of the board of directors;
- (9) to decide on the establishment of the Company's internal management structure;

(10) to appoint or dismiss the Company's general manager, and pursuant to the general manager's nominations to appoint or dismiss the deputy general manager and other senior management (including the financial controller) of the Company and decide on their remunerations;

(11) to establish the Company's basic management system;

(12) to formulate proposals for any amendments to the Company's articles of association;

(13) to exercise any other powers conferred by these articles of association or the shareholders' general meetings.

Except the board of directors' resolutions in respect of the matters specified in sub-paragraphs (6), (7) and (12) of this Article which shall be passed by more than two-thirds of the directors, the board of directors' resolutions in respect of all other matters may be passed by more than one half of the directors.

The board of directors may formulate rules governing decision making in respect of the financial and investment management of the Company, the formulation of or amendment to such rules shall be passed by more than two-thirds of the directors (at least one of them shall be a non-executive director).

The directors connected with the subject of matters to be resolved at the meeting of the board of directors shall not vote on such resolution either in person or on behalf of any other director. The meeting of the board of directors may be held with more than half of the unconnected directors attending the meeting. The resolutions at the meeting of the board of directors shall be approved by more than half of the unconnected directors except the special resolutions that shall be passed by more than two thirds of the unconnected directors as stipulated in these articles of association. Where the number of unconnected directors attending the meeting of the board of directors is less than three, the board shall submit the matter to the shareholders' general meeting for consideration.

ARTICLE 104 The board of directors of the Company shall stringently control the paying off of the Company's capital appropriated by a connected party with non-cash assets. In the event that a connected party intends to pay off the Company's capital appropriated by it with non-cash assets, the following provisions shall be observed:

(1) the assets used for compensation shall belong to the same business system of the Company. They should help enhance the Company's independence and core competitiveness and minimize connected transactions. They shall not be assets which have not yet been put into operation or have no objective and clear net book values;

(2) the Company shall engage intermediaries with relevant securities and futures business qualifications to conduct a valuation on the assets which can be used to pay off liabilities. The value of the assets or the audited net book values of the assets to be used for paying off the liabilities shall be used to determine the basis of pricing. However, the final consideration shall not prejudice the interests of the Company, and shall be discounted after full consideration is given to the present value of the capital appropriated;

(3) the independent directors shall express independent opinion on the proposal of paying off of liabilities using assets by the connected party of the Company. They may engage intermediaries with relevant securities and futures business qualifications to issue an independent financial adviser report;

(4) the proposal of paying off of liabilities using assets by the connected party of the Company shall be submitted to China Securities Regulatory Commission for approval;

(5) the proposal of paying off of liabilities using assets by the connected party of the Company shall be subject to consideration and approval at a shareholders' general meeting in which the connected shareholders shall abstain from voting.

ARTICLE 105 All directors of the Company shall cautiously handle and stringently control the risk of external debt. They shall be held responsible for the losses resulting from an external guarantee given in violation of the regulations or an irregular external guarantee in accordance with the laws. The controlling shareholder and other connected parties shall not compel the Company to provide a guarantee to third parties.

When providing external guarantee, the Company shall comply with the following provisions:

(1) the subject of an external guarantee provided by the Company shall have a bank credit rating of an AA grade and shall not have any bad credit record with a bank;

(2) resolutions in respect of the Company's external guarantee shall be passed by more than two-third of all directors; those beyond the authority of the board of directors shall be proposed to a shareholders' general meeting for approval;

(3) the guarantees provided for shareholders, effective controller and connected parties thereof shall be considered and approved at the shareholders' general meeting;

(4) no guarantee shall be directly or indirectly provided for debts of any party whose asset-liability ratio is above 70 per cent;

(5) the total amount of external guarantees shall not exceed 5 per cent of the net asset value as stated in the Company's consolidated financial statements for the latest accounting year;

(6) the provision of a counter-guarantee shall be requested from the other party in respect of an external guarantee, and the person providing the counter-guarantee shall have actual ability to assume the obligations;

(7) the Company shall strictly observe the relevant provisions for the faithful discharge of the obligations of information disclosure in respect of the external guarantee. It should also honestly provide the information on all external guarantees to the registered accountant as required.

Any external guarantee subject to approval at the shareholders' general meeting shall be considered and approved at the meeting of the board of directors before being submitted to the shareholders' general meeting. Where the resolution on the guarantee provided for shareholders, effective controller or connected parties thereof is being considered at the shareholders' general meeting, the shareholder or the shareholder controlled by the effective controller shall not vote on the resolution. The resolution shall be passed by more than half of the voting rights represented by the other shareholders attending the shareholders' general meeting.

The independent directors of the Company shall make specific statements in respect of the Company's accumulated and current external guarantees and the situation in respect of the compliance with the above provisions in the annual report, and express independent opinion.

The board of directors shall set the boundaries for making risky investments with the Company's assets, and establish stringent review and decision-making procedures. Evaluation by relevant experts and professionals shall be organized for significant investment projects, and approval shall be sought at a shareholders' general meeting."

ARTICLE 106 The board of directors shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of the amount or value of the consideration for the proposed disposition, and the amount or value of the consideration for any such disposition of any fixed assets of the Company that has been completed in the period of four (4) months immediately preceding the proposed disposition, exceeds 33 per cent of the value of the Company's fixed assets as shown in the last balance sheet placed before the shareholders in general meeting.

For the purpose of this Article, disposition includes an act involving the transfer of an interest in assets but does not include the provision of fixed asset by way of security.

The validity of a disposition of fixed assets by the Company shall not be affected by the breach of the first paragraph of this Article.

ARTICLE 107 The board of directors shall carry out its duties in compliance with the laws, administrative regulations, these articles of association and resolutions of the shareholders' general meetings.

ARTICLE 108 The Chairman of the board of directors shall exercise the following powers:

- (1) to preside over shareholders' general meetings and to convene and preside over meetings of the board of directors;
- (2) to check on the implementation of resolutions of the board of directors;
- (3) to sign the securities certificates issued by the Company;
- (4) to exercise other powers conferred by the board of directors.

When the Chairman is unable to exercise his powers, the Chairman may designate a director to exercise such powers on the Chairman's behalf.

Article 109 Meetings of the board of directors shall be held at least four times every year and convened by the Chairman of the board of directors. Notice of the meeting shall be served on all of the directors and supervisors at least fourteen (14) days before the date of the meeting. Upon request of shareholders representing more than one-tenth of the shares carrying the right to vote, or, one-third or more of the directors, the Chairman, the supervisory committee or the general manager, an extraordinary meeting of the board of directors may be convened. The Chairman shall convene and preside at the extraordinary meeting of the board of directors within ten (10) days from the receipt of such request.

Article 110 Notice of meetings of the board of directors shall be given in the following manner:

- (1) The Chairman of the board of directors shall notify all directors and supervisors of the time and venue of the meeting by telex, telegram, fax, speed post, registered mail or personal delivery at least fourteen (14) days prior to the meeting.
- (2) Notice shall be written in Chinese and, with an English version when necessary, together with an agenda of the relevant meeting of the board of directors. Any director may waive his right to receive notice of the meeting of the board of directors.

ARTICLE 111 Any regular or extraordinary meeting of the board of directors may be held by means of conference telephone or similar communication equipment. So long as all directors participating in such meeting can clearly hear and communicate with each other, all such directors shall be deemed to be present in person at such meeting.

ARTICLE 112 A meeting of the board of directors shall be held only if more than half of the directors (including any director present by proxy as stipulated in Article 113 thereafter) are present at the meeting.

Each director shall have one vote. Unless otherwise provided in these Articles of Association, resolutions of the board of directors shall be passed by a simple majority of the directors.

Where a director is interested in any resolution proposed at a board meeting, such director shall not be present at such meeting and shall not have the right to vote. Such director shall not be counted in the quorum of such meeting.

ARTICLE 113 Directors shall attend the meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he may make another director his proxy at the meeting by a written power of attorney. The power of attorney shall set out the scope of the authority.

A director acting as the proxy of another director to attend the meeting shall exercise the rights of a director within the scope of authority conferred by the appointing director. Where a director is unable to attend a meeting of the board of directors and has not appointed a representative to attend the meeting on his behalf, he shall be deemed to have waived his right to vote at the meeting.

In respect of any matter requiring the resolution of any extraordinary meeting of the board of directors, a resolution approved in writing by at least such number of directors as may be required pursuant to Article 96 of these articles of association after the proposed resolution has been reduced into writing and delivered to all directors, shall be deemed to be a valid resolution and a board meeting shall be dispensed with.

ARTICLE 114 The board of directors shall keep minutes of resolutions on matters discussed at meetings. The minutes shall be signed by the directors present at the meeting and the person who recorded the minutes. The directors shall be liable for the resolutions of the board of directors. If a resolution of the board of directors violates the law, administrative regulations or these articles of association and results in the Company sustaining serious losses, the directors participating in the adoption of such resolution shall be liable for compensating the Company. However, if it can be proven that a director expressly objected to such resolution when such resolution was voted on, and that such objection is recorded in the minutes of the meeting, such director may be released from such liability.

CHAPTER 11: SECRETARY OF THE BOARD OF DIRECTORS

ARTICLE 115 The Company shall have a secretary of the board of directors who shall be a senior administrative officer of the Company.

ARTICLE 116 The secretary to the board of directors of the Company shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the board of directors. His primary responsibilities are:

- (1) to organize and prepare for shareholders' general meetings and meetings of the board of directors of the Company;
- (2) to keep documents and records of shareholders' general meetings and meetings of the board of directors; to ensure that the Company prepares and delivers those reports and documents required by any competent authorities in accordance with the law, and that persons entitled to receive the Company's records and documents receive such records and documents without delay;
- (3) to maintain information of the shareholders of the Company and to ensure that the Company's registers of shareholders are properly maintained;
- (4) to handle information disclosure issues.

ARTICLE 117 A director or other senior administrative officer of the Company may hold the office of the secretary of the board of directors concurrently. The accountant(s) of the certified public accounting firm retained by the Company shall not act as the secretary of the board of directors.

Provided that where the office of secretary is held concurrently by a director, and an act shall be done by a director and a secretary separately, the person who holds the office of director and secretary may not perform the act in dual capacity.

CHAPTER 12: GENERAL MANAGER

ARTICLE 118 The Company shall have one general manager, who shall be appointed and dismissed by the board of directors. The Company shall have a number of deputy general managers who should assist the general manager in his work. The term of office of the general manager and deputy general managers is three (3) years and renewable upon re-election and reappointment.

ARTICLE 119 The general manager shall be accountable to the board of directors and exercise the following functions and powers:

- (1) to be in charge of the Company's production, operation and management and to organize the implementation of the resolutions of the board of directors;
- (2) to organize the implementation of the Company's annual business plan and investment plan;

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- (3) to draft plans for the establishment of the Company's internal management structure;
 - (4) to establish the Company's basic management system;
 - (5) to formulate basic rules and regulations of the Company;
 - (6) to propose the appointment or dismissal of the Company's deputy general manager(s) and other senior administrative officers;
 - (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board of directors;
 - (8) to determine rewards and punishments, promotion and demotion, increase and decrease of salaries, recruitment, appointment, termination of employment and dismissal of the staff and workers of the Company;
 - (9) other powers conferred by these articles of association and the board of directors.

ARTICLE 120 The general manager and deputy general managers shall be present at meetings of the board of directors. However, the general manager and the deputy general manager shall have no voting rights at the meetings unless they are also directors.

ARTICLE 121 The general manager and deputy general managers shall not, in exercising their powers, vary the resolutions of shareholders' general meetings and those of the board of directors or exceed the scope of their authorities.

ARTICLE 122 The general manager and deputy general managers, in performing their functions and powers shall act honestly and, diligently and in accordance with laws, administrative regulations and these articles of association.

CHAPTER 13: SUPERVISORY COMMITTEE

ARTICLE 123 The Company shall have a supervisory committee.

ARTICLE 124 The supervisory committee shall be composed of 5 to 7 supervisors. The term of office of supervisors shall be three (3) years renewable upon re-election and re-appointment.

The supervisory committee shall have one chairman who is subject to election or removal with the consent of two thirds or more of the members of the supervisory committee.

The term of office of the chairman shall be three (3) years renewable upon re-election and re-appointment.

ARTICLE 125 The supervisory committee shall comprise of representatives of shareholders and representatives of staff and workers of the Company. The proportion of the latter shall not be less than one-third of the supervisory committee. Representatives of shareholders shall be elected or removed by the shareholders at a general meeting. Representatives of staff and workers shall be elected democratically by the staff and workers at a meeting of the representatives of staff and workers, staff and workers' meeting or through other channels.

ARTICLE 126 The directors, general manager, deputy general managers and other senior administrative officers shall not act concurrently as supervisors.

ARTICLE 127 Meetings of the supervisory committee shall be held at least once every six months, and shall be convened and presided by the chairman of the supervisory committee. If the chairman cannot or fails to perform his/her duties, the meeting of the supervisory committee shall be convened and presided by one supervisor elected by over half the number of the supervisors. Supervisor(s) may propose to convene extraordinary meetings of the supervisory committee.

The supervisory committee shall record the decisions on the matters discussed, which shall be signed by supervisors present at the meeting.

ARTICLE 128 The supervisory committee shall be accountable to the shareholders' general meeting and shall exercise the following duties and powers in accordance with laws:

(1) to inspect the Company's financial position;

(2) to monitor the performance of duties of the directors, general manager, deputy general managers and other senior management and to propose the dismissal of directors, general manager, deputy general managers and other senior management who contravene any law, administrative regulations, these Articles of Association or the resolution of shareholders' general meetings;

(3) to require the directors, general manager, deputy general managers and other senior management to rectify such breach when the acts of such persons prejudice the Company's interest;

(4) to propose the convening of an extraordinary general meeting, and to convene and hold the shareholders' general meetings if the board of directors fails to perform such duties as stipulated in the Company Law;

(5) to propose motions to shareholders' general meetings;

(6) to lodge a complaint against the directors, general manager, deputy general manager and other senior management in accordance with Article 151 of the Company Law.

Supervisors may attend meetings of the board of directors and raise queries or give advice on the resolutions of the board of directors.

ARTICLE 129 Resolutions of the supervisory committee shall be passed by two-thirds or more of all of its members.

ARTICLE 130 The supervisory committee may conduct investigation if they find the operation of the Company unusual; and may engage professionals such as lawyers, certified public accountants or practicing auditors to assist if necessary. All reasonable fees so incurred shall be borne by the Company.

ARTICLE 131 A supervisor shall carry out his duties honestly and faithfully in accordance with laws, administrative regulations and these articles of association.

**CHAPTER 14: THE QUALIFICATIONS AND DUTIES OF THE DIRECTORS, SUPERVISORS,
GENERAL MANAGER, DEPUTY GENERAL MANAGERS AND OTHER SENIOR
ADMINISTRATIVE OFFICERS OF THE COMPANY**

ARTICLE 132 A person may not serve as the director, supervisor, general manager, deputy general manager or any other senior management of the Company under any of the following circumstances:

(1) a person who has no civil capacity or has restricted civil capacity;

(2) a person who has committed an offence of corruption, bribery, embezzlement of property, misappropriation of property or sabotaging the order of socialist market economy and has received a criminal sentence because of committing such an offence; or who has been deprived of his political rights because of committing an offence, in each case where less than five (5) years have elapsed since the date of the completion of the execution of his sentence;

(3) a person who was previously the director, factory manager or manager of a company or enterprise which was insolvent and liquidated and who was personally liable for the insolvency of such company or enterprise, where less than three (3) years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(4) a person who was previously the legal representative of a company or enterprise which had its business licence revoked and was ordered to cease its business due to violation of the law and who was personally liable for the revocation, where less than three (3) years have elapsed since the date of the revocation of the business licence of such company or enterprise;

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- (5) a person who has a relatively large amount of debts due and outstanding;
 - (6) a person who is under criminal investigation or prosecution by judicial organs for violation of criminal law which is not yet concluded;
 - (7) a person who is not eligible for enterprise leadership under the requirements of the laws and administrative regulations;
 - (8) not a natural person;
 - (9) a person who is convicted of contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years have elapsed since the date of the conviction.

Any election, appointment or engagement of a director, supervisor, general manager, deputy general manager or any other senior management in violation of the preceding paragraph shall be invalid.

The Company shall dismiss any director, supervisor, general manager, deputy general manager or any other senior management who falls within any of the circumstances set out in the first paragraph of this Article during his term of office.

ARTICLE 133 The validity of an act of the director, general manager, deputy general manager or other senior administrative officer on behalf of the Company is not, vis-a-vis a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

ARTICLE 134 In addition to the obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange on which shares of the Company are listed, each of the Company's directors, supervisors, general manager, deputy general other senior administrative offices owes the following obligations to each shareholder, in the exercise of the functions and powers the Company conferred on him:

- (1) not to cause the Company to exceed the scope of business stipulated in its business licence;
- (2) to act honestly in the best interest of the Company;
- (3) not to expropriate in any guise the Company's property, including (without limitation) usurpation of opportunities advantageous to the Company;
- (4) not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company submitted to shareholders for approval in accordance with these articles of association.

ARTICLE 135 Each of the Company's directors, supervisors, general manager, deputy general manager and other senior administrative officers owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

ARTICLE 136 Each of the Company's directors, supervisors, general manager, deputy general manager and other senior administrative officers shall exercise his powers or carry on his duties in accordance with the principle of fiduciary; and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

- (1) to act honestly in the best interests of the Company;
- (2) to exercise powers within the scope of his powers and not to exceed those powers;
- (3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in general meeting, not to delegate the exercise of his discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) except in accordance with these articles of association or with the informed consent of shareholders given in general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) without the informed consent of shareholders given in general meeting, not to use the Company's property for his own benefit;
- (7) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;
- (8) without the informed consent of shareholders given in general meeting, not to accept commissions in connection with the Company's transactions;
- (9) to abide by these articles of association, execute his official duties faithfully and protect the Company's interests, and not to exploit his position and power in the Company to advance his own private interests;
- (10) not to compete with the Company in any way unless with the informed consent of shareholders given in general meeting;

(11) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets;

(12) unless otherwise permitted by informed shareholders in general meeting, to keep in confidence information acquired by him in the course of and during his tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:

(i) disclosure is made under compulsion of law;

(ii) the interests of the public require disclosure;

(iii) the interests of the relevant director, supervisor, general manager, deputy general manager or other senior administrative officer require disclosure.

ARTICLE 137 Each director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

(1) the spouse or minor child of that director, supervisor, general manager, deputy general manager or other senior administrative officer;

(2) a person acting in the capacity of trustee of that director, supervisor, general manager, deputy general manager or other senior administrative officer or any person referred to in the preceding sub-paragraph (1);

(3) a person acting in the capacity of partner of that director, supervisor, general manager, deputy general manager or other senior administrative officer or any person referred to in sub-paragraphs (1) and (2) of this Article;

(4) a company in which that director, supervisor, general manager, deputy general manager or other senior administrative officer, alone or jointly with one or more persons referred to in sub-paragraphs (1), (2) and (3) of this Article and other directors, supervisors, general manager, deputy general managers and other senior administrative officers have a de facto controlling interest;

(5) the directors, supervisors, general manager, deputy general managers and other senior administrative officers of the controlled company referred to in the preceding sub-paragraph(4); and

(6) any associates as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong limited.

ARTICLE 138 The fiduciary duties of the directors, supervisors, general manager, deputy general managers and other senior administrative officers of the Company do not necessarily cease with the termination of their tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairness may require depending on the time lapse between the termination and the act concerned and the circumstances under which the relationships between them and the Company are terminated.

ARTICLE 139 Subject to Article 52, a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company may be relieved of liability for specific breaches of his duty by the informed consent of shareholders given at a general meeting.

ARTICLE 140 Where a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his contract of service with the Company), he shall declare the nature and extent of his interests to the board of directors at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefor is otherwise subject to the approval of the board of directors.

Unless the interested director, supervisor, general manager, deputy general manager or other senior administrative officer discloses his interests in accordance with the preceding paragraph of this Article and the contract, transaction or arrangement is approved by the board of directors at a meeting in which the interested director, supervisor, general manager, deputy general manager or other senior administrative officer is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that director, supervisor, general manager, deputy general manager or other senior administrative officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested director, supervisor, general manager, deputy general manager or other senior administrative officer.

For the purposes of this Article, a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company is deemed to be interested in a contract, transaction or arrangement in which an associate of him is interested.

ARTICLE 141 Where a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company gives to the board of directors a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be made by the Company, that notice shall be deemed for the purposes of the preceding Article to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

ARTICLE 142 The Company shall not in any manner pay taxes for or on behalf of a director, supervisor, general manager, deputy general manager or other senior administrative officer.

ARTICLE 143 The Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company or of the Company's holding company or any of their respective associates. However, the following transactions are not subject to such prohibition:

- (1) the provision by the Company of a loan or a guarantee of a loan to a company which is a subsidiary of the Company;
- (2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of its directors, supervisors, general manager, deputy general managers and other senior administrative officers to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the shareholders in general meeting;
- (3) the Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the relevant directors, supervisors, general manager, deputy general managers and other senior administrative officers or their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees.

ARTICLE 144 A loan made by the Company in breach of the preceding Article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

ARTICLE 145 A guarantee for repayment of loan provided by the Company in breach of Article 135 shall not be enforceable against the Company, unless:

- (1) when providing the guarantee in connection with a loan to an associate of any of the directors, supervisors, general manager, deputy general managers and other senior administrative officers of the Company or of the Company's holding company, the lender did not know the relevant circumstances; or
- (2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

ARTICLE 146 For the purposes of the foregoing provisions of this Chapter, a “guarantee” includes an undertaking or property provided to secure the performance of obligations by the obligor.

ARTICLE 147 In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, general manager, deputy general manager or other senior administrative officer of the Company is in breach of his duties to the Company, the Company has a right to:

- (1) claim damages from the director, supervisor, general manager, deputy general manager or other senior administrative officer in compensation for losses sustained by the Company as a result of such breach;
- (2) rescind any contract or transaction entered into by the Company with the director, supervisor, general manager, deputy general manager or other senior administrative officer or with a third party (where such third party knows or should know that there is such a breach of duties by such director, supervisor, general manager, deputy general manager or other senior administrative officer);
- (3) demand the surrender of the profits made by the director, supervisor, general manager, deputy general manager or other senior administrative officer in breach of his duties;
- (4) recover any monies received by the director, supervisor, general manager, deputy general manager or other senior administrative officer which should have been received by the Company, including (without limitation) commissions; and
- (5) demand a refund of the interest earned or which may have been earned by the director, supervisor, general manager, deputy general manager or other senior administrative officer on the monies that should have been paid to the Company.

ARTICLE 148 The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with a director or supervisor wherein his emoluments are stipulated. The aforesaid emoluments include:

- (1) emoluments in respect of his service as director, supervisor or senior administrative officer of the Company;
- (2) emoluments in respect of his service as director, supervisor or senior administrative officer of any subsidiary of the Company;
- (3) emoluments in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries;
- (4) payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a director or supervisor against the Company for any benefit due to him in respect of the matters mentioned in this Article.

ARTICLE 149 The contract concerning the emoluments of the directors or supervisors of the Company between the Company and its directors or supervisors should provide that in the event of a takeover of the Company, the Company's directors and supervisors shall, subject to the prior approval of the shareholders in general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. A takeover of the Company referred to in this paragraph means any of the following:

- (1) an offer made by any person to the general body of shareholders;
- (2) an offer made by any person with a view to the offeror becoming a "controlling shareholder" as stipulated in Article 53.

If the relevant director or supervisor does not comply with this Article, any sum so received by him shall belong to those persons who have sold their shares as a result of the said offer made. The expenses incurred in distributing that sum pro rata amongst those persons shall be borne by the relevant director or supervisor and not paid out of that sum.

ARTICLE 150 When any of the circumstances in Article 146 of the Company Law occurs to a director and where the director is prohibited from participating in the securities market by the China Securities Regulatory Commission, the board of directors shall immediately suspend the relevant director's duties from the date on which the board of directors becomes aware of the occurrence of such event and shall propose to the shareholders' general meeting to dismiss such director.

When any of the circumstances in Article 146 of the Company Law occurs to a supervisor and where the supervisor is prohibited from participating in the securities market by the China Securities Regulatory Commission, the supervisory committee shall immediately suspend the relevant supervisor's duties from the date on which the supervisory committee becomes aware of the occurrence of such event and shall propose to the shareholders' general meeting to dismiss such supervisor.

When any of the circumstances in Article 146 of the Company Law occurs to a general manager, a deputy general manager or any other senior administrative officer and where the general manager, the deputy general manager or any other senior administrative officer is prohibited from participating in the securities market by the China Securities Regulatory Commission, the board of directors shall immediately suspend his or her duties from the date on which the board of directors becomes aware of the occurrence of such event and shall convene a board meeting to dismiss him or her.

CHAPTER 15: FINANCIAL AND ACCOUNTING SYSTEMS AND PROFIT DISTRIBUTION

ARTICLE 151 The Company shall establish its financial and accounting systems and internal audit system in accordance with laws, administrative regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.

ARTICLE 152 At the end of each accounting year, the Company shall prepare financial reports which shall be audited by an accounting firm in accordance with the law. The financial reports shall be prepared in accordance with the laws, administrative regulations and the requirements of the finance department of the State Council.

ARTICLE 153 The board of directors of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.

ARTICLE 154 The Company's financial reports shall be made available for shareholders' inspection at the Company twenty (20) days before the date of every shareholders' annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this Chapter.

The Company shall deliver or send to each shareholder of Overseas-Listed Foreign-Invested Shares by prepaid mail at the address registered in the register of shareholders the said reports not later than twenty-one (21) days before the date of every annual general meeting of shareholders.

ARTICLE 155 The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards, or that of the place outside the PRC where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be applied.

ARTICLE 156 Any interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place where the Company's shares are listed.

ARTICLE 157 The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year; the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.

ARTICLE 158 The Company shall not keep accounts other than those provided by law.

ARTICLE 159 The Company shall implement an internal auditing system, and establish an internal auditing organization or provide internal auditing personnel to undertake the internal auditing and supervision over the Company's income and expenses and other economic activities under the leadership of the board of directors.

ARTICLE 160 The profit after tax of the Company shall be used in the following manners:

- (1) making up for losses;
- (2) allocation to the statutory common reserve fund;
- (3) allocation to the discretionary common reserve fund upon the approval of shareholders at a general meeting;
- (4) payment of dividends in respect of ordinary shares.

The board of directors shall, in accordance with the laws and administrative regulations of the State (if any) and the Company's operation and development requirements, determine the proportions of profit distributions to items (3) and (4) above subject to approval of shareholders at the general meeting.

The board of directors shall, in accordance with the laws and administrative regulations of the State (if any) and the Company's operation and development requirements, determine the detail proportions of profit distributions in items (2) to (5) above and submit its determination to the shareholders' general meeting for approval.

ARTICLE 161 Capital common reserve fund includes the following items:

- (1) premium on shares issued at a premium price;
- (2) any other income designated for the capital common reserve fund by the regulations of the finance regulatory department of the State Council.

ARTICLE 162 The common reserve fund of the Company shall be applied for the following purposes:

- (1) making up for losses;

(2) expansion of the production and operation of the Company;

(3) transfer or increase of capital.

When the Company converts its common reserve fund into capital upon the approval of shareholders at a general meeting, the Company shall either issue new shares to each shareholder in proportion to the number of shares currently held by each shareholder, or increase the par value of each share, provided that the statutory common reserve fund after the conversion may not fall below 25 per cent of the registered capital before such conversion.

The capital common reserve fund may not be used to make up for losses.

ARTICLE 163 The Company may not distribute any dividend before making up for its losses and allocating funds to the statutory common reserve fund.

ARTICLE 164 The policy of profit distribution in the Company shall be as follows:

(1) Based on the principles of offering reasonable investment return to shareholders and meeting reasonable capital requirements of the Company, the Company shall distribute dividends in a proactive manner. The dividends distribution policy of the Company shall be continuous and stable.

(2) Dividends can be paid by way of cash, shares or other ways permitted by law and regulations. If there are no significant investment plans or significant expenses in cash, the Company shall distribute dividends by way of cash.

(3) Under the aforesaid condition of dividends distribution in cash, the Company principally shall distribute dividends in cash once each year and the annual dividend distribution rate shall not be less than 30 percent. Within three consecutive years, the accumulated profits distributed in cash shall be not less than 30 percent of the three-year average annual distributable profits. Unless otherwise stipulated by laws or administrative regulations, the amount of interim dividends distributed shall not exceed 50 percent of the distributable profits as stated in the interim profits statement of the Company. The Company may distribute interim dividends in cash.

(4) Upon occurrence of any illegal appropriation of the Company's funds by shareholders, the Company shall deduct the cash dividend payable to such shareholders to make up for the funds appropriated by such shareholders.

(5) When it is necessary for the Company to adjust its profit distribution policy, based on the circumstances of production and operation, investment plans and needs of long-term development, the adjusted profit distribution policy shall not violate the provisions of relevant laws and regulations.

(6) The Company shall disclose the information related to implementation of the cash dividend policy and other relevant circumstances in its periodical reports in accordance with relevant provisions.

ARTICLE 165 The profit distribution decision-making procedure and mechanism shall be as follows:

(1) Formulation of and amendment to the profit distribution policy and specific profit distribution plan shall be proposed to the shareholders' general meeting by the board of directors. In the process of formulating the profit distribution policy and profit distribution plan, the board of directors shall discuss with independent directors, taking full account of a continuous, stable and scientific return to all shareholders of the Company and a sustainable development of the Company. When reviewing the profit distribution policy and specific profit distribution plan at the shareholders' general meeting, the Company shall communicate and exchange opinions with shareholders, especially minority shareholders in a proactive manner and through various channels, fully consider the advices and appeals from minority shareholders and respond timely to the issues concerned by them.

(2) Formulation of and amendment to the policy of distribution of profits and specific profit distribution plan shall be passed by more than 50% the directors and passed by more than 50% independent directors. The independent directors shall give independent views on the formulation of and amendment to the profit distribution policy and specific profit distribution plan.

(3) Formulation of and amendment to the policy of distribution of profits and specific profit distribution plan shall be proposed to the shareholders' general meeting. Formulation of and amendment to the policy of distribution of profits shall be passed by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting. Formulation of and amendment to the specific profit distribution plan shall be passed by more than 50% voting rights held by the shareholders present at the shareholders' general meeting. When it is necessary for the Company to adjust its profit distribution policy, based on the circumstances of production and operation, investment plans and needs of long-term development, when it is necessary to adjust the policy for profit distribution in cash, the adjustment shall be passed by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting.

(4) Where the Company make profit in a year but fails to propose to distribute profit in cash for such year, the board of directors shall explain the reasons and the purposes and application plan of the funds not distributed by way of cash dividend in details in annual report. The independent directors shall provide their independent views thereon.

ARTICLE 166 Dividends or other payments declared by the Company to be payable to holders of Domestic-Invested Shares shall be declared and calculated in Renminbi, and paid in Renminbi; and those payable to holders of Overseas-Listed Foreign-Invested Shares shall be declared and calculated in Renminbi, and paid in the local currency at the place where such Foreign-Invested Shares are listed (if there is more than one place of listing, then the principal place of listing as determined by the board of directors).

Foreign currency required by the Company for payment of dividends or other sums to holders of Foreign-Invested Shares shall be handled in accordance with the relevant foreign exchange control regulations of the State. If there is no applicable regulation, the applicable exchange rate shall be the average closing rate for the relevant foreign currency announced by the Peoples' Bank of China for the week prior to the announcement of the payment of dividend or other sums.

ARTICLE 167 The Company shall, in accordance with the People's Republic of China's tax law, withhold and make payments on behalf of shareholders in respect of their tax payable on their dividends income.

ARTICLE 168 The Company shall appoint on behalf of the holders of the Overseas-Listed Foreign-Invested shares receiving agents to receive on behalf of such shareholders dividends declared and all other monies owed by the Company in respect of their shares. The receiving agents appointed by the Company shall comply with the relevant requirements of the law of the place and relevant regulations of the stock exchange where the Company's shares are listed.

The receiving agents appointed on behalf of holders of H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

CHAPTER 16: APPOINTMENT OF ACCOUNTING FIRM

ARTICLE 169 The Company shall engage an independent accounting firm which is qualified under the relevant regulations of the State to audit the Company's annual financial report and review the Company's other financial reports.

The first accounting firm of the Company may be engaged by the inaugural meeting of the Company before the first annual general meeting of shareholders and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting of shareholders.

If the inaugural meeting fails to exercise its powers under the preceding paragraph, those powers shall be exercised by the board of directors.

ARTICLE 170 The accounting firm engaged by the Company shall hold office from the conclusion of the annual general meeting of shareholders at which it is engaged until the conclusion of the next annual general meeting of shareholders.

ARTICLE 171 The accounting firm appointed by the Company shall have the following rights:

- (1) A right of access at any time to the books and records and vouchers of the Company, and shall be entitled to require from the directors, general manager, deputy general managers and other senior administrative officers of the Company any relevant information and explanation;
- (2) A right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the purposes of discharging its duties;
- (3) A right to attend shareholders' general meetings and to receive all notices of, and other communications relating to, any shareholders' general meeting which any shareholder is entitled to receive, and to speak at any shareholders' general meeting in relation to matters concerning its role as the Company's accounting firm.

ARTICLE 172 Before the convening of the shareholders' general meeting, the board of directors may fill any casual vacancy in the office of an accounting firm, but while any such vacancy continues, the surviving or continuing firms, if any, may act.

ARTICLE 173 The shareholders in general meeting may by ordinary resolution remove an accounting firm before the expiration of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

ARTICLE 174 The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in general meeting. The remuneration of an accounting firms appointed by the board of directors shall be determined by the board of directors.

ARTICLE 175 The Company's appointment of, removal of and non reappointment of an accounting firm shall be resolved upon by shareholders in general meeting. The resolution of the shareholders' general meeting shall be filed with the securities governing authority of the State Council.

Where it is proposed that any resolution be passed at a shareholders' general meeting concerning the appointment of an accounting firm which is not an incumbent firm to fill a casual vacancy in the office of the accounting firm; re appointment of a retiring accounting firm which was appointed by the board of directors of the Company to fill a casual vacancy; or removal of the accounting firm before the expiration of its term of office, the following provisions shall be complied with:

- (1) A copy of the proposal shall be sent before notice of meeting is given to the shareholders to the firm proposed to be engaged or proposing to leave its post or which has left its post in the relevant fiscal year (leaving includes leaving by removal, resignation and retirement).

(2) If the firm leaving its post makes representations in writing and requests the Company to notify the shareholders of such representations, the Company shall, unless the representations are received too late:

(i) in any notice of the resolution given to shareholders, state the fact of the representations having been made; and

(ii) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in these articles of association.

(3) If the firm's representations are not sent in accordance with the preceding sub-paragraph (2), the relevant firm may (in addition to its right to be heard) require that the representations be read out at the shareholders' general meeting.

(4) An accounting firm which is leaving its post shall be entitled to attend:

(i) the shareholders' general meeting at which its term of office would otherwise have expired;

(ii) the shareholders' general meeting held for the purpose of filling the vacancy caused by its removal; and

(iii) the shareholders' general meeting convened due to its resignation;

and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former accounting firm of the Company.

ARTICLE 176 Prior to the removal or the non-renewal of the appointment of the accounting firm, notice of such removal or non-renewal shall be given to the accounting firm and such firm shall be entitled to make representation at the shareholders' general meeting. Where the accounting firm proposes resigning its post, it shall make clear to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

An accounting firm may resign its office by depositing at the Company's legal residence a written resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice and such notice shall include the following:

(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be accounted for to the shareholders or creditors of the Company;

(2) a statement of any such circumstances.

Where a written notice is deposited as provided for in the preceding subparagraph, the Company shall within fourteen (14) days thereof send a copy of the notice to the relevant governing authority. If the notice contains a statement under the preceding subparagraph (2), copies of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of Overseas-Listed Foreign-Invested Shares who is entitled to receive the issuer's financial status report at the address registered in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstances which shall be accounted for to the shareholders or creditors of the Company, it may require the board of directors to convene a shareholders' interim general meeting for the purpose of receiving its explanation of the circumstances connected with its resignation.

CHAPTER 17: INSURANCE

ARTICLE 177 The effecting, types of coverage, the insured amounts and periods of the Company's insurance shall be decided at a meeting of the board of directors based on the circumstances of the Company and the practices of similar industries in other countries and the practice and legal requirements in China.

CHAPTER 18: LABOUR AND PERSONNEL MANAGEMENT SYSTEMS

ARTICLE 178 The Company shall, in accordance with the relevant provisions of the Labour Law of the People's Republic of China and other relevant laws or regulations of the State, formulate its labour and personnel management systems which shall be appropriate to its particular circumstances.

CHAPTER 19: TRADE UNION

ARTICLE 179 The employees of the Company may establish a trade union to carry out trade union activities and protect the legal interests of the employees in accordance with the Trade Union Law of the People's Republic of China. The Company shall provide the trade union with all necessary conditions for its activities and allocate funds to the trade union in accordance with the Trade Union Law of the People's Republic of China. Such fund shall be used by the trade union of the Company in accordance with the "Measures for the Management of Trade Union Funds" formulated by the All China Federation of Trade Unions.

The representatives of the trade union of the Company may, on behalf of the employees of the Company, enter into any collective agreement with the Company in relation to issues including wages, working hours, benefits, insurance, and labor safety and health in accordance with the law. The Company shall seek advice from the trade union before making any material decision on its reform and operation and formulation of regulations and shall convene trade union representatives' meeting or by other means to collect opinions and suggestions of the employees.

According to the Constitution and other relevant laws, the Company exercises democratic management through employees' representatives meeting or other means.

CHAPTER 20: MERGER AND DIVISION OF THE COMPANY

ARTICLE 180 In the event of the merger or division of the Company, a plan shall be presented by the Company's board of directors and shall be approved in accordance with the procedures stipulated in these articles of association and then the relevant examining and approving formalities shall be processed as required by law. A shareholder who objects to the plan of merger or division shall have the right to demand the Company or the shareholders who consent to the plan of merger or division to acquire that dissenting shareholder's shareholding at a fair price.

The contents of the resolution for merger or division of the Company shall be made into special documents for shareholders' inspection. Such special documents shall be sent by mail to holders of Overseas-Listed Foreign-Invested Shares.

ARTICLE 181 The merger of the Company may be in the form of either acquisition or establishment of a new company.

In the event of a merger of the Company, parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten (10) days from the date of the Company's resolution to merge and shall publish a public notice in a newspaper within thirty (30) days from the date of the Company's resolution to merge. A creditor has the right within thirty (30) days upon receipt of such notice from the Company or, if no notice is received, within forty-five (45) days from the date of the first public notice, to demand the Company to settle the debts owed to it or to provide a corresponding guarantee.

Upon completion of the merger of the Company, debts and indebtedness of parties to the merger shall be assumed by the company surviving the merger or the company newly established for such purpose.

ARTICLE 182 In the event of a spin-off of the Company, its assets shall be split accordingly.

In the event of a spin-off of the Company, parties to such spin-off shall enter into a spin-off agreement and prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten (10) days from the date of the Company's resolution in respect of such spin-off and shall publish a public notice in a newspaper within thirty (30) days from the date of such resolution.

Unless a written agreement has been entered into by the Company and its creditors in relation to the repayment of debts before the spin-off, companies surviving such spin-off shall jointly assume the indebtedness of the Company which has been incurred before such spin-off.

ARTICLE 183 Where there is a change in any of the registered items of the Company as result of its merger or division, the Company shall carry out procedures necessary for changing its registered items with the companies registration authority in accordance with the law. In case of dissolution, the Company shall cancel its registration in accordance with the law. When a new company is established, its establishment shall be registered in accordance with the law.

CHAPTER 21: DISSOLUTION AND LIQUIDATION

ARTICLE 184 The Company shall be dissolved upon the occurrence of any of the following events:

- (1) a resolution for dissolution is passed by the shareholders at a general meeting;
- (2) dissolution is necessary for the purpose of a merger or spin-off of the Company;
- (3) revocation of business licence of the Company or the Company is ordered to close down or is dissolved in accordance with the law;
- (4) dissolution by the People's Court according to Article 183 of the Company Law;
- (5) the Company is unable to repay its due debts in full and is declared bankrupt in accordance with the law.

ARTICLE 185 Where the Company is dissolved under sub-paragraphs (1), (3) and (4) of the preceding Article, a liquidation committee shall be set up within fifteen (15) days from the event of dissolution of the Company to commence the liquidation. The composition of the liquidation committee of the Company shall be determined by the directors or an ordinary resolution of shareholders' general meeting. If no liquidation committee is set up within the prescribed period to commence the liquidation, creditors may apply to the People's Court to designate relevant persons to form a liquidation committee in order to carry out the liquidation.

Where the Company is dissolved under sub-paragraph (5) of the preceding Article, the People's Court shall in accordance with the provisions of the relevant laws organize and establish a liquidation committee to carry out the liquidation.

ARTICLE 186 Where the board of directors proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the board shall include a statement in its notice of the shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the status of the Company, the board of directors is of the opinion that the Company will be able to pay off its debts within twelve (12) months from the commencement of the liquidation.

Except where the Company has declared that it is insolvent, the liquidation group shall be appointed or dismissed by ordinary resolution of shareholders at a general meeting.

Upon the passing of the resolution by the shareholders at a general meeting for the liquidation of the Company, all functions and powers of the board of directors shall forthwith cease.

The liquidation group shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on its receipts and payments, the business of the Company and the progress of the liquidation; and to present a final report to the shareholders' general meeting on completion of the liquidation.

ARTICLE 187 The liquidation committee shall within ten (10) days from its establishment send notice to creditors, and within sixty (60) days from its establishment publish a public notice in a newspaper. A creditor shall within thirty (30) days upon receipt of such notice, or if no notice is received, within forty-five (45) days from the date of the first public notice, declare its creditor's rights to the liquidation committee.

When declaring creditor's rights, the creditor shall give details of the creditor's rights together with the evidence thereof. The liquidation committee shall register creditors' rights and no settlement can be made to the creditors by the liquidation committee during the period for declaration of creditors' rights.

ARTICLE 188 During the liquidation period, the liquidation group shall exercise the following functions and powers:

- (1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to send notices to creditors or notify them by public notice;
- (3) to handle any relevant unfinished business matters of the Company relating to the liquidation;
- (4) to pay off all outstanding taxes;
- (5) to settle claims and debts;

(6) to dispose of the assets remaining after the Company's debts have been repaid;

(7) to represent the Company in any civil litigation proceedings.

ARTICLE 189 After having sort out the Company's assets and prepared the balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan and present it to a shareholders' general meeting or to the relevant governing authority for confirmation.

To the extent that the Company's assets are sufficient to pay off its debts, they shall be used to pay all liquidation expenses, wages of staff and workers, labour insurance fees and outstanding taxes, and the Company's debts.

The assets of the Company remaining after its debts have been repaid in accordance with the provisions of the preceding paragraph shall be distributed to its shareholders according to the class and proportion of their shareholdings.

During the liquidation period, the Company shall not commence any new operational activities.

ARTICLE 190 If after putting the Company's assets in order and preparing a balance sheet and an inventory of assets in connection with the liquidation of the Company resulting from dissolution, the liquidation group discovers that the Company's assets are insufficient to repay the Company's debts in full, the liquidation group shall immediately apply to the People's Court for a declaration of insolvency.

After a Company is declared insolvent by a ruling of the People's Court, the liquidation group shall turn over liquidation matters to the People's Court.

ARTICLE 191 Following the completion of liquidation, the liquidation group shall present a report on liquidation and prepare a statement of the receipts and payments during the period of liquidation and financial books and records which shall be audited by Chinese registered accountant and submitted to the shareholders' general meeting or the relevant governing authority for confirmation.

The liquidation group shall also within thirty (30) days after such confirmation, submit the documents referred to in the preceding paragraph to the companies registration authority and apply for cancellation of registration of the Company, and publish a public notice relating to the termination of the Company.

CHAPTER 22: PROCEDURES FOR AMENDMENT OF THE COMPANY'S ARTICLES OF ASSOCIATION

ARTICLE 192 The Company may amend its articles of association in accordance with the requirements of law, administrative regulation and its articles of association.

ARTICLE 193 For the amendment of the Company's articles of association, the following procedures shall be followed:

- (1) the board of directors shall, in accordance with provisions of these articles of association, adopt a resolution to propose the shareholders' general meeting to amend the Company's articles of association, and formulate the draft amendments to the articles of association;
- (2) notice of the draft amendments to these articles of association referred to in the preceding sub-paragraph shall be sent to the Company's shareholders, and a shareholders' general meeting shall be convened to vote on the contents of the amendments;
- (3) subject to the compliance of the relevant regulations of these articles of association and the Mandatory Provisions, a special resolution for approval of the draft amendments to these articles of association shall be passed by shareholders at a general meeting.

ARTICLE 194 The amendments to the Company's articles of association involving the contents of the Mandatory Provisions shall become effective upon approvals by the Securities Committee of the State Council and the companies approving department authorized by the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

CHAPTER 23: SETTLEMENT OF DISPUTES

ARTICLE 195 The Company shall act according to the following principles to settle disputes:

- (1) Whenever any disputes or claims arising between: holders of the Overseas-Listed Foreign-Invested Shares and the Company; holders of the Overseas-Listed Foreign-Invested Shares and the Company's directors, supervisors, general manager, deputy general managers or other senior administrative officers; or holders of the Overseas-Listed Foreign-Invested Shares and holders of Domestic-Invested Shares, based on these articles of association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is the Company or the Company's shareholder, director, supervisor, general manager, deputy general manager or other senior administrative officer. Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration.

(2) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(3) If any disputes or claims of rights are settled by way of arbitration in accordance with sub-paragraph (1) of this Article, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and administrative regulations.

(4) The award of an arbitration body shall be final and conclusive and binding on all parties.

CHAPTER 24: SUPPLEMENTARY

Article 196 Notice of the Company (including notice of meetings, corporate communication or other written materials given to shareholders) may be given in the following manner: (1) by way of public notice; (2) personal delivery; (3) pre-paid post; (4) other means required under laws and regulations or listing rules of the place of listing or otherwise permitted by a supervisory authority.

Any reference in these articles of association to the publication of public notices in a newspaper shall be interpreted as requiring publication in such newspaper as designated or required in accordance with relevant laws, administrative regulations or rules. In respect of the way by which corporate communication is required to be provided or given to holders of overseas listed foreign-invested shares under the Listing Rules of Hong Kong, such corporate communication may be provided or given to holders of overseas listed foreign-invested shares through the website of the Company (www.gsrc.com) or other electronic means subject to laws and regulations and listing rules of the place of listing and these articles of association.

The corporate communication refers to any document provided or to be provided to any holder of securities of the Company for reference or further action, including but not limited to (1) reports of the board of directors, annual accounts, auditor's reports and summary of financial reports (if relevant) of the Company; (2) interim reports and summary of interim reports (if relevant); (3) notice of the meetings; (4) listing documents; (5) circulars; (6) proxy forms (as defined in the listing rules of the stock exchange located in the place where shares of the Company are listed).

ARTICLE 197 In these articles of association, the meaning of an accounting firm is the same as that of "auditors".

ARTICLE 198 The right to interpret these articles of association shall reside in the board of directors of the Company.

Statement Explaining How Certain Ratios Were Calculated in the Annual Report

The operating expenses ratio of Guangshen Railway Company Limited, or the Company, is the ratio of its total railway operating expenses in 2015 (in the amount of RMB12,878.8 million, compared to RMB12,729.8 million in 2014) to its railroad and related business revenue in 2015 (in the amount of RMB14,633.7 million, compared to RMB13,783.2 million in 2014).

List of Subsidiaries of Guangshen Railway Company Limited

The following table lists information concerning the significant subsidiaries of Guangshen Railway Company Limited, or the Company, as of December 31, 2015:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage of Interest held by our Company</u>
Dongguan Changsheng Enterprise Company Limited	PRC	51%
Shenzhen Fu Yuan Enterprise Development Company Limited	PRC	100%
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited	PRC	100%
Shenzhen Nantie Construction Supervision Company Limited	PRC	76.66%
Shenzhen Railway Property Management Company Limited	PRC	100%
Shenzhen Shenhua Sheng Storage and Transportation Company Limited	PRC	100%
Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited	PRC	100%
Shenzhen Railway Station Passenger Services Company Limited	PRC	100%
Guangshen Railway Station Dongqun Trade and Commerce Service Company Limited	PRC	100%
Guangzhou Railway Huangpu Service Company Limited	PRC	100%
Zengcheng Lihua Stock Company Limited	PRC	44.72%

**CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Wu Yong, co-principal executive officer of Guangshen Railway Company Limited (“Guangshen”), certify that:

1. I have reviewed this annual report on Form 20-F of Guangshen;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Guangshen as of, and for, the periods presented in this report;
4. Guangshen’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Guangshen and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Guangshen, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of Guangshen’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in Guangshen’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, Guangshen’s internal control over financial reporting; and
5. Guangshen’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Guangshen’s auditors and the audit committee of Guangshen’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Guangshen’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in Guangshen’s internal control over financial reporting.

Date: April 27, 2016

/s/ Wu Yong
Wu Yong
Chairman of the Board of Directors

CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Hu Lingling, co-principal executive officer of Guangshen Railway Company Limited (“Guangshen”), certify that:

1. I have reviewed this annual report on Form 20-F of Guangshen;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Guangshen as of, and for, the periods presented in this report;
4. Guangshen’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Guangshen and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Guangshen, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of Guangshen’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in Guangshen’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, Guangshen’s internal control over financial reporting; and
5. Guangshen’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Guangshen’s auditors and the audit committee of Guangshen’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Guangshen’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in Guangshen’s internal control over financial reporting.

Date: April 27, 2016

/s/ Hu Lingling
Hu Lingling
General Manager

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

I, Tang Xiangdong, principal financial officer of Guangshen Railway Company Limited (“Guangshen”), certify that:

1. I have reviewed this annual report on Form 20-F of Guangshen;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Guangshen as of, and for, the periods presented in this report;
4. Guangshen’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Guangshen and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Guangshen, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of Guangshen’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in Guangshen’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, Guangshen’s internal control over financial reporting; and
5. Guangshen’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Guangshen’s auditors and the audit committee of Guangshen’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Guangshen’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in Guangshen’s internal control over financial reporting.

Date: April 27, 2016

/s/ Tang Xiangdong

Tang Xiangdong
Chief Accountant

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Guangshen Railway Company Limited, or the Company, on Form 20-F for the period ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, or the Report, the undersigned hereby certify that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2016

/s/ Wu Yong

Wu Yong

Chairman of the Board of Directors

A signed original of this written statement required by Section 906 has been provided to Guangshen Railway Company Limited and will be retained by Guangshen Railway Company Limited and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Guangshen Railway Company Limited, or the Company, on Form 20-F for the period ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, or the Report, the undersigned hereby certify that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2016

/s/ Hu Lingling
Hu Lingling
General Manager

A signed original of this written statement required by Section 906 has been provided to Guangshen Railway Company Limited and will be retained by Guangshen Railway Company Limited and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Guangshen Railway Company Limited, or the Company, on Form 20-F for the period ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, or the Report, the undersigned hereby certify that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2016

/s/ Tang Xiangdong
Tang Xiangdong
Chief Accountant

A signed original of this written statement required by Section 906 has been provided to Guangshen Railway Company Limited and will be retained by Guangshen Railway Company Limited and furnished to the Securities and Exchange Commission or its staff upon request.