



GUANGSHEN RAILWAY COMPANY LIMITED



ANNUAL REPORT 2000

Company Profile

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

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

The Guangshen Railway, which is under the independent and autonomous operation by the Company, is 147 kilometres long and traverses the Pearl River Delta in Guangdong Province, a region of rapid economic growth. With its favourable location, the Guangshen Railway links up major rail networks of southern China, including the Beijing-Guangzhou, Beijing-Jiujiang, Sanshui-Maoming, Pinghu-Nantou, Pinghu-Yantian lines and the Kowloon-Canton Railway (“KCR”) in Hong Kong. It is the only railway channel that leads to Hong Kong from Inland China and serves as an important component of transportation network of southern China.

The principal businesses of the Company are railway passenger and freight transportation between Guangzhou and Shenzhen and the Hong Kong through train passenger service under a cooperative arrangement with the KCR in Hong Kong. The Company provides consolidated services relating to railway facilities and technology. The Company also engages in commercial trading and other businesses that are consistent with the Company’s overall business strategy.



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

In 2000, the Company further developed its High-Speed Programme. It operated in total 37 pairs, or round trips, of high-speed passenger train services per day. It completed the speed-raising project of its two high-speed tracks, which meet the technical requirements for trains to run at a speed of up to 210 kilometres per hour. The Company has purchased a Xin Shi Su high-speed electric train and 5 high-speed locomotives which the Company used to lease. In addition it leased eight domestic-made high-speed electric trains which have been named as “the Blue Arrow” Xin Shi Su that run at a speed of up to 210 kilometres per hour. These high-speed trains will be delivered to the Company for operation before the end of 2001. The first of these high-speed trains was put into operation on the Guangshen Railway on 28th December, 2000, which marks the inauguration of the Company’s “As-frequent-as-buses” High-speed Passenger Service Project.

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

The Guangshen Railway is one of the most profitable railways in the PRC, with revenues and profits per operating mileage from its passenger and freight transportation services ranking at a leading position in the railway industry in the PRC.

The Company’s services cover regions including Guangzhou, Zhuhai, Zhongshan, Shunde, Zengcheng, Dongguan, Panyu, Shenzhen and Hong Kong. Its passenger and freight services have become an integral part of the economy of Guangdong and Hong Kong, and of the lives of the citizens in these areas. The Company believes that with the continued growth of the economies of Guangdong and Hong Kong and with the improved transportation environment, the Company will benefit from increasing growth in demand for rail transportation in those markets and have a more extensive development prospect.

Financial Highlights

Audited Consolidated Income Statement

For the Year Ended December 31, 2000

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

	2000	1999
Turnover	1,980,398	1,818,816
Operating profit	519,405	477,920
Profit before tax	590,687	579,868
Income tax expense	(99,380)	(50,229)
Minority interests	782	35
Net profit for the year	492,089	529,674
Earnings per share	RMB0.11	RMB0.12
Earnings per ADS	RMB5.68	RMB6.11
Dividend per share	RMB0.12 *	RMB0.10 *
Dividend per ADS	RMB6.00 *	RMB5.00 *

* During the year, the Company changed its accounting policy with respect to the revised International Accounting Standard 10 “Events After the Balance Sheet Date”, which states that dividends proposed or declared after the balance sheet date should not be recognised as a liability at the balance sheet date. This change in accounting policy has been accounted for retrospectively. The comparative statement for 1999 has been restated to conform to the changed policy. Therefore, the above Dividend per share and Dividend per ADS were calculated based on the dividends declared by the Company in current year.

Breakdown of Total Revenues





The Company will continue to focus on maximizing operating efficiency by further enhancing its market share, its technological advantages and favourable policies it enjoys, building the Guangshen Railway into a highly profitable modern railroad company offering high-speed, high-technology and frequent transportation services

Chairman's Statement



Mr. Zhang Zhengqing, Chairman of the Board

Dear Shareholders,

I am pleased to present the audited operating results of Guangshen Railway Company Limited (the "Company") and its subsidiaries for the year ended 31st December, 2000.

During the year, the Company further developed its High-Speed Programme and began to implement its "As-frequent-as-buses" High-speed Passenger Service Project. The Company has completed the speed-raising project of its two high-speed tracks, which allows trains to run up to a maximum speed of 230 kilometres per hour and thus, the project meets the technical requirements for the operation of high-speed trains. The Company purchased a Xin Shi Su high-speed electric train and five high-speed locomotives which the Company used to lease. It leased eight domestic-made high-speed electric trains (which have been named as "the Blue

Arrow" Xin Shi Su) that run at a speed of up to 210 kilometres per hour. These high-speed trains will be delivered to the Company for operation before the end of 2001. The first of these high-speed trains was put into operation on the Guangshen Railway on 28th December, 2000.

Operating Results

For the year ended 31st December, 2000, turnover of the Company and its subsidiaries was RMB1,980.4 million, profit attributable to shareholders was RMB492.1 million, and earnings per share were RMB0.11. These results were achieved by the Company in the circumstances when the regional economy was growing but competition from other modes of transportation remained fierce. The achievement was the result of continued enhancement of marketing strategies and increase of passenger train services of the Company.

The Board of Directors of the Company (the "Board") has recommended a final dividend of RMB433,555,000 for the financial year ended 31st December, 2000, which is equal to RMB0.10 per share. Such a dividend is subject to the approval of the shareholders at the AGM, scheduled to be held on 8th May, 2001 at the Company's headquarters in Shenzhen, Guangdong Province, the PRC. The final dividend will be paid to the Company's shareholders whose names appear on the register of members of the Company (the "Register of Members") on 6th April, 2001.

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

Overview of the Company's Performance

During the year of 2000, the growth in both the regional economy of the Company's service territory and the economy in Hong Kong generated growth in demand for railway transportation. The Company, however, still faced tough competition from highway and water transportation in both its passenger and freight transportation businesses.

Passenger Transportation

In 2000, the Company has taken a series of market-oriented measures in response to the changes in market. These measures include: enhancing its market promotion and strategies, making timely adjustment to its train time schedule, making scientific arrangement of train stops, optimizing technical and organizational measures of its passenger transportation sector, and timely increasing its train frequency. As a result, the Company's passenger transportation business has experienced continued growth. Starting from October, 2000, the Company operated 83 pairs, or round trips, of passenger trains per day. These 83 pairs include 31 pairs of high-speed passenger train between Guangzhou and Shenzhen (two of which operated during peak seasons of holidays or vacations), 16 pairs of regular-speed passenger trains between Guangzhou and Shenzhen, 6 pairs of high-speed Hong Kong through trains and 1 pair of regular-speed passenger through trains between Zhaoqing and Kowloon, and 29 pairs of domestic long-distance passenger trains.



Chairman's Statement

In response to the market changes, the Company made slight adjustments to its passenger fares during peak seasons. These adjustments are as follows (all prices are calculated in RMB):

1. During the 12-day period from 24th January to 4th February, 2000, ticket prices for the 10 additional pairs of long distance passenger trains crossing the operating areas of Guangzhou Railway (Group) Company during the Lunar New Year holidays were increased. These ticket prices were determined in accordance with different standards implemented by different local railways, which were on average approximately 30% higher than that of the national pricing standard.
2. During the 11-day period from 24th January to 3rd February, 2000, ticket fares for the original 24 pairs and the additional 15 pairs long-distance passenger trains during the Lunar New Year holidays were increased by 20% on premium class passenger trains. Fares were increased by 30% on the other regular-speed passenger trains.
3. During the 46-day period from 25th January to 24th February, from 30th April to 7th May and from 1st to 7th October, 2000, fares were increased by RMB5 per single trip on all high-speed passenger trains operating between Guangzhou and Shenzhen. That is, fares on "Xin Shi Su" high-speed trains were adjusted to RMB85 from RMB80 per single trip between Guangzhou and Shenzhen, fares on other non-stop high-speed passenger trains were adjusted from RMB75 to RMB80 per single trip between Guangzhou and Shenzhen, and fares on high-speed passenger trains making stops at intermediary stations were adjusted from RMB70 to RMB75 per single trip between Guangzhou and Shenzhen.
4. During the 31-day period from 25th January to 24th February, 2000, hard-seat fares on the regular-speed passenger trains were adjusted from RMB41 to RMB48 per single trip between Guangzhou and Shenzhen, representing an increase of approximately 17%.
5. The Company continued to offer discounts to group tourists taking the Hong Kong through trains.
6. From 1st July, 2000, the Company had begun adjusting the fare of its regular-speed trains between Guangzhou and Shenzhen either upwards or downwards to make the unit digit of the fare to be either RMB5 or RMB10, depending on the travelling distance. For example, a fare originally costing RMB11 was adjusted to RMB10, a fare of RMB43 was adjusted to RMB45, a fare of RMB48 was adjusted to RMB50. Regular-speed train fares were increased on average by approximately 10% after these adjustments.

In 2000, the Company successfully completed the speed-raising projects of its two high-speed tracks, the construction of the West Wing of Shenzhen Railway Station, and the electrification of its third track. It also purchased a Xin Shi Su high-speed electric train and 5 high-speed locomotives which the Company used to lease. It signed a contract to lease 8 domestic-made high-speed electric trains. In addition, the Company enhanced its personnel training and upgraded its passenger transportation services in all related aspects. These measures effectively enhanced the Company's overall competitiveness.

During the year, the passenger transportation business of the Company continued to grow. The total number of passengers carried by the Company for the year was 34.947 million, representing an increase of 10.5% over last year. Among all those passengers conveyed, 14.905 million passengers were travelling on the Guangzhou-Shenzhen route, representing an increase of 11.7% over last year and

7.24 million out of which were those taking the Guangzhou-Shenzhen high-speed trains, which represents an increase of 27.2% over that of last year. The number of passengers taking the Hong Kong through trains was 1.906 million, representing an increase of 13.6% over that of last year. Domestic long-distance passenger volume was 18.136 million, representing an increase of 9.1% when compared with that of last year. Passenger transport revenues for 2000 were RMB1237.3 million, representing an increase of 11% over last year.

Freight Transportation

In 2000, the Company took a series of positive measures to enhance its freight business. These measures include: (1) strengthening its marketing efforts and continuing with the practice of freight agency system for the whole journey; (2) joining efforts of its freight stations with those of local ports to promote and organize multi-modal freight transport services; (3) organizing and operating container freight trains; (4) implementing a marketing strategy of increasing its unloading business of freight to make up for the shortage of loading business, while at the same time improving its solicitation of inbound freight; (5) strengthening its cooperation with professional markets to

establish a steady source of freight; and (6) with the approval by Guangzhou Railway (Group) Company or the Ministry of Railways (“MOR”), implementing a 10% discounted pricing to freight in large quantities solicited from new freight sources. With these measures, the Company carried a total of 28.733 million tons of freight for the year, representing an increase of 3.4% over that of last year. Among the total tonnage of freight, 6.508 million tons were outbound freight, representing an increase of 1.3% when compared with that of last year. Inbound freight was in total 13.366 million tons, which was an increase of 5.3% over that of the previous year. Pass-through freight was 8.859 million tons, representing an increase of 2.3% over that of last year. This is the first overall growth in the freight transportation business of the Company since 1998.

The Company’s freight transportation business grew at a slower pace than its passenger transportation business due to the following factors: (1) the PRC government adjusted its industrial structure and its import and export policies, resulting in a reduction of tonnage of cargo such as imported chemical fertilizers and ordinary steel material; and (2) there was keen competition from the road and water transportation of cargo.



Chairman's Statement

In 2000, the Company's freight transportation revenues were in total RMB549.7 million, representing an increase of 2.2% over that of last year. Revenues generated from outbound freight transportation services were RMB95.1 million, representing a decrease of 7.5% when compared with that of the previous year. Revenues generated from inbound and pass-through freight services were RMB259.0 million, representing an increase of 8.8% over that of last year. Income from storage, loading and unloading services and other incomes amounted to RMB195.6 million, representing a decrease of 0.8% from that of last year.

Corporate Governance

In 2000, the Company fully implemented the ISO 9000 standards. It continued to explore growth potential, enhance efficiency, open up new income sources, focus on its internal management, optimize its transportation structure, improve further its quality in passenger and freight transportation, improve the efficiency of its locomotives and passenger coaches and increase the efficiency of its operation and management.

Future Prospects

The Company will continue to focus on maximizing operating results by further enhancing its market share, its technological advantages and favourable policies it enjoys. It will bring into full play strategies of upgrading its transportation facilities and vehicles, enhancing marketing efforts, expanding its capital, introducing modern and advanced management mechanism, and better training and developing its human resources. The Company will continue to build the Guangshen Railway into a highly profitable modern railroad company offering high-speed and frequent transportation services making use of high technology. The Company will make Guangshen Railway to become a safe, comfortable, fast and convenient passenger passage, with trains operated

as frequent as buses, linking up the three major cosmopolises of Guangzhou, Shenzhen and Hong Kong. The Company intends to position itself as an enterprise with the most rapid growth in terms of passenger and freight transportation business and become a transportation enterprise with the most outstanding overall operating results. To achieve this goal, the Company plans to implement the following development projects starting from 2001:

1. **The construction project of the fourth electrified track between Guangzhou and Shenzhen (the fourth track with regular-speed):** To prepare for the future growth in passenger and freight transportation and to cope with the market competition, the Company plans to build the fourth electrified track. The project complied with the PRC's industrial structure policies and is in line with the Company's business strategies. The preliminary feasibility report of the project has been passed, and is now in the process of obtaining the approval for the establishment of the project by the relevant authorities. When the project is completed, the Company will be able to satisfy the increased demand in transportation through the Guangshen Railway resulting from the completion of the electrification of the Beijing-Guangzhou rail line, the construction of the second track of the Beijing-Jiujiang rail line, and the construction of the Shenzhen subway. The project is expected to contribute to a rapid growth in the core businesses of both passenger and freight transportation of the Company and to be a new potential area for economic growth of the Company.

The total investment for this project is estimated to be RMB3,600 million. The Company plans to commence construction in the second half of 2001. It is expected that the project will be completed in 3 years.



2. **The issue of not more than 550 million A shares:** The Company plans to issue up to a maximum of 550 million A shares by way of a public offer to raise approximately RMB1,980 million to finance the construction of its fourth electrified railway track between Guangzhou and Shenzhen. The project was approved at the extraordinary general shareholders' meeting held on 8th February, 2001, and has been progressing smoothly.
3. **The "as-frequent-as-buses" passenger transport project:** The Company plans to lease by the end of this year 8 domestic high-speed electric train sets to enable a time schedule of operating a pair of high-speed trains at intervals of 15 to 20 minutes during peak hours. After the completion of construction of the fourth electrified track, the Company plans to purchase or lease an appropriate number of additional electric high-speed train sets to enable high-speed trains to operate at intervals of 10 to 15 minutes on its high-speed tracks. The Company will also devote itself to the development of internet ticketing service and magnetic card tickets in order to offer more convenience to passengers and to increase its passenger volume.

Starting from 1st March, 2001, the Company increased 2 pairs of long-distance passenger train services, one pair from Shenzhen to Fuzhou and the other from Guangzhou East to Xiamen. It plans to operate an additional pair of Hong Kong passenger through train services connecting Dongguan and Kowloon, Hong Kong from June, 2001 at weekends and on public holidays.

4. **The project to participate in the telecommunication business:** The Company intends to lease its existing communication assets to China Railway Communications and Information Company of the MOR so as to maximize the value of such assets. The cooperation is subject to further discussion.

In its freight transportation business segment, the Company expects to benefit from the following factors: (1) the economies of Guangdong and Hong Kong have continued to grow, which has resulted in rapid growth of import and export activities, thus stimulating more demand for railway freight transportation; (2) with effect from 15th May, 2000, the MOR cancelled the basic dispatching and arrival charges on freight on the section north of Longchuan on the Beijing-Jiujiang Line dispatched by the Company or arriving in the Company's

Chairman's Statement

service territory (without affecting the Company's own freight transportation charges), which should help to increase the freight transportation volume of the Company; (3) the commencement of the freight transportation business on the Zhanzhou-Longchuan rail line (i.e., the rail line connecting Zhanzhou, Fujian Province and Longchuan, Guangdong Province) in October 2000. The launch of operation of this rail line can shorten the freight transportation mileage by 780 kilometres between Guangzhou and Xiamen, which should benefit the Company to attract inbound freight from Fujian Province to the Company's service territory or outbound freight to be dispatched through the Company's line to destinations in Fujian Province. The Company will attempt to take advantage of these factors and continue to take measures to achieve steady and continued overall growth of its freight transport business. These measures will include the enhancement of solicitation of both outbound and inbound freight, continuous development of its multi-modal freight transport services, the promotion of agency services for the whole journey of freight transportation, focusing on the operation of its "five special express" freight trains, and coordinating efforts with regional ports for the marketing and sale of freight transportation services.

The PRC government will continue to implement its active financial and steady monetary policies and to adjust the structure of the economy. It will gradually open its domestic markets, loosen its control over foreign investment, develop the economy in the western part of the PRC, and hasten the pace to enter into the WTO. Guangdong and Hong Kong are likely to cooperate in a wider range of economic aspects and in a faster pace. Those factors are believed to be of specific benefit to the continuity of rapid economic growth in the Company's service territory. The Company's management believes that both its passenger and freight transportation services are now situated in a favourable economic environment and are expected to experience continuous overall growth in 2001.

The Company achieved relatively good operating results during the past year despite fierce competition it faced. The achievements have been made through strengthening its marketing measures, creating new competitive advantages and further improving its operation. I would like to express my sincere gratitude to the management and all the employees of the Company for their diligence and hard work, as well as to our shareholders for your kind support and confidence in the Company. I believe that the Company will generate better results in the coming year for our shareholders.

Zhang Zhengqing
Chairman of the Board

Shenzhen, the PRC
13th March, 2001



The Company's high-speed trains have become the first choice of transportation between Guangdong and Hong Kong

Management's Discussion and Analysis



Mr. Wu Yiquan, Director and General Manager

Total Business Revenues

In 2000, the Company's revenues from operations were approximately RMB1,980.4 million, representing an increase of approximately 8.9% from RMB1,818.8 million in 1999. Revenues from passenger and freight transportation accounted for approximately 69.2% and 30.8% respectively of the total revenues generated from the railroad businesses, and approximately 62.5% and 27.8% of the total revenues generated by the Company.

Passenger Transportation

Revenues from passenger transportation business were RMB1,237.3 million in 2000, representing an increase of 11.1% from RMB1,114.0 million in 1999. The table below illustrates the revenues from passenger transportation and the volume of passengers for the year ended 31st December, 2000 as compared with the same period last year.

	Year ended		Increase/ (decrease) from 1999
	31st December, 2000	31st December, 1999	
Revenues from passenger transportation (RMB thousands)	1,237,289	1,114,046	11.1%
— Domestic trains	960,532	852,810	12.6%
— Hong Kong through trains	276,757	261,236	5.9%
Total passengers (thousand persons)	34,947	31,639	10.5%
— Domestic trains	33,041	29,961	10.3%
— Hong Kong through trains	1,906	1,678	13.6%
Revenue per passenger (RMB)	35.40	35.21	0.5%
— Domestic trains	29.07	28.46	2.1%
— Hong Kong through trains	145.20	155.68	(6.7%)
Total passenger-kilometres (millions)	3,051.7	2,804.2	8.8%
Revenue per passenger-kilometre (RMB)	0.41	0.40	2.5%

In 2000, the Company recorded an increase in the total number of passengers and total passenger-kilometres of 10.5% and 8.8% respectively, whilst the overall revenue per passenger and overall revenue per passenger-kilometre also increased by 0.5% and 2.5% respectively.

In 2000, the number of long-distance passengers increased by approximately 9.1%. This was mainly due to (1) an increase of 5 pairs of domestic long-distance trains, increasing their daily frequency from 24 pairs to 29 pairs; (2) the Company's improvements in respect of the transit and boarding conditions of various stations, including Guangzhou East Station, Dongguan Station, Pinghu Station and Shenzhen Station; (3) the benefits attributable to the steady growth of the PRC's economy and other PRC government policies to promote tourism and the economy; and (4) the benefits of the overall improvement of transportation conditions of neighbouring railways.

The total number of passengers on the Guangzhou-Shenzhen line grew 11.7% from 1999, which was mainly attributable to (1) the increase in frequency of high-speed train services on 1st March and 21st October, 2000, resulting in an increase in Guangzhou-Shenzhen train services from 22 pairs to 29 pairs per day and 31

pairs per day during festivals and on public holidays; (2) the overall strategy of the Company to establish a brand name of "the High-speed Train" and the continuous improvement of overall services in accordance with the ISO9000 standards, which has helped the Company establish a good reputation among its passengers; and (3) the benefits of economic growth in Guangdong Province and Hong Kong, leading to an increase in business and other passengers.

The total number of passengers on the Hong Kong through trains rose by 13.6% in 2000 from approximately 1.678 million in 1999 to approximately 1.906 million in 2000 and total revenues from the Hong Kong through train passenger transportation service also increased from RMB261.2 million in 1999 to RMB276.8 million in 2000, representing an increase of approximately 5.9%. This was mainly due to (1) an increase of 3 pairs of Hong Kong through trains since 28th June, 1999 and the continued effective promotion of discounted fares to group tourists; (2) an improvement in the environment of train station and quality of services; and (3) the economic growth of Guangdong Province and Hong Kong, leading to an increase in business and other passengers travelling between the two places.

Management's Discussion and Analysis

Freight Transportation

Revenues from the Company's freight transportation in 2000 were approximately RMB549.7 million, representing an increase of approximately 2.2% from RMB538.0 million in 1999. Set out below are the revenues from the freight transportation and freight volume for the year ended 31st December, 2000 as compared with the year ended 31st December 1999.

	Year ended 31st December, 2000	Year ended 31st December, 1999	Increase/ (decrease) from 1999
Revenues from freight transportation (RMB thousands)	549,694	537,970	2.2%
Revenues from outbound freight	95,140	102,849	(7.5%)
Revenues from transit and inbound freight	259,017	237,993	8.8%
Revenues from storage, loading and miscellaneous items	195,537	197,128	(0.8%)
Total tonnage (thousand tonnes)	28,733	27,782	3.4%
Revenue per tonne (RMB)	19.13	19.36	(1.2%)
Total tonne-kilometres (millions)	2,071.6	2,082.1	(0.5%)
Revenue per tonne-kilometre (RMB)	0.27	0.26	3.8%

In 2000, due to the economic growth in the service territory of the Company, the demand for the Company's freight transportation services increased. However, further growth was restrained by: (1) the adjustment of the industrial structure and import/export policies by the PRC Government, leading to the decrease of tonnage of cargo such as imported chemical fertilizers and steel material; (2) the intensified competition from road transportation; and (3) the competition from water transportation operators as a result of the improvements of coastal and river ports and infrastructure.

Despite an increase of 1.3% in outbound freight volume, the revenues in this respect dropped by 7.5%. This was due to the decrease in volume of freight items transported for which the Company charges higher fees. On the other hand, due to the Company's expansion of sources of inbound freight and the increase of pass-through freight from the Beijing-Jiujiang line via the Company's line, the Company's pass-through and inbound freight volume rose to 22.22 million tonnes and revenues to RMB259.0 million. Meanwhile, as a result of the 10% to 30% discounts offered by the Company to cargo in large quantities solicited from new freight sources, revenues per tonne dropped from RMB19.36 in 1999 to RMB19.13 in 2000.

Due to the adjustments of the industrial structure and import/export policies by the PRC Government, the freight composition of the Company changed as follows:

	Outbound Freight		Inbound Freight	
	2000	1999	2000	1999
Construction materials	13.6%	12.4%	28.2%	27.2%
Energy products	18.8%	16.6%	17.9%	17.8%
Food products	10.4%	12.8%	22.2%	22.9%
Chemicals	12.6%	14.2%	11.0%	10.7%
Manufactured goods	6.5%	6.4%	4.0%	3.5%
Containers	9.8%	11.1%	5.9%	5.7%
Other goods	28.3%	26.4%	10.8%	12.2%
Total	100%	100%	100%	100%

Other Businesses

Revenues from the Company's other businesses in 2000 were approximately RMB193.4 million, representing an increase of 15.9% from RMB166.8 million in 1999. Such increase was mainly due to the increase in rental income and the development of tourism and advertising businesses.

The gross profit of other businesses also increased by 17.6% from RMB61.12 million in 1999 to RMB71.88 million in 2000. Revenues from other businesses of the Company in 2000 accounted for approximately 9.8% of the total revenues.

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

Category of Activity	2000 (in RMB thousands)	1999 (in RMB thousands)
On-board and station sales	58,030	55,487
Station services	65,934	59,123
Tourism, advertising and others	69,451	52,190
Total	193,415	166,800

Management's Discussion and Analysis

Operating Expenses of the Railroad Businesses

In 2000, the Company's railroad business operating expenses were approximately RMB1,297.5 million, representing an increase of approximately 9.1% from RMB1,189.6 million in 1999. The increase in operating expenses was mainly attributable to (1) an increase in staff payroll and welfare expenses of RMB22.18 million as a result of an increase in passenger transport services and workload; (2) an increase in oil prices and additional electric train services, leading to an increase of materials and

supplies expenses of approximately RMB14.32 million; (3) housing losses of approximately RMB18.06 million in relation to employee housing; (4) an increase in depreciation expense of RMB12.28 million as a result of the commencement of operation of the newly acquired trains and the electrification of the third track; and (5) additional expenses of RMB30.98 million in respect of equipment leases and services and repair costs (excluding materials and supplies) as a result of additional train services.



The following table sets forth the principal operating expenses associated with the Company's railroad business as a percentage of railroad business revenues:

	Year ended 31st December,	
	2000	1999
Railroad business revenues (RMB millions)	1,787	1,652
Labor and benefits	15%	15%
Equipment leases and services	15%	15%
Materials and supplies	7%	6%
Repair costs, excluding materials and supplies	5%	5%
Depreciation	18%	19%
Fees for social services	3%	3%
General and administrative expenses	7%	6%
Others	3%	3%
Operating ratio (see note below)	73%	72%
Railroad business operating margin	27%	28%

Note: The operating ratio indicates total railroad operating expenses as a percentage of railroad business revenues.



Management's Discussion and Analysis



Operating Profits and Profits After Tax

The overall operating profit of the Company recorded an increase of 8.7% from RMB477.9 million in 1999 to RMB519.4 million in 2000. However, profit after tax dropped by 7.2% from RMB529.6 million in 1999 to RMB491.3 million in 2000. This was mainly due to (1) the expiration of the preferential 50% discount on the Company's income tax in respect of the operation of the Guangzhou-Shenzhen high-speed train services on 31st December, 1999, resulting in the Company being subject to a 15% income tax rate effective from January 2000, and affecting the net profits of the Company by approximately RMB41.51 million; and (2) the decrease of cash balances and temporary cash investments, and a downward adjustment of RMB interest rates, resulting in a decrease in interest income of approximately RMB14.26 million.

Year ended 31st December, 2000 compared with year ended 31st December, 1999

Total revenues from the Company's railroad businesses increased by 8.2% to RMB1,787 million in 2000 from RMB1,652 million in 1999. Operating profit increased by 8.7% to RMB519.4 million in 2000 from RMB477.9 million in 1999. Net profit decreased by 7.1% to RMB492.1 million in 2000 from RMB529.7 million in 1999.

Passenger transportation revenues increased by 11.0% to RMB1,237 million in 2000 from RMB1,114 million in 1999. Freight transportation revenues increased by 2.2% to RMB549.7 million in 2000 from RMB538.0 million in 1999. Revenues from other businesses increased 15.9% to RMB193.4 million in 2000 from RMB166.8 million in 1999. Total revenues of the Company increased by 8.9% to RMB1,980 million in 2000 from RMB1,819 million in 1999, as a result of the factors mentioned hereinbefore.

Total operating expenses increased by 8.9% to RMB1,461 million in 2000 from RMB1,341 million in 1999. Railroad operating expenses increased by 9.0% to RMB1,297 million in 2000 from RMB1,190 million in 1999. Such increases were due to the factors mentioned hereinbefore.

Cost of sales of other businesses increased to RMB121.5 million in 2000 from RMB105.7 million in 1999. General and administrative expenses decreased to RMB41.99 million in 2000 from RMB45.57 million in 1999, due to the reasons mentioned hereinbefore.

The overall operating profit of the Company grew by 8.7% to RMB519.4 million from RMB477.9 million in 1999 and its operating margin decreased from 26.3% to 26.2%, as a result of the factors mentioned hereinbefore. The operating margin on its railroad businesses decreased from 28.0% in 1999 to 27.4% in 2000, and the operating margin on its other businesses increased from 9.3% in 1999 to 15.5% in 2000. In 2000, the railroad business operating profit contributed 94.2% of total operating profit, representing a decrease of 2.5% compared with 96.7% in 1999.

Profit before taxation increased by 1.9% to RMB590.7 million in 2000 from RMB579.9 million in 1999. Provision for taxation increased to RMB99.38 million in 2000 from RMB50.23 million in 1999. Profit attributable to shareholders decreased by 7.1% from RMB529.7 million in 1999 to RMB492.1 million in 2000.

Liquidity and Capital Resources

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

The Company generated approximately RMB729.2 million in net cash flow from operating activities. Substantially all of the Company's railroad business revenues are received in cash, with accounts receivable arising primarily from long distance passenger and pass-through freight transactions originating from other railroads whose lines connect to the Company's line. Similarly, some accounts payable arise from payments for railway transportation services that the Company collects on behalf of other railroads. Accounts receivable and payable are generally settled either quarterly or monthly between the Company and other PRC railroads. Most of the Company's revenues of other businesses are received in cash. These businesses, however, also have payables associated with purchases of materials and supplies.

In 2000, the Company's primary capital requirements were for the upgrade and expansion of its facilities. In 1991, the Company began implementing an approximately RMB7,350 million multi-year capital expenditure programme. It includes an upgrade of its existing infrastructure, construction of the West Wing of Shenzhen Station and the electrification of the Company's third track. As of 31st December, 2000, the project had been completed in principle and the Company had invested a total of approximately RMB7,400 million, of which approximately RMB504.3 million was invested in 2000. Most of the expenditures were financed by the cash flow from operations.

Other uses of funds in 2000 included meeting working capital needs and payment of taxes and dividends. Funds not needed in the short term are kept in short and medium-term investments and bank deposits.

The Company is of the opinion that it has sufficient working capital to satisfy its present requirements.



Guangshen Railway is currently the only high-speed railway in the PRC

Report of Directors



The Board of Directors of the Company. From left: Li Qingyun, Li Peng, Wu Yiquan, Deborah Kong, Zhang Zhengqing, Chang Loong Cheong, Li Daihua, Shen Jun, Wu Houhui

The Board is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries for the year ended 31st December, 2000.

Principal Activities and Results

The principal activities of the Company and its subsidiaries are railroad passenger and freight transportation, provision of railway facilities and technical services, and the sale of food, beverages and merchandise aboard trains and in train stations.

The operating results of the Company and its subsidiaries for the year ended 31st December, 2000 and the financial positions of the Company and its subsidiaries as of 31st December, 2000 are set out in the Consolidated Income Statement and Balance Sheets prepared in accordance with International Accounting Standards (“IAS”) on page 49 and page 48 of this annual report, respectively.

Proposed Profit Appropriation

For the year ended 31st December, 2000, the appropriations of profit as dividends and reserves as proposed by the Board are set out in Note 31 and Note 15 to the financial statements, respectively.

Dividends

The Company did not declare any interim dividend for the six months ended 30th June, 2000.

Report of Directors

Dividends *(Cont'd)*

The Board decided on 13th March, 2001 to recommend to the shareholders a final dividend of RMB0.10 per share payable to all shareholders for the year ended 31st December, 2000.

Shareholders whose names appear on the Register of Members on 6th April, 2001 will qualify for the final dividend. The Register of Members for H shares will be closed from 6th April, 2001 to 8th May, 2001, both days inclusive.

In order for holders of H shares to qualify for the final dividend, all transfer forms must be lodged, together with the relevant share certificates, at the Company's share registrars, Hong Kong Registrars Limited, 2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong before 4:00 p.m. on 4th April, 2001, the last trading day before the Register of Members is closed.

Details concerning the final dividend payments to holders of H shares are to be announced after the approval by the shareholders at the AGM, which is to be held on 8th May, 2001. The specific date and procedure for the payment of the final dividends will be separately announced.

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

Bank Loans and Other Borrowings

As of 31st December, 2000 the Company had no bank loans.

Overdue Time Deposits

As of 31st December, 2000 the Company deposited approximately RMB1,147 million with financial institutions, among which RMB31,365 million were not paid back to the Company upon maturity. The Company has obtained judgement in its favour regarding the unpaid time deposits. However, as the judgement debtor was under restructuring, the Court ordered a stay of execution of the judgement obtained by the Company. The Company has acted actively and was granted support from the relevant government authorities. Issues concerning repayment of such deposits are being discussed and handled. The said overdue time deposit accounts for approximately 0.3% of the Company's net assets and 1.8% of the Company's cash and deposits, respectively, and has no material impact on the capital usage and operations of the Company.

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

Entrusted Deposits

As of 31st December, 2000, the Company did not have any entrusted deposits placed with any financial institutions in the PRC.

Interest Capitalized

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

Fixed Assets

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

Taxation

As the Company was registered and established in the Shenzhen Special Economic Zone of the PRC, it is subject to income tax at 15%. The reduced rate is 18% lower than that of the standard income rate for PRC companies of 33%. The preferential 50% discount on the Company's income tax in respect of the operation of its high-speed rail line as a project utilising advanced and new technology was expired at the end of 1999. The Company was subject to the 15% tax rate for Shenzhen enterprises in 2000. Details regarding taxation of the Company and its subsidiaries are set out in Note 19 to the financial statements.

The Company does not have any items covered by the PRC's tax return policies which ceased to be effective from 1st January, 2000.

Reserves

Changes in the reserves of the Company and its subsidiaries during the year are set out in Note 15 to the financial statements.

Report of Directors

Statutory Common Welfare Fund

Details of the Company's statutory common welfare fund are set out in Note 15 to the financial statements.

Subsidiaries

Details of the Company's principal subsidiaries as of 31st December, 2000 are set out in Note 5 to the financial statements.

Equipment and Maintenance

The Company owns 17 semi-high-speed diesel locomotives, 5 high-speed electric locomotives, 21 shunting locomotives, 1 high-speed electric passenger train, 115 high-speed passenger coaches and 53 regular-speed passenger coaches. The Company leases a daily average of 21 regular-speed passenger coaches and 50 regular-speed locomotives from Yangcheng Railway Company for part of its regular-speed passenger service and for the hauling of its freight trains between Guangzhou and Shenzhen. The freight cars used by the Company are all leased from the MOR, to which the Company pays uniform rental fees and depreciation fees based on the national standards set by the MOR.

The Company has actively taken advantage of its advanced and new technology to renovate its passenger service facilities and upgrade its passenger transport services. Currently, the two high-speed tracks owned by the Company are the only tracks in the PRC which meet technical requirements to allow trains to run at a speed of 210 kilometres per hour.

Information Relating to the Original Issue and Listing

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

	H Shares listed in Hong Kong (HK\$/H share)	ADSs listed in New York (US\$/ADS)
Issue price	2.91	19.00
Highest traded price during 2000	1.26	7.625
Lowest traded price during 2000	0.70	4.56
Opening price on the first trading day of 2000	0.88	5.75
Closing price on the last trading day of 2000	0.97	6.06
Total transaction volume for 2000	2,382,976,783	9,230,000

A Share Issue

The Company convened an extraordinary general meeting on 8th February, 2001, at which A share issue was approved.

- | | | |
|-----|-----------------------------------|---|
| (1) | Class of securities to be issued: | Domestic listed RMB denominated ordinary shares (“A Shares”). |
| (2) | Number of A Shares to be issued: | Not more than 550 million shares of nominal value of RMB1.00 each. |
| (3) | Proposed place of listing: | Shanghai Stock Exchange. |
| (4) | Target subscribers and markets: | <i>Target Subscribers</i>

Natural persons and institutional investors (except those prohibited by the PRC laws or regulations) within the PRC.

<i>Target Markets</i>

All securities trading centres in the PRC that are within the system network of Shanghai Stock Exchange |
| (5) | Issuing mechanism: | A “book-building” process will be conducted to determine the issue price and a combination of offline placing and online issue will be adopted. |
| (6) | Use of proceeds: | The proceeds of the A Share Issue are intended to be used to finance the construction of the fourth track of Guangshen Railway. The total construction costs of the project is estimated to be around RMB3,600 million. The details of the A Share Issue will be disclosed in the Prospectus. |
| (7) | Conditions for implementation: | The A Share Issue was approved in the extraordinary general meeting. Upon the approval by the State in respect of the establishment of the project of construction of the fourth track of Guangshen Railway, the Board will, subject to compliance with the Company Law of the PRC and the relevant policies and regulations, submit the A Share Issue to the China Securities Regulatory Commission for approval and to proceed with implementation accordingly. |

Upon implementation of the A Share Issue, the total share capital of the Company will be increased to not more than 4,885 million shares.

Report of Directors

Share Capital Structure

As of 31st December, 2000, the Company's share capital consisted of :

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

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

Substantial Shareholders

As of 31st December, 2000, holders of 10% or more of the Company's shares were as follows:

Name of shareholder	Number of shares ('000)	Percentage of share capital (%)
Guangzhou Railway (Group) Company	2,904,250	66.99
HKSCC Nominees Limited	1,387,619	32.01

As of 31st December, 2000, holders of H shares of 10% or more of the Company's issued share capital as recorded in the Central Clearing System of HKSCC Nominees Limited were as follows:

Name of shareholder	Number of shares ('000)	Percentage of share capital (%)
Hongkong and Shanghai Banking Corporation (Nominees) Limited	760,509	53.13
Standard Chartered Bank	146,471	10.23

Other than the information stated above, the Company is not aware of any interests required to be recorded by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance (Cap 396 of the Laws of Hong Kong) ("SDI Ordinance") as of 31st December, 2000.

Purchase, Sale and Redemption of Shares

During 2000, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

At the annual general meeting of shareholders of the Company, extraordinary general meetings of holders of domestic shares and holders of H shares of the Company held on 8 June 2000, the Board was conditionally granted the authority to repurchase during the relevant period H shares up to 10% of the aggregate nominal amount of the H shares of the Company in issue at the date of passing the relevant resolutions. Approval is yet to be obtained from the relevant government authorities and the mandate has not yet been exercised.

Use of Proceeds

The total net proceeds from the Company's initial public offering in May 1996 were equivalent to RMB4,214 million. As of 31st December, 1998, the net proceeds were fully utilized by the Company. Amongst the net proceeds received, RMB2,276 million was invested in the High-Speed Programme and its ancillary projects (including the electrification project), RMB330 million was used for the purchase of high-speed rolling stock, RMB1,240 million was used for repayment of debt to the parent company of the Company and RMB368 million was used as repayment of short-term bank loans and as working capital.

Pre-emptive Rights

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

Confirmation by Independent Non-executive Directors of Connected Transactions

The independent non-executive directors of the Company confirmed that the connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) that were entered into by the Company during 2000 were entered into in the ordinary and usual course of its business, were entered into either on normal commercial terms or on terms that were fair and reasonable so far as the shareholders were concerned, or in accordance with the terms of an agreement governing such transactions or, where there was no such agreement, on terms no less favorable than those offered to third parties.

Report of Directors

Directors, Supervisors and Senior Management

Information relating to the Company's directors, supervisors and senior management as of 13th March, 2001 is as follows:

Name	Age	Position	Nationality
Directors:			
Zhang Zhengqing	59	Chairman of the Board	Chinese
Li Daihua	58	Director	Chinese
Wu Yiquan	57	Director and General Manager	Chinese
Li Qingyun	37	Director and Deputy General Manager	Chinese
Wu Houhui	52	Director	Chinese
Shen Jun	51	Director	Chinese
Li Peng	55	Director and Chairman of the Trade Union	Chinese
*Chang Loong Cheong	55	Director	Hong Kong SAR, the PRC
*Deborah Kong	41	Director	Australian
Supervisors:			
Gu Hongxi	54	Chairman of the Supervisory Committee	Chinese
Zhao Genrong	56	Supervisor	Chinese
Chen Yunzhong	49	Supervisor	Chinese
Yao Muming	48	Supervisor	Chinese
Zeng Xiangqiu	59	Supervisor	Chinese
Zhu Delin	39	Supervisor	Chinese
Other Senior Management:			
Chen Jianfu	56	Deputy General Manager	Chinese
Luo Qingming	44	Deputy General Manager & Chief Engineer	Chinese
Ye Yongming	45	Deputy General Manger	Chinese
Yan Ping	41	Deputy General Manger	Chinese
Yao Xiaocong	48	Chief Accountant and Company Secretary	Chinese

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

On 6th April, 2000, resolutions were passed at the fourth meeting of the second Board to discharge Mr. Liao Xuezhi as Deputy General Manager and to appoint Mr. Li Qingyun as Deputy General Manager of the Company.

Directors, Supervisors and Senior Management *(Cont'd)*

On 8th June, 2000, resolutions were passed at the Company's annual general meeting to terminate the appointment of Mr. Liao Xuezhi and Mr. Zhao Genrong as directors of the Company, to terminate the appointment of Mr. Shen Jun as a supervisor of the Company's supervisory committee, to elect Mr. Li Qingyun and Mr. Shen Jun as new directors of the Company and to elect Mr. Zhao Genrong as a new supervisor of the Company.

On 30th August, 2000, resolutions were passed at the fifth meeting of the second Board to discharge Mr. Chen Meisheng as Deputy General Manager and to appoint Mr. Ye Yongming as Deputy General Manager of the Company.

On 7th December, 2000, resolutions were passed at the sixth meeting of the second Board to discharge Mr. Wen Jiyuan as Deputy General Manager of the Company.

On 8th February, 2001, resolutions were passed at the extraordinary general meeting of shareholders of the Company to terminate the appointment of Mr. Sun Renkun as a supervisor of the Company's supervisory committee and to elect Mr. Chen Yunzhong as a new supervisor of the Company.

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

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

None of the directors or supervisors or senior management or any of their spouses or children under the age of 18 had, as at 31st December, 2000, any interest in any shares or debentures of the Company or any associated corporation (within the meaning of the SDI Ordinance) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they have taken or are deemed to have taken under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which are required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred to therein, or any interests in warrants to subscribe for shares in the Company or any associated corporation (as so defined) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or, in the case of supervisors, which would be required to be notified as described above if they had been directors.

Report of Directors

Service Contracts of the Directors and Supervisors

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

Contracts entered into by the Directors and Supervisors

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

Remuneration of the Directors and Supervisors

The remuneration of the directors, supervisors and senior management staff of the Company are set out in Note 17 to the financial statements of this annual report.

Impact of the Recent Economic Developments

The Company is of a view that other than the continued adjustment by the PRC government of the economic structure and import and export policies that resulted in limited growth of freight volumes and the intensified competition from the expressways in the Pearl River Delta, which has negatively impacted the Company's business, it is not aware of any other material adverse effects on the Company's businesses and financial position in 2001.

Pricing Formula

In 2000, the Company did not carry out any overall adjustments to its passenger and freight transportation pricing formula except for the following adjustments:

1. With a view to promote the sales of its freight services, the Company, with the approval of the parent company of the Company or by MOR, offered a 10% to 30% price reduction on freight in large quantities solicited from competitors. This reduction, though directly negatively affects freight revenues, can effectively attract freight customers in the Company's service territory and enhance the Company's competitiveness in the freight transport market.

Pricing Formula *(Cont'd)*

2. During the Spring Festival holidays of 2000, the Company made different upward adjustments to passenger fares based on different classes of fares of domestic trains.
3. During the Labour Day holidays and the National Day holidays of 2000, the Company increased the fare of the high-speed passenger trains between Guangzhou and Shenzhen by RMB5 per single trip.
4. From 1st July, 2000, the Company had begun adjusting its regular-speed passenger train fares either upwards or downwards to make the unit digit of the fare to be either RMB5 or RMB10. Regular-speed passenger train fares were increased on average by approximately 10% after these adjustments.

Exchange Risk

The management of the Company believes that the operation of the Company is not subject to significant exchange risk.

Material Litigation

The Company and its subsidiaries were not involved in any material litigation or dispute in 2000.

Related Party Transactions

In order to further develop its Hong Kong through train service, the Company entered into a contract with Chiwen Trading Company Limited, a subsidiary of Guangzhou Railway (Group) Company, to purchase two houses located at No. 3 and No. 5 Cambridge Road, Kowloon Tong, Hong Kong, as apartments for the Company's Hong Kong through train crew. The purchase price of these two houses was HK\$82 million and was determined by an independent valuation company in Hong Kong in accordance with relevant commercial terms and based on their market values.

Report of Directors

Passenger Train Settlement Method

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

The implementation of the new settlement method does not make any change to the existing settlement method on transportation revenues generated by the passenger trains between Gaungzhou and Shenzhen, the Beijing-Hong Kong long-distance passenger train, the Shanghai-Hong Kong long-distance passenger train, the Zhaoqing-Hong Kong through train, through trains from Guangzhou East to Hong Kong, or freight transportation revenues. However, it changes the settlement method of revenues generated from long-distance passenger trains dispatching from, arriving at or passing through the Company's rail line. Before the implementation of this new settlement method, the Company received transportation revenues from those railway administrations (or companies) that operated long-distance train services on the Guangshen Railway in accordance with relevant standard of special pricing formula implemented by the Company. With the new settlement method in effect, those railway administrations (or companies) operating long-distance train services on the Company's line shall pay to the Company the following fees as the Company's transportation revenues: (1) the part of revenues generated from ticket prices which are higher than national railway standards due to the special pricing formula of the Company; and (2) fees including railway line usage fees, in-station passenger service fees, hauling fees, power supply fees consumed by electric locomotives, usage fees of contact wires, and water supply fees. The Company has made a preliminary assessment of the new settlement method and is of the opinion that the Company's revenues generated from long-distance passenger trains under the new settlement method should not be lower than that with the original settlement method.

Employees, Employee Payment Policy and Training Plans

As at 31st December, 2000, the Company had a total number of 7,659 employees.

Employees, Employee Payment Policy and Training Plans *(Cont'd)*

The Company's employees are paid on the basis of their positions and performance. The employees' salaries are determined according to the operating income, workload, costs and safety and quality considerations. The Company paid RMB261 million in total as labour and benefits of railroad business operating expenses for the year.

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

During 2000, the Company carried out training programmes for approximately 1,600 employees. 900 of them were trained for implementation of ISO 9000 standards, whereas the rest were related to office automation, human resources management, operation and management of high-speed electric trains, management of equipment and materials, management of work teams and safety, and modern financial and accounting management. The training courses were mainly organized by the Company's Employee Training Centre. The Company also employed certain experts from outside the Company for these purposes. The total direct cost for the training programme for the year 2000 was approximately RMB1,473,000.

Employees' Housing and Accounting for Differences between Sales Prices of Houses and Costs

In 2000, the Company constructed and purchased new residential houses for its employees in order to improve the living conditions of its employees. Under a housing benefit scheme, the Company sold these residential houses to its employees at a price approved by the government. The losses arising from the sale of these staff quarters, which represented the differences between the net book value of the staff quarters sold and the proceeds collected from the employees, were estimated to be not more than RMB220.5 million up to 31st December, 2000. Pursuant to the prevailing policies issued by the Ministry of Finance, the losses arising therefrom should be credited to beginning retained earnings in the statutory accounts as of 1st January, 2001, or in case of a debit balance to offset against statutory public welfare fund, statutory surplus reserve and discretionary surplus reserve upon the approval by the Board. Such treatment was in accordance with the accounting rules and regulations applicable to the Company and its subsidiaries in the PRC.

Report of Directors

Employees' Housing and Accounting for Differences between Sales Prices of Houses and Costs *(Cont'd)*

In the financial statements as of 31 December 2000 of the Company prepared in accordance with IAS, the Company accounted for the housing losses as follows: (i) losses of approximately RMB3.6 million arising from staff quarters sold to employees for past services were charged to the income statements for 2000; and (ii) losses of approximately RMB216.9 million from completed staff quarters sold to employees, or from premises under construction of which the losses could be reasonably estimated and for the future services, were amortized on a straight line basis over the estimated remaining average service lives of 15 years. During the year ended 31st December, 2000, the housing losses charged to the consolidated income statement was approximately RMB14.5million. As of 31st December 2000, the unamortized deferred losses, which were recorded as deferred staff costs in the balance sheet of the Company and its subsidiaries, amounted to approximately RMB202.4 million. In the opinion of the directors of the Company, had the housing losses been written off in 2000, the consolidated net assets of the Company and its subsidiaries as of 31st December, 2000 would have been reduced by approximately RMB202.4 million.

Other than employees' housing and welfare mentioned above, the Company had not implemented any other plans in relation to the employees' housing in 2000.

Major Suppliers and Customers

Most of the locomotives, passenger coaches and major railway supplies and equipment of the Company are owned directly or indirectly by the MOR. The Company also purchases some of this equipment from foreign vendors and other domestic suppliers. In 2000, the Company purchased from a Swedish manufacturer a high-speed electric train which it originally leased from this manufacturer and five electric locomotives from Guangzhou China Railway Rolling Stock Sales and Service Company Limited which the Company used to lease. The Company's five largest customers combined accounted for less than 30% of the Company's turnover and the Company's five largest suppliers combined accounted for less than 30% of the Company's purchases.

Compliance with the Code of Best Practice

The Company and its directors hereby state that, to the best of their knowledge, the Company has, throughout the financial year ended 31st December, 2000, complied with the Code of Best Practice which incorporates the items set out in Appendix 14 of the Listing Rules.

By Order of the Board
Zhang Zhengqing
Chairman

Shenzhen, the PRC, 13th March, 2001



Guangshen Railway has the competitive edge in medium to long distant cargo transportation

Report of the Supervisory Committee



Mr. Gu Hongxi, Chairman of the Supervisory Committee

Dear shareholders,

During the year ended 31st December, 2000, all members of the Supervisory Committee (the “Committee”) diligently carried out their duties in accordance with the Company Law of the PRC and the Articles of Association of the Company, adhered to the principle of honesty and good faith and carried out their work cautiously and positively for the purpose of protecting the interests of both the Company and its shareholders. Two meetings were held by the Supervisory Committee during the period under review, in which resolutions concerning certain major items were passed and delivered to the Board. The supervisors attended all meetings of the Board during the period under review and offered advice and suggestions on operations and management, investment decisions, technical innovations, and development plans of the Company. The Committee has, in the spirit of being responsible to the interests of the shareholders of the Company, carefully reviewed the Report of Directors, the financial report and dividend policy to be presented by the Board to the AGM.

The Company achieved an operating profit of RMB519 million in 2000. The Committee believes that this was achieved through the market-oriented measures taken by the Company and through the exploration of internal potentials and efficient control of costs. The Committee believes that broadening its market share, establishing an operating mechanism which responds to market

changes, and increasing operating profit will still remain important tasks of the Company.

In the coming year, the Committee shall offer its support to the Company’s management in the A-Share issue, the construction of the fourth track of the Guangshen Railway and the “As-frequent-as-buses” High-speed Train Project to be implemented between Guangzhou and Shenzhen. As these three projects are critical to the Company’s future development, the Committee hopes that the Company’s management will carry out these projects in accordance with relevant rules and regulations and in a stable and progressive way so as to enhance the Company’s competitiveness.

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

By Order of
The Supervisory Committee
Gu Hongxi
Chairman

Shenzhen, the PRC, 13th March, 2001

Directors, Supervisors and Senior Management

Directors

Zhang Zhengqing, age 59, is Chairman of the Board of the Company and Chairman of the Board and the General Manager of the Parent Company. He is a graduate of Lanzhou Railway Institute and a senior engineer. Since 1985, Mr. Zhang has served as the President of Urumqi Railway Administration, the President of Harbin Railway Administration, the Dispatcher in Chief of the MOR and, concurrently, the President of the Locomotive Bureau of the MOR.

Li Daihua, age 58, is a Director of the Company. He is a graduate of Hunan Management Academy. Since 1958, Mr. Li has served in various technical and managerial positions in various railway departments, and has served as a member of the senior management of Changsha Railway Company, Yangcheng Railway Company, Liuzhou Railway Administration and the Parent Company.

Wu Yiquan, age 57, is a Director and the General Manager of the Company. He is a graduate of Nanjing Railway Transportation Academy and an engineer. Mr. Wu served in various managerial positions up to the level of the Deputy General Manager in Yangcheng Railway Company from 1973 to 1993. Since 1994, Mr. Wu has served as the Deputy General Manager of the Parent Company and the General Manager of the Changsha Railway Company.

Li Qingyun, age 37, is a Director and Deputy General Manager of the Company. Mr. Li graduated from North Communications University in 1989. He holds a Master's Degree majoring in railway transportation and organization. He served in managerial positions in various technical and transportation departments of the Parent Company from 1989 to August, 1999. He joined the Company in September, 1999.

Wu Houhui, age 52, is a Director of the Company. He is a graduate of Dalian Railway College and a senior economist. Mr. Wu served in various managerial positions up to the position as a director of the Enterprise Management Office in the Parent Company from 1984 to 2000. Since November, 2000, Mr. Wu has served as Deputy Chief Economist of the Parent Company.

Shen Jun, age 51, is a Director of the Company. He is a graduate of the Nanjing Railway Transportation Academy. Since 1968, Mr. Shen has served in financial and accounting positions in various railway departments and, since 1992, has served as an Assistant Director, the Deputy Director and the Director of the audit department of the Parent Company. Since August 1999, Mr. Shen has served as the Director of the Financial Department of the Parent Company.

Directors, Supervisors and Senior Management

Li Peng, age 55, is a Director and the Chairman of the Trade Union of the Company. Mr. Li is a graduate of the East China Civil Engineering Institute, and has served in various executive and labor organizational positions in Yangcheng Railway Company since 1977. He was the Deputy General Manager of the Predecessor of the Company and the Guangshen Railway Enterprise Development Company from 1992 to 1997. Mr. Li joined the Company in December 1997.

Chang Loong Cheong, age 55, holds a management certificate from the Hong Kong Management Association and is an independent Director of the Company. Mr. Chang is also a Director of Shanghai Xinhua Iron & Steel Company Limited and Orient International (Shanghai) Limited. Mr. Chang has been a manager of Cathay Restaurant in Lagos, Nigeria, a member of the senior management of Island Navigation Corporation International Limited and Orient Overseas Container Line Limited in West Africa, and the General Manager and a Director of Noble Ascent Company Limited.

Deborah Kong, age 41, is an independent Director of the Company. Ms. Kong is currently an executive director of Centennial Resources Company Limited. Ms. Kong holds a bachelor of arts degree from Sydney University and a master of finance degree from Macquarie University in Australia. She is a member of the Standing Committee of the People's Political Consultative Conference of Shandong Province in the PRC.

Supervisors

Gu Hongxi, age 54, is the Chairman of the Supervisory Committee of the Company. He is a graduate of Zhejiang University. Mr. Gu joined the railway department in 1974, and he has served as the Deputy Director of Changsha Railway Sub-administration and the Director of the welfare and education departments of the Parent Company. Mr. Gu has served as the Chief Economist of the Parent Company since 1995.

Zhao Genrong, age 56, is a Supervisor of the Company. Mr. Zhao is a graduate of North Communications University. He served in various financial positions in Hengyang Railway Sub-administration from 1968. Since 1983, Mr. Zhao has served as the Deputy Director and then the Director of the financial department of the Parent Company. Since August, 1999, Mr. Zhao has served as the Director of the audit department of the Parent Company.

Chen Yunzhong, age 49, is a Supervisor of the Company. Mr. Chen graduated from Guangzhou Railway Driver's School, Guangdong Jinan University and the Central Administration Academy. He was a member of the senior management of Hainan Railway Company. Mr. Chen joined the Company in July, 2000, and is now a member of the senior management of the Company.

Yao Muming, age 48, is a Supervisor of the Company. Mr. Yao is a graduate of Huanan Normal University, and has served as the Deputy Director of the Guangzhou and Zhuhai Animal and Plant Quarantine Bureaus. He joined the Company in 1997 and is a member of the Company's senior management.

Zeng Xiangqiu, age 59, is a Supervisor of the Company. Mr. Zeng is a graduate of North Communications University and is now a senior engineer. From 1968 to 1992, Mr. Zeng served in technical and managerial positions relating to signaling and communications and railway civil engineering at the Kunming Railway Administration and Guangshen Railway Company (the “Predecessor”). From 1992 to 2000, he served as the Director of the Equipment Department of the Predecessor and the Company. Now he is a researcher in the Equipment Department of the Company.

Zhu Delin, age 39, is a Supervisor of the Company. Mr. Zhu is a graduate of the Hunan Light Industry Academy. Mr. Zhu has served in technical positions relating to signaling and communications in various railway departments since 1982. He joined the Signaling and Communications Section of the Company in 1988 and currently serves as the Chief of Signaling and Communications Division of the Equipment Department of the Company.

Other Senior Management

Chen Jianfu, age 56, is a Deputy General Manager of the Company. Mr. Chen is a graduate of the Central Administration Academy, where he majored in economic management. He has served as a deputy division chief, then the Deputy Chief, and the Chief of the Locomotive Section of Changsha Railway Company. Mr. Chen joined the Company in April, 1999 and has served in the Company since then.

Luo Qingming, age 44, is currently a Deputy General Manager and the Chief Engineer of the Company. Mr. Luo graduated from Changsha Railway Institute in 1982, where he majored in railway engineering. He has served as an engineer, the Chief Engineer, a deputy section chief, and the Section Chief of the Engineering Section of the Company. He enjoyed government allowance in 1999 as approved by the State Council of the PRC.

Ye Yongming, age 45, is now a Deputy General Manager of the Company. Mr. Ye graduated with a master degree from Guangdong Provincial Administration Academy. He joined the Company in 1975. Since 1983, he has served in various managerial positions at Shenzhen North Station as Assistant Station Master, Deputy Station Master, and then Station Master.

Yan Ping, age 41, is a Deputy General Manager of the Company. Mr. Yan graduated with a master degree in Economic Management at Dongbei University of Finance and Economics and is a senior engineer. He was the general manager of Tielong Company of Dalian Railway Sub-administration, the Director of Other Businesses Department of Shenyang Railway Administration and the head of Dalian Railway Station of Dalian Railway Sub-administration. Mr. Yan joined the Company in August 2000 as the head of Guangzhou East Station.

Yao Xiaocong, age 48, is the Chief Accountant and Company Secretary of the Company. Mr. Yao graduated from the Guangzhou Railway Management Academy. He has served in financial and accounting positions in various railway departments since 1975, giving him over 20 years of experience. Mr. Yao was the Director of the financial sub-department of Yangcheng Railway Company before he joined the Company in 1997.

Corporate Information

REGISTERED NAME OF THE COMPANY

ENGLISH NAME OF THE COMPANY

Guangshen Railway Company Limited

REGISTERED ADDRESS OF THE COMPANY

No. 1052 Heping Road
Shenzhen, Guangdong Province
The People's Republic of China
Postal Code: 518010

AUTHORIZED REPRESENTATIVES

Zhang Zhengqing
Yao Xiaocong

COMPANY SECRETARY

Yao Xiaocong

DOMESTIC AUDITORS

Pan-China (Schinda)
Certified Public Accountants
16th Floor, Securities Building
No. 5020 Binhe Road
Shenzhen
The People's Republic of China

INTERNATIONAL AUDITORS

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

FINANCIAL ADVISER

Bear Stearns Asia Limited
26th Floor, Citibank Tower
3 Garden Road
Central
Hong Kong

LEGAL ADVISERS

As to PRC law:

Haiwen & Partners
Room 1016, Beijing Silver Tower
No. 2 Dong San Huan North Road
Chao Yang District
Beijing
The People's Republic of China

As to Hong Kong law:

Koo and Partners
22nd Floor
Bank of China Tower
1 Garden Road
Hong Kong

As to United States law:

Shearman & Sterling
12th Floor
Gloucester Tower
Landmark
11 Pedder Street
Central
Hong Kong

PRINCIPAL BANKER

China Construction Bank
Shenzhen Railway Branch
1st to 4th Floors
Jinwei Building
Jiabin Road
Shenzhen
The People's Republic of China

HONG KONG SHARE REGISTRARS

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

Corporate Information

DEPOSITARY

Morgan Guaranty Trust Company
60 Wall Street
New York, NY 10260-0060
USA

PLACES OF LISTING

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

PUBLICATIONS

The Company's 2000 interim and annual reports were published in August 2000 and March 2001, respectively. As required by the United States securities laws, the Company will file an annual report on Form 20-F with the U.S. Securities and Exchange Commission before 30th June, 2001. Copies of the interim and annual reports as well as the Form 20-F, once filed, will be available at :

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

Notice of the Annual General Meeting

Notice is hereby given that the Board of Directors of Guangshen Railway Company Limited (the “Company”) has resolved that the Annual General Meeting (the “AGM”) of the Company is to be held at the meeting room at 3/F, No. 1052 Heping Road, Shenzhen, Guangdong Province, the People’s Republic of China (the “PRC”) on 8th May, 2001 at 9:00 a.m. for the following purposes:—

1. To consider and approve the work report of the Board of Directors of the Company for 2000.
2. To consider and approve the work report of the Supervisory Committee of the Company for 2000.
3. To consider and approve the audited financial statements of the Company for 2000.
4. To consider and approve the proposed profit distribution of the Company for 2000.
5. To consider and approve the re-appointment of Pan-China (Schinda) Certified Public Accounts as the Company’s PRC auditors for 2001.
6. To consider and approve the re-appointment of Arthur Andersen & Co., Certified Public Accounts as the Company’s international auditors for 2001.
7. To consider and approve other matters, if any.

Notes:

- (1) Holders of the Company’s H Shares are advised that the register of members of the Company’s H Shares will be closed from 6th April, 2001 to 8th May, 2001 (both days inclusive), during which no transfer of H Shares will be registered. To qualify for the final dividend, holders of H Shares must deliver the transfer documents together with the relevant share certificates to the Company’s registrar, Hong Kong Registrars Limited, at 2nd Floor, Viewood Plaza, 199 Des Voeux Road Central, Hong Kong no later than 4:00 p.m. on 4th April, 2001. Holders of the Company’s H Shares whose names appear on the register of members of the Company on 6th April, 2001, or their proxies, are entitled to attend the AGM by presenting their identity cards or passports.
- (2) Each shareholder entitled to attend and vote at the AGM may appoint one or more proxies (whether a shareholder or not) to attend and vote on his behalf.
- (3) Where a shareholder appoints more than one proxy, his proxies may only exercise the voting right when a poll is taken.

Notice of the Annual General Meeting

- (4) The instrument appointing a proxy must be in writing and signed by the appointor or his attorney duly authorized in writing. If the proxy form is signed by an attorney on behalf of the appointor, the power of attorney or other authority must be notarially certified. To be valid, the proxy form, together with a notarially certified copy of the power of attorney or other authority, must be delivered to the registered address of the Company not less than 24 hours before the commencement of the AGM or any adjournment thereof (as the case may be).
- (5) Shareholders who intend to attend the AGM are requested to deliver the attendance confirmation reply form to the registered office of the Company in person, by post or by facsimile on or before 17th April, 2001. The return of the attendance confirmation reply form will not affect the shareholder's right to attend and vote at the AGM.
- (6) The AGM is expected to last for half a day. The shareholders and proxies attending the AGM shall be responsible for their own travelling, accommodation and other related expenses.

Registered Office of the Company:

No. 1052 Heping Road

Shenzhen, Guangdong Province

The People's Republic of China

Telephone: 86-755-5588146 or 5598693

Facsimile: 86-755-5591480

By Order of the Board

Yao Xiacong

Company Secretary

Shenzhen, the PRC, 13th March, 2001

Auditors' Report



ARTHUR ANDERSEN

Arthur Andersen & Co

21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

**TO THE SHAREHOLDERS OF
GUANGSHEN RAILWAY COMPANY LIMITED**

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

We have audited the accompanying balance sheet of Guangshen Railway Company Limited (the "Company") and its subsidiaries as of December 31, 2000, and the related statements of income, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Company and its subsidiaries as of December 31, 2000, and the results of operations and cash flows of the Company and its subsidiaries for the year then ended in accordance with International Accounting Standards issued by the International Accountants Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO

Certified Public Accountants

Hong Kong,

March 13, 2001

Balance Sheets

As of December 31, 2000
(Expressed in thousands of Renminbi)

	Note	Consolidated		Company	
		2000	1999 Restated (Note 35)	2000	1999 Restated (Note 35)
Non-current assets					
Fixed assets	3	7,770,138	7,467,961	7,638,477	7,329,240
Construction-in-progress	4	369,285	653,958	345,898	622,011
Investments in subsidiaries	5	—	—	159,882	189,665
Interests in associates	6	122,222	88,708	117,870	84,389
Long-term investment	7	30,000	30,000	30,000	30,000
Deferred tax assets	8	—	2,700	—	2,700
Deferred staff costs	9	202,449	—	202,449	—
		8,494,094	8,243,327	8,494,576	8,258,005
Current assets					
Materials and supplies		30,033	24,507	9,064	10,711
Accounts receivable, net	10	87,444	100,779	60,865	65,565
Due from Parent Company	25	80,604	48,485	83,183	49,125
Due from affiliates, net	25	247,932	298,199	246,728	286,170
Prepayments and other receivables, net	11	196,073	163,014	166,958	145,318
Temporary cash investments	12,27	1,451,330	1,512,780	1,451,330	1,512,780
Cash and cash equivalents		330,054	579,405	249,327	481,641
		2,423,470	2,727,169	2,267,455	2,551,310
Current liabilities					
Accounts payable	13	61,147	49,586	59,002	35,889
Accounts payable for construction of fixed assets		345,471	405,971	300,198	378,991
Due to affiliates	25	63,734	154,328	63,662	142,679
Taxes payable	19	57,552	27,329	54,580	23,924
Accrued expenses and other payables		351,889	268,698	302,061	229,079
		879,793	905,912	779,503	810,562
Net current assets		1,543,677	1,821,257	1,487,952	1,740,748
Total assets less current liabilities		10,037,771	10,064,584	9,982,528	9,998,753
Non-current liabilities					
Deferred tax liabilities	8	2,333	—	2,333	—
Minority interests					
		14,755	15,724	—	—
Net assets		10,020,683	10,048,860	9,980,195	9,998,753
Representing:					
Share capital	14	4,335,550	4,335,550	4,335,550	4,335,550
Reserves	15	5,685,133	5,713,310	5,644,645	5,663,203
		10,020,683	10,048,860	9,980,195	9,998,753

The financial statements were approved by the Board of Directors of the Company on March 13, 2001.

Chairman : Zhang Zhengqing

Director : Wu Yiquan

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

Consolidated Income Statement

For the Year Ended December 31, 2000

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

	Note	2000	1999 Restated (Note 35)
Revenues from railroad businesses			
Passenger		1,237,289	1,114,046
Freight		549,694	537,970
Sub-total		1,786,983	1,652,016
Revenues from other businesses		193,415	166,800
Revenue		1,980,398	1,818,816
Operating expenses			
Railroad businesses			
Labour and benefits		(260,671)	(238,492)
Equipment leases and services	25	(263,348)	(240,952)
Materials and supplies	25	(121,337)	(107,021)
Repair costs, excluding materials and supplies	25	(93,471)	(84,890)
Depreciation	3	(320,694)	(308,411)
Fees for social services	25	(58,300)	(56,700)
General and administrative expenses	25	(131,885)	(104,958)
Others		(47,758)	(48,217)
Sub-total		(1,297,464)	(1,189,641)
Other businesses			
Cost of sales	3	(121,535)	(105,685)
General and administrative expenses	25	(41,994)	(45,570)
Sub-total		(163,529)	(151,255)
Total operating expenses		(1,460,993)	(1,340,896)
Profit from operations		519,405	477,920
Other income, net		74,916	101,052
Finance cost		(3,887)	(404)
Share of profit of associates	6	253	1,300
Profit before tax	18	590,687	579,868
Income tax expense	19	(99,380)	(50,229)
Profit after tax		491,307	529,639
Minority interests		782	35
Net profit for the year	21	492,089	529,674
Earnings per share			
— Basic	22	RMB0.11	RMB0.12
— Diluted	22	N/A	N/A

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

Statements of Changes in Equity

For The Year Ended December 31, 2000
(Expressed in thousands of Renminbi)

	Note	Reserves					Retained earnings	Total
		Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve		
Consolidated								
Balances at January 1, 1999		4,335,550	3,984,135	263,888	258,668	286,709	390,236	9,519,186
Change in accounting policy	23	—	—	—	—	(64,407)	497,962	433,555
Restated balances		4,335,550	3,984,135	263,888	258,668	222,302	888,198	9,952,741
Net profit for the year		—	—	—	—	—	529,674	529,674
Appropriation from retained earnings	15	—	—	57,758	56,431	64,407	(178,596)	—
Dividends	20,23	—	—	—	—	—	(433,555)	(433,555)
Balances at January 1, 2000		4,335,550	3,984,135	321,646	315,099	286,709	805,721	10,048,860
Net profit for the year		—	—	—	—	—	492,089	492,089
Appropriation from retained earnings	15	—	—	53,802	53,607	54,950	(162,359)	—
Dividends	20,23	—	—	—	—	—	(520,266)	(520,266)
Balances at December 31, 2000		<u>4,335,550</u>	<u>3,984,135</u>	<u>375,448</u>	<u>368,706</u>	<u>341,659</u>	<u>615,185</u>	<u>10,020,683</u>
Company								
Balances at January 1, 1999		4,335,550	3,984,135	251,571	251,571	251,571	400,984	9,475,382
Change in accounting policy	23	—	—	—	—	(64,407)	497,962	433,555
Restated balances		4,335,550	3,984,135	251,571	251,571	187,164	898,946	9,908,937
Net profit for the year		—	—	—	—	—	523,371	523,371
Appropriation from retained earnings	15	—	—	54,950	54,950	64,407	(174,307)	—
Dividends	20,23	—	—	—	—	—	(433,555)	(433,555)
Balances at January 1, 2000		4,335,550	3,984,135	306,521	306,521	251,571	814,455	9,998,753
Net profit for the year		—	—	—	—	—	501,708	501,708
Appropriation from retained earnings	15	—	—	52,625	52,625	54,950	(160,200)	—
Dividends	20,23	—	—	—	—	—	(520,266)	(520,266)
Balances at December 31, 2000		<u>4,335,550</u>	<u>3,984,135</u>	<u>359,146</u>	<u>359,146</u>	<u>306,521</u>	<u>635,697</u>	<u>9,980,195</u>

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

Consolidated Cash Flow Statement

For The Year Ended December 31, 2000
(Expressed in thousands of Renminbi)

	Note	2000	1999 (Note 35)
Cash Flows From Operating Activities:			
Cash generated from operations	24(a)	797,200	714,378
Interest paid		(3,887)	(404)
Income tax paid		(64,124)	(57,172)
Net cash from operating activities		<u>729,189</u>	<u>656,802</u>
Cash Flows From Investing Activities:			
Capital expenditures, net of related payables		(564,759)	(449,130)
Increase in interests in associates		(33,513)	(75,487)
Decrease in temporary cash investments		61,450	385,939
Increase in long-term investment		—	(30,000)
Interest received		78,735	106,887
Net cash used in investing activities		<u>(458,087)</u>	<u>(61,791)</u>
Cash Flows From Financing Activities:			
Increase in due to affiliates		—	51,133
Dividends paid		(520,266)	(433,555)
Distribution to minority shareholders		(187)	(2,052)
Net cash used in financing activities		<u>(520,453)</u>	<u>(384,474)</u>
Net (decrease) increase in cash and cash equivalents		(249,351)	210,537
Cash and cash equivalents at beginning of year		579,405	368,868
Cash and cash equivalents at end of year	24(b)	<u>330,054</u>	<u>579,405</u>

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

Notes to the Financial Statements

December 31, 2000

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

1. ORGANISATION AND OPERATIONS

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

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

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

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

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

On December 7, 2000, the directors of the Company announced that the Company intended to apply to the China Securities Regulatory Commission for the allotment and issue of not more than 550 million new domestic ordinary shares ("A Shares") to institutional and public investors in the PRC and such A Shares are proposed to be listed on the Shanghai Stock Exchange. The net proceeds of the proposed issue of A Shares are intended to be used to finance the construction of the fourth rail track of the Company.

The financial statements were authorised for issue by the Audit Committee subsequent to their meeting held on March 9, 2001 in the PRC.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Company and its subsidiaries are as follows:

(a) Basis of presentation

The accompanying financial statements are prepared in accordance with International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC"). This basis of accounting differs from that used in the management accounts of the Company and its subsidiaries which were prepared in accordance with generally accepted accounting principles and relevant financial regulations in the PRC ("PRC GAAP").

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

The impact of IAS adjustments on consolidated profit attributable to shareholders and consolidated net assets are set forth in Note 32.

As supplemental information for North American shareholders, the differences between IAS and generally accepted accounting principles in the United States of America ("US GAAP") are set forth in Note 33.

(b) Principles of consolidation

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

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

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Fixed assets and depreciation

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

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

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

Land use right	Over the land use right period of 36.5 to 50 years
Buildings	25 to 40 years
Track, bridges and service roads	44 years
Locomotives and rolling stock	16 years
Communications and signaling systems	8 to 20 years
Other machinery and equipment	7 to 25 years

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

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

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

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

All land in the PRC is state-owned and no individual land ownership right exists. As part of the Restructuring, the Company and its subsidiaries acquired the right to use certain land for its rail line, stations and other businesses. The recorded value of these rights is being amortised over the land use right periods.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) Construction-in-progress

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

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

(e) Subsidiaries

A subsidiary is a company which the Company controls. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

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

(f) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method.

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

(g) Long-term investment

Investment held for the long term is stated at cost less any impairment in value. An assessment of long-term investment is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

Upon disposal of a long-term investment, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Deferred staff costs

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

(i) Temporary cash investments

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

(j) Materials and supplies

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

(k) Receivables

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

(l) Cash and cash equivalents

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

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

(m) Operating leases

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(n) Provision

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

(o) Revenue recognition

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

(i) *Rendering of services and sales of goods*

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

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

Revenues are net of turnover tax.

(ii) *Interest income*

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

(iii) *Dividend income*

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

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(p) Taxation

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

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

(q) Foreign currency transactions

The Company and its subsidiaries maintain their books and records in RMB. Transactions in other currencies are translated into the reporting currency at exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are re-translated at exchange rates prevailing at that date. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchange differences, other than those capitalised in fixed assets, are recognised in the consolidated income statement in the period in which they arise.

(r) Employee benefits

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(s) Financial instruments

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

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

(t) Impairment of assets

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

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in income or as a revaluation increase.

(u) Segments

Business segments: for management purposes the Company and its subsidiaries are organised into railroad transportation and other business operations. The divisions are the basis upon which the Company and its subsidiaries report their primary segment information. Financial information on business segments is presented in Note 26.

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

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(v) Contingencies

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

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

(w) Subsequent events

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

(x) New accounting development

The IASC has recently revised IAS 10 "Events After the Balance Sheet Date" which is effective for financial statements covering periods beginning on or after January 1, 2000, and issued IAS 36 "Impairment of Assets", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 38 "Intangible Assets" which are effective for financial statements covering periods beginning on or after July 1, 1999. The Company and its subsidiaries have implemented these standards and the adoption of these new standards did not have a material impact on the reported financial position or results of the Company and its subsidiaries (except for IAS 10).

In addition, the IASC has recently issued IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" which are effective for financial statement covering periods beginning on or after January 1, 2001. The Company and its subsidiaries are currently evaluating the requirements of these standards and the potential impact on the Company and its subsidiaries' consolidated results and consolidated net assets is not expected to be material.

3. FIXED ASSETS

Movements in fixed assets of the Company and its subsidiaries were:

	2000						1999	
	Land use rights RMB'000	Buildings RMB'000	Track, bridges and service roads RMB'000	Locomotives and rolling stock RMB'000	Communications and signaling systems RMB'000	Other machinery and equipment RMB'000	Total RMB'000	Total RMB'000
Cost/valuation								
Beginning of year	769,724	2,030,013	3,838,250	669,826	524,511	1,359,213	9,191,537	9,025,216
Additions	—	103,109	742	145,032	2,966	35,085	286,934	30,650
Transfer from construction-in-progress	—	147,010	265,568	43,458	2,390	43,572	501,998	158,571
Disposal	—	(171,634)	(1,715)	(8,854)	(19,184)	(11,427)	(212,814)	(22,900)
End of year	<u>769,724</u>	<u>2,108,498</u>	<u>4,102,845</u>	<u>849,462</u>	<u>510,683</u>	<u>1,426,443</u>	<u>9,767,655</u>	<u>9,191,537</u>
Representing:								
At cost	769,724	444,018	1,151,004	546,088	107,094	1,075,380	4,093,308	3,472,302
At professional valuation	—	1,664,480	2,951,841	303,374	403,589	351,063	5,674,347	5,719,235
	<u>769,724</u>	<u>2,108,498</u>	<u>4,102,845</u>	<u>849,462</u>	<u>510,683</u>	<u>1,426,443</u>	<u>9,767,655</u>	<u>9,191,537</u>
Accumulated depreciation								
Beginning of year	59,099	256,833	732,553	179,770	213,303	282,018	1,723,576	1,421,842
Charges for the year	15,394	43,559	121,406	44,699	52,385	46,746	324,189	311,420
Disposal	—	(14,792)	(1,637)	(8,812)	(15,074)	(9,933)	(50,248)	(9,686)
End of year	<u>74,493</u>	<u>285,600</u>	<u>852,322</u>	<u>215,657</u>	<u>250,614</u>	<u>318,831</u>	<u>1,997,517</u>	<u>1,723,576</u>
Net book value								
End of year	<u>695,231</u>	<u>1,822,898</u>	<u>3,250,523</u>	<u>633,805</u>	<u>260,069</u>	<u>1,107,612</u>	<u>7,770,138</u>	<u>7,467,961</u>
Beginning of year	<u>710,625</u>	<u>1,773,180</u>	<u>3,105,697</u>	<u>490,056</u>	<u>311,208</u>	<u>1,077,195</u>	<u>7,467,961</u>	<u>7,603,374</u>
Had the fixed assets been carried at cost less accumulated depreciation, the carrying amounts at year end would have been:								
Cost	769,724	1,269,959	3,324,244	825,171	479,757	1,310,992	7,979,847	7,403,729
Accumulated depreciation	(74,493)	(163,677)	(527,379)	(176,762)	(235,645)	(289,897)	(1,467,853)	(1,242,335)
	<u>695,231</u>	<u>1,106,282</u>	<u>2,796,865</u>	<u>648,409</u>	<u>244,112</u>	<u>1,021,095</u>	<u>6,511,994</u>	<u>6,161,394</u>

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

3. FIXED ASSETS (Cont'd)

Movements in fixed assets of the Company were:

	2000						1999	
	Land use rights RMB'000	Buildings RMB'000	Track, bridges and service roads RMB'000	Locomotives and rolling stock RMB'000	Communications and signaling systems RMB'000	Other machinery and equipment RMB'000	Total RMB'000	Total RMB'000
Cost/valuation								
Beginning of year	769,724	1,924,961	3,764,449	669,195	520,931	1,309,871	8,959,131	8,787,607
Additions	—	103,110	—	145,032	2,800	29,365	280,307	29,551
Transfer from construction-in-progress	—	144,473	265,568	43,458	2,390	43,571	499,460	158,518
Disposal	—	(171,634)	(1,717)	(8,736)	(19,184)	(6,166)	(207,437)	(16,545)
End of year	<u>769,724</u>	<u>2,000,910</u>	<u>4,028,300</u>	<u>848,949</u>	<u>506,937</u>	<u>1,376,641</u>	<u>9,531,461</u>	<u>8,959,131</u>
Representing:								
At cost	769,724	419,305	1,147,978	545,287	103,069	1,042,557	4,027,920	3,416,075
At professional valuation	—	1,581,605	2,880,322	303,662	403,868	334,084	5,503,541	5,543,056
	<u>769,724</u>	<u>2,000,910</u>	<u>4,028,300</u>	<u>848,949</u>	<u>506,937</u>	<u>1,376,641</u>	<u>9,531,461</u>	<u>8,959,131</u>
Accumulated depreciation								
Beginning of year	59,099	221,121	707,811	179,339	208,294	254,227	1,629,891	1,337,892
Charges for the year	15,394	38,481	115,877	44,732	55,968	37,791	308,243	297,497
Disposal	—	(14,792)	(1,637)	(8,736)	(15,074)	(4,911)	(45,150)	(5,498)
End of year	<u>74,493</u>	<u>244,810</u>	<u>822,051</u>	<u>215,335</u>	<u>249,188</u>	<u>287,107</u>	<u>1,892,984</u>	<u>1,629,891</u>
Net book value								
End of year	<u>695,231</u>	<u>1,756,100</u>	<u>3,206,249</u>	<u>633,614</u>	<u>257,749</u>	<u>1,089,534</u>	<u>7,638,477</u>	<u>7,329,240</u>
Beginning of year	<u>710,625</u>	<u>1,703,840</u>	<u>3,056,638</u>	<u>489,856</u>	<u>312,637</u>	<u>1,055,644</u>	<u>7,329,240</u>	<u>7,449,715</u>
Had the fixed assets been carried at cost less accumulated depreciation, the carrying amounts at year end would have been:								
Cost	769,724	1,171,392	3,249,699	825,228	476,010	1,270,765	7,762,818	7,190,488
Accumulated depreciation	(74,493)	(125,414)	(497,108)	(176,701)	(234,223)	(272,406)	(1,380,345)	(1,164,503)
	<u>695,231</u>	<u>1,045,978</u>	<u>2,752,591</u>	<u>648,527</u>	<u>241,787</u>	<u>998,359</u>	<u>6,382,473</u>	<u>6,025,985</u>

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

4. CONSTRUCTION-IN-PROGRESS

	Consolidated		Company	
	2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)
Beginning of year	653,958	394,049	622,011	337,110
Additions	217,325	418,480	223,347	443,419
Transfer to fixed assets	(501,998)	(158,571)	(499,460)	(158,518)
End of year	<u>369,285</u>	<u>653,958</u>	<u>345,898</u>	<u>622,011</u>

As of December 31, 2000, there was no interest capitalised in the construction-in-progress as the Company and its subsidiaries had no bank borrowings.

5. INVESTMENTS IN SUBSIDIARIES

In the balance sheet of the Company, investments in subsidiaries as of December 31, 2000 comprised the following:

	Company	
	2000 RMB'000	1999 RMB'000 (Note 35)
Investments	110,780	120,777
Due from subsidiaries	49,102	68,888
	<u>159,882</u>	<u>189,665</u>

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

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

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

5. INVESTMENTS IN SUBSIDIARIES (Cont'd)

As of December 31, 2000, the Company had direct or indirect interests in the following principal subsidiaries which were established and are operating in the PRC:

Name of the entity	Date of Incorporation/ establishment	Percentage of equity interest attributable to the Company	Paid-up capital	Principal activities
Guangzhou East Station Passenger Services Company	November 23, 1988	100%	RMB1,440,000	Food services and travel agency
Shenzhen Fu Yuan Enterprise Development Company	November 1, 1991	100%	RMB18,000,000	Hotel management
Shenzhen Guangshen Railway Civil Engineering Company	March 1, 1984	100%	RMB6,660,000	Construction of railroad properties
Shenzhen Guangshen Railway Travel Service Ltd.	August 16, 1995	100%	RMB2,400,000	Travel agency
Shenzhen Jian Kai Trade Company	December 6, 1993	100%	RMB2,000,000	Construction materials trading
Shenzhen North Station Auto Repair Plant*	April 19, 1993	100%	RMB3,500,000	Repair and maintenance of vehicles
Shenzhen North Station Loading and Unloading Transportation Company*	September 20, 1993	100%	RMB3,750,000	Cargo loading and unloading, freight transportation
Shenzhen North Station Railway Industry Technology Development Company*	March 10, 1993	100%	RMB1,640,000	Maintenance of equipment
Shenzhen Xiang Qun Enterprise Company	June 30, 1994	100%	RMB2,000,000	Sales of merchandise
Shenzhen Jing Ming Industrial & Commercial Company Limited (i)	January 18, 1994	100%	RMB2,110,000	Maintenance of water and electrical equipment
Shenzhen Yuezheng Enterprise Company Limited* (i)	June 24, 1996	91%	RMB1,000,000	Freight transport agency, cargo loading and unloading, warehousing
Guangzhou Donglian Travel Service Company Limited* (ii)	April 6, 1991	70%	RMB6,393,965	Food services
Shenzhen Railway Station Travel Service Company (ii)	January 1, 1990	70%	RMB6,720,000	Food services and sales of merchandise
Shenzhen Hongdali Auto Repair Company Limited* (i)	January 3, 1995	60%	RMB1,300,000	Repair and maintenance of vehicles
Shenzhen Road Multi-modal Transportation Company Limited* (i)	March 17, 1994	60%	RMB1,000,000	Freight transportation
Shenzhen Longgang Pinghu Qun Yi Railway Store Loading and Unloading Company	September 11, 1993	55%	RMB10,000,000	Cargo loading and unloading, warehousing, freight transportation
Shenzhen Huasheng Container Transportation Company Limited (ii)	December 4, 1991	53%	RMB13,488,000	Warehousing
Dongguan Changsheng Enterprise Company	May 22, 1992	51%	RMB5,686,000	Warehousing
Beijing Guangshen Hotel	December 21, 1995	100%	RMB4,000,000	Hotel management

* These are subsidiaries which are indirectly owned by the Company through subsidiaries.

- (i) Companies with limited liability
(ii) Sino-foreign contractual joint ventures

6. INTERESTS IN ASSOCIATES

Supplementary financial information of associates:

	Consolidated	
	2000 RMB'000	1999 RMB'000 <i>(Note 35)</i>
Consolidated balance sheet		
The Company's share of net identifiable assets of associates	118,133	38,593
Due from associates	67,718	114,753
Due to associates	(578)	(1,839)
	185,273	151,507
Less: Provision for impairment in value	(29,689)	(29,689)
Provision for doubtful accounts	(33,362)	(33,110)
	122,222	88,708
Consolidated income statement		
The Company's share of associates':		
(Loss) profit before taxation	(60)	742
Taxation	(112)	(96)
Dividends	425	654
Net profit	253	1,300
	114,580	34,995
Amounts due from associates	66,467	112,489
Amounts due to associates	(378)	(296)
	180,669	147,188
Less: Provision for impairment in value	(29,689)	(29,689)
Provision for doubtful accounts	(33,110)	(33,110)
	117,870	84,389
	114,580	34,995
	66,467	112,489
	(378)	(296)
	180,669	147,188
	(29,689)	(29,689)
	(33,110)	(33,110)
	117,870	84,389

The amounts due from/to associates are unsecured, interest free and had no fixed repayment dates. The Company's directors are of the opinion that the recoverable amount of the associates are not less than the Company's carrying value of the associates as of year end.

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

6. INTERESTS IN ASSOCIATES (Cont'd)

As of December 31, 2000, the Company had direct or indirect interests in the following companies which were established and are operating in the PRC:

Name of the entity	Date of Incorporation/ establishment	Percentage of equity interest attributable to the Company	Paid-up capital	Principal activities
Guangzhou Dongqun Advertising Company Limited* (i)	March 6, 1996	40%	RMB500,000	Design and production of advertisements
Guangzhou Tielian Economy Development Company Limited (i)	December 27, 1994	34%	RMB1,000,000	Warehousing and freight transport agency
Guangzhou Huangpu Yuehua Freight Transportation Joint Venture Company Limited*	July 20, 1990	33.3%	RMB6,610,000	Cargo loading and unloading, warehousing, freight transport agency
Zengcheng Lihua Stock Company Limited (ii)	July 30, 1992	27%	RMB100,000,000	Real estate, warehousing, cargo loading and unloading
Guangzhou Tiecheng Enterprise Company Limited (i)	May 2, 1995	49%	RMB10,000,000	Properties management and trading of merchandise
Shenzhen Huatie Enterprise Company Limited** (iii)	August 31, 1993	51%	RMB170,000,000	Production of construction materials

* These are associates which are indirectly owned by the Company through subsidiaries.

** Pursuant to a resolution of Board of Directors of Shenzhen Huatie Enterprise Company Limited ("Hua Tie") dated August 20, 1998, the Company's equity interest in this company was increased from 32% to 51%. However, the Company was temporarily unable to exercise control over the financial and operating decisions of Hua Tie. In addition, relevant legal procedures for the change of equity structure have not been completed or approved by the relevant regulatory authorities. In conforming to IAS, the consolidated income statement of the Company and its subsidiaries only accounted for the results of Hua Tie to the extent of dividend received and receivable.

- (i) Companies with limited liability
- (ii) Joint stock company with limited liability
- (iii) Sino-foreign equity joint ventures

7. LONG-TERM INVESTMENT

Long-term investment represented the Company's investment in Shenzhen Innovation Technology Investment Co., Ltd., representing its 4.29% equity interest in the company. The directors of the Company are of the opinion that the recoverable amount of the long-term investment was not less than carrying value of the long-term investment as of year end.

8. DEFERRED TAX ASSETS (LIABILITIES)

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

	2000 RMB'000	1999 RMB'000 (Note 35)
Deferred tax (liabilities) assets:		
— Provision for doubtful accounts	<u>(2,333)</u>	<u>2,700</u>

9. DEFERRED STAFF COSTS

	As of December 31, 2000	
	Consolidated	Company
Deferred staff costs, at cost	216,910	216,910
Less: Accumulated amortisation	<u>(14,461)</u>	<u>(14,461)</u>
	<u>202,449</u>	<u>202,449</u>

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

10. ACCOUNTS RECEIVABLE, NET

	Consolidated		Company	
	2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)
Accounts receivable	96,077	109,063	67,474	72,047
Less: Provision for doubtful accounts	(8,633)	(8,284)	(6,609)	(6,482)
	<u>87,444</u>	<u>100,779</u>	<u>60,865</u>	<u>65,565</u>

The aging analysis of accounts receivable was as follows:

	Consolidated		Company	
	2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)
Within 1 year	41,956	33,149	38,167	25,774
Over 1 year but within 2 years	16,545	24,983	5,269	24,983
Over 2 years but within 3 years	14,112	33,520	14,112	17,114
Over 3 years	23,464	17,411	9,926	4,176
	<u>96,077</u>	<u>109,063</u>	<u>67,474</u>	<u>72,047</u>

11. PREPAYMENTS AND OTHER RECEIVABLES, NET

	Consolidated		Company	
	2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)
Prepayments and other receivables	215,217	167,514	179,889	149,818
Less: Provision for doubtful accounts	(19,144)	(4,500)	(12,931)	(4,500)
	<u>196,073</u>	<u>163,014</u>	<u>166,958</u>	<u>145,318</u>

12. TEMPORARY CASH INVESTMENTS

	Note	Consolidated		Company	
		2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)
Temporary cash investments in banks (see Note 27)	(a)	1,147,301	830,791	1,147,301	830,791
Temporary cash investments in the MOR's Railway Deposits-taking Centre	(b)	304,029	681,989	304,029	681,989
		1,451,330	1,512,780	1,451,330	1,512,780

- (a) Temporary cash investments in banks consist of short-term deposits denominated in RMB, Hong Kong dollars ("HK\$") and United States dollars ("USD") with original maturities ranging from six months to one year, placed with banks in the PRC. The annual interest rates of RMB deposits ranged from 2.16% to 2.88% in 2000 (1999: from 2.16% to 2.88%), the annual interest rates of HK\$ deposits ranged from 5.13% to 6.45% in 2000 (1999: from 4.88% to 5.31%) and the annual interest rates of USD deposits were LIBOR plus a floating rate ranged from -0.2% to 0.1%. Total interest earned from such deposits amounted to approximately RMB44,382,000 for the year (1999: approximately RMB29,198,000). As of December 31, 2000, USD1,000,000 (1999: Nil) of temporary cash investments in banks were pledged as security for a letter of credit issued for certain capital expenditures (see Note 30(a)).
- (b) Temporary cash investments in the MOR's Railroad Deposit-taking Center consist of short-term deposits denominated in RMB and USD with original maturities ranging from six months to one year. The annual interest rates of RMB deposits ranged from 2.16% to 3.78% in 2000 (1999: from 2.16% to 3.78%) and the annual interest rates of USD deposits were LIBOR plus a floating rate ranged from -0.2% to 0.1%. Total interest earned from such deposits amounted to approximately RMB28,792,000 (1999: approximately RMB54,726,000) for the year (see Note 25(b)).

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

13. ACCOUNTS PAYABLE

The aging analysis of accounts payable was as follows:

	Consolidated		Company	
	2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)
Within 1 year	52,766	45,407	52,665	34,215
Over 1 year but within 2 years	8,104	3,810	6,255	1,305
Over 2 years but within 3 years	—	369	—	369
Over 3 years	277	—	82	—
	<u>61,147</u>	<u>49,586</u>	<u>59,002</u>	<u>35,889</u>

14. SHARE CAPITAL

As of December 31, 2000, the authorised capital of the Company consisted of ordinary shares of par value RMB1.00 per share:

	Number of shares '000	Nominal value RMB'000	Percentage of share capital
Authorised, issued and fully paid or credited as fully paid:			
Domestic legal person shares	2,904,250	2,904,250	67%
H Shares	1,431,300	1,431,300	33%
	<u>4,335,550</u>	<u>4,335,550</u>	<u>100%</u>

15. RESERVES

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

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

15. RESERVES (Cont'd)

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

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

For the current year, the directors proposed the following appropriations to reserves:

	Year ended December 31,			
	2000		1999	
	Percentage	RMB'000	Percentage (Note 35)	RMB'000 (Note 35)
The Company				
Statutory surplus reserve	10%	52,625	10%	54,950
Statutory public welfare fund	10%	52,625	10%	54,950
Discretionary surplus reserve (see Note 23)	10%	54,950	10%	64,407
	30%	160,200	30%	174,307
Subsidiaries				
Statutory surplus reserve		1,177		2,808
Statutory public welfare fund		982		1,481
		2,159		4,289
		162,359		178,596

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

As of December 31, 2000, the reserve of the Company available for distribution determined in accordance with PRC GAAP, IAS and US GAAP were approximately RMB206,619,000 (1999: approximately RMB367,115,000), RMB635,697,000 (1999: approximately RMB814,455,000), and RMB834,632,000 (1999: approximately RMB917,282,000), respectively.

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

16. RETIREMENT BENEFITS

All the full-time staff of the Company and its subsidiaries are covered by a pension scheme. Pursuant to a circular dated October 24, 1995 issued by the Parent Company, the Company is required to pay to the Parent Company an amount equivalent to 19% of the salary and certain amount of bonus of the staff for pension benefits, and the Parent Company is responsible for the ultimate pension liability to the staff. During the year, the percentage borne by the Company changed to 18% pursuant to another circular dated December 21, 2000 issued by the Parent Company.

Pension expenses for the year were as follows:

	2000 RMB'000	1999 RMB'000 (Note 35)
Pension expenses	<u>27,396</u>	<u>22,816</u>

Pension obligations as of December 31, 2000 were as follows:

	Consolidated		Company	
	2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)
Pension obligations	<u>12,773</u>	<u>16,905</u>	<u>12,675</u>	<u>16,905</u>

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

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

	2000 RMB'000	1999 RMB'000
Fees for executive directors	288	257
Fees for non-executive directors	334	295
Fees for supervisors	—	—
Other emoluments for executive directors		
— Basic salaries and allowances	24	18
— Bonus	—	—
— Retirement benefits	9	15
Other emoluments for non-executive directors	30	27
Other emoluments for supervisors	170	266
	<u>855</u>	<u>878</u>

No director waived any emoluments during the year.

17. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

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

	2000	1999
Executive directors		
— Nil to RMB1,000,000	<u>4</u>	<u>4</u>
Non-executive directors		
— Nil to RMB1,000,000	<u>5</u>	<u>5</u>

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

	2000 RMB'000	1999 RMB'000
Fees for directors	466	417
Basic salaries and allowances	51	45
Bonus	63	72
Retirement benefits	10	17
	<u>590</u>	<u>551</u>

	2000	1999
Number of directors	4	4
Number of employees	1	1
	<u>5</u>	<u>5</u>

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

	2000	1999
Nil to RMB1,000,000	<u>5</u>	<u>5</u>

During the year, no emolument (1999: Nil) were paid to the five highest paid individuals (including directors and employees) as inducement to join or upon joining the Company and its subsidiaries or as compensation for loss of office.

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

18. PROFIT BEFORE TAX

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

	2000 RMB'000	1999 RMB'000 (Note 35)
Staff costs		
— Salaries and wages	177,176	169,409
— Provision for staff welfare and bonus	134,583	107,456
— Retirement benefits	27,396	22,816
— Employee benefits	19,839	15,048
Operating lease rentals of equipment	199,872	194,353
Depreciation of fixed assets	324,189	311,420
Provision for doubtful accounts	17,030	23,145
Directors, supervisors and senior executives' emoluments	1,380	1,307
Auditors' remuneration	3,800	2,600
Amortisation of deferred staff costs	14,461	—
Exchange losses	1,528	1,296
Interest expense	3,887	404
Interest income	(80,452)	(94,712)

19. INCOME TAX EXPENSE

Enterprises established in Shenzhen Special Economic Zone are subject to income tax at a reduced rate of 15% as compared with the standard rate for PRC companies of 33%. The Shenzhen Municipal Tax Bureau confirmed in 1996 that the Company is subject to a reduced income tax rate of 15% starting from the same year. Pursuant to an approval from Shenzhen Municipal Tax Bureau dated November 12, 1997, the Company is entitled to a 50% further reduction of income tax arising from the Guangzhou-Shenzhen high speed train services in the years ended December 31, 1997, 1998 and 1999. The income tax rate of the Company for the year ended December 31, 2000 is 15%.

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

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

19. INCOME TAX EXPENSE (Cont'd)

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

	2000 RMB'000	1999 RMB'000 (Note 35)
Provision for PRC income tax	94,347	52,929
Deferred tax loss (income) resulting from provision for doubtful accounts	5,033	(2,700)
	<u>99,380</u>	<u>50,229</u>

The reconciliation of the statutory tax rate to effective tax rate is as follows:

	2000		1999	
	RMB'000	Percentage	RMB'000 (Note 35)	Percentage (Note 35)
Accounting profit	<u>590,687</u>	<u>100.0%</u>	<u>579,868</u>	<u>100.0%</u>
Income tax at the statutory tax rates of 15%	88,603	15.0%	86,980	15.0%
Tax effect of expenses that are not deductible in determining taxable profit:				
— Provision for doubtful accounts	7,216	1.2%	—	—
— Amortisation of deferred staff costs	2,709	0.5%	—	—
Effect of tax reduction on high speed train services	—	—	(35,985)	(6.2%)
Effect of different tax rates for certain subsidiaries and others	852	0.1%	(766)	(0.1%)
Income tax expense	<u>99,380</u>	<u>16.8%</u>	<u>50,229</u>	<u>8.7%</u>

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

Segment

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

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

Notes to the Financial Statements (Cont'd)

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

20. DIVIDENDS

In 2000, the directors have recommended and paid a final dividend of RMB0.12 (1999: RMB0.10) per share in respect of the financial year ended December 31, 1999, totaling RMB520,266,000 (1999: RMB433,555,000).

21. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

In the consolidated profit attributable to shareholders for the year, approximately RMB501,708,000 (1999: approximately RMB523,371,000) was dealt with in the financial statements of the Company.

22. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of RMB492,089,000 (1999: RMB529,674,000), divided by the weighted average number of ordinary shares outstanding during the year of 4,335,550,000 shares (1999 : 4,335,550,000 shares). No diluted earnings per share were presented as there were no dilutive potential ordinary shares as of year end.

23. CHANGE IN ACCOUNTING POLICY

During the year, the Company changed its accounting policy with respect to the revised IAS 10, which states that dividends proposed or declared after the balance sheet date should not be recognised as a liability at the balance sheet date. In addition, appropriation of profit into discretionary surplus reserve that is proposed or decided after the balance sheet date should be treated as a non-adjusting event. This change in accounting policy has been accounted for retrospectively. The comparative statement for 1999 has been restated to conform to the changed policy. The effect of the change for 2000 is an increase in dividends of RMB86,711,000 and an increase in discretionary surplus reserve of approximately RMB54,950,000 (1999 : an decrease in dividends of RMB86,711,000 and an increase in discretionary surplus reserve of approximately RMB9,457,000). Beginning retained profits for 1999 have been increased by approximately RMB497,962,000 which is the net effect of the adjustments relating to periods prior to 1999.

24. CASH GENERATED FROM OPERATIONS

(a) Reconciliation from profit before tax but after minority interests to cash generated from operations:

	2000 RMB'000	1999 RMB'000 (Note 35)
Cash Flows From Operating Activities:		
Profit before taxation but after minority interests	591,469	579,903
Adjustments for:		
Depreciation	324,189	311,420
Disposal of fixed assets	4,579	13,214
Amortisation of deferred staff costs	14,461	—
Housing benefits charged for retired employees	3,602	—
Share of profit of associates	(253)	(1,300)
Provision for doubtful accounts	17,030	23,145
Minority interests	(782)	(35)
Interest expense	3,887	404
Interest income	(80,452)	(94,712)
Operating profit before working capital changes	<u>877,730</u>	<u>832,039</u>
Decrease (increase) in accounts receivable	12,986	(54,096)
(Increase) decrease in materials and supplies	(5,526)	8,938
Increase in prepayments and other current assets	(47,702)	(48,470)
Increase in due from Parent Company	(32,119)	(38,819)
Decrease (increase) in due from affiliates	48,482	(76,453)
Increase in accounts payable	11,561	1,933
Decrease in due to affiliates	(90,594)	—
Increase in accrued expenses and other payables	22,382	89,306
Cash generated from operations	<u><u>797,200</u></u>	<u><u>714,378</u></u>

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

	2000 RMB'000	1999 RMB'000
Cash and bank deposits	<u><u>330,054</u></u>	<u><u>579,405</u></u>

Notes to the Financial Statements (Cont'd)

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

25. RELATED PARTY TRANSACTIONS

- (a) During the year, the Company and its subsidiaries had the following material transactions with related parties:

Recurring transactions

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

	Year ended 31st December,	
	2000 RMB'000	1999 RMB'000 (Note 35)
Lease of locomotives and related services from Yang Cheng Railway Company, a subsidiary of the Parent Company (i)*	132,576	130,501
Provision of trains and related services from Guangmeishan Railway Company Limited, a subsidiary of the Parent Company*	23,839	22,564
Provision of trains and related services from Sanmao Railway Company Limited, an associate of the Parent Company*	3,546	2,866
Provision of trains and related services from Changsha Railway Company, a subsidiary of the Parent Company*	5,336	7,348
Provision of trains and related services from Huaihua Railway Company, a subsidiary of the Parent Company*	3,317	—
Purchases of materials and supplies from Guangzhou Railway Material Supply Company, a subsidiary of the Parent Company*	22,846	3,822

25. RELATED PARTY TRANSACTIONS (Cont'd)

	Year ended 31st December,	
	2000 RMB'000	1999 RMB'000 (Note 35)
Social services (employee housing, health care, educational and public security services and other ancillary services) provided by the Parent Company and affiliates (including Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company ("GEDC"))*	58,300	56,700
Operating lease rentals paid to the MOR**	50,435	49,106
Operating lease rentals and maintenance fee paid to Guangzhou Zhongche Railway Locomotive Vehicle Tenancy Co., Ltd., a subsidiary of the MOR**	15,660	23,290
Repair and maintenance fee paid to the Parent Company*	—	1,390
Interest received from the Parent Company (ii)*	447	981
Interest expenses paid to the Parent Company (ii)*	3,886	404
Interest received from the MOR's Railroad Deposit-taking Centre ** (see Note 12(b))	25,792	54,726
Interest received from Pingnan Railway Company Limited, an associate of the Parent Company (ii)*	1,712	1,684
Interest received from Guangmeishan Railway Company Limited (ii)*	833	2,945

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

** These transactions did not constitute Connected Transactions.

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

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

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

Notes to the Financial Statements (Cont'd)

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

25. RELATED PARTY TRANSACTIONS (Cont'd)

Non-recurring transaction

Pursuant to an agreement with Chi Wen Trading Company Limited, a subsidiary of the Parent Company, dated January 25, 2000, the Company purchased a property from Chi Wen Trading Company at a consideration of HK\$82,000,000 (equivalent to RMB87,330,000) plus relevant stamp duty for accommodating its through train officers when they are working in Hong Kong.

- (b) As of December 31, 2000, the Company and its subsidiaries had the following material balances with related parties:

	Consolidated		Company	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Temporary cash investments in the MOR's Railroad Deposit-taking Centre	304,029	681,989	304,029	681,989
Due from Parent Company	80,604	48,485	83,183	49,125
Due from affiliates, net*	247,932	298,199	246,728	286,170
Due to affiliates*	(63,734)	(154,328)	(63,662)	(142,679)

* Affiliates mainly include GEDC and Guangmeishan Railway Company Limited.

As of December 31, 2000, the balances with the MOR, the Parent Company and affiliates are unsecured, non-interest bearing and repayable on demand, except for those disclosed in Notes 12 and 25(a). These balances were resulted from transactions carried out by the Company and its subsidiaries with related parties in the ordinary course of business.

26. SEGMENT INFORMATION

The Company and its subsidiaries conduct the majority of their business activities in railroad and other business operations in Guangdong Province, the PRC. An analysis by business segment is as follows:

	Railroad businesses		Other businesses		Total	
	2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)
Revenues	1,786,983*	1,652,016*	193,415	166,800	1,980,398	1,818,816
Results						
Operating profit	489,519	462,375	29,886	15,545	519,405	477,920
Other income, net					74,916	101,052
Finance cost					(3,887)	(404)
Share of profit of associates	253			1,300	253	1,300
Provision for taxation					(94,347)	(52,929)
Deferred tax (loss) income					(5,033)	2,700
Minority interests					782	35
Profit attributable to shareholders					492,089	529,674
Other information						
Segment assets	10,029,499	10,256,746	765,843	625,042	10,795,342	10,881,788
Interests in associates	121,352	—	870	88,708	122,222	88,708
Total assets					10,917,564	10,970,496
Total liabilities	796,587	757,469	85,539	148,443	882,126	905,912
Capital expenditures	420,356	238,194	83,903	210,936	504,259	449,130
Non-cash expenses						
— Depreciation	320,694	308,411	3,495	3,009	324,189	311,420
— Provision for doubtful accounts	16,261	16,497	769	6,648	17,030	23,145
— Amortisation	14,461	—	—	—	14,461	—

Notes to the Financial Statements (Cont'd)

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

26. SEGMENT INFORMATION (Cont'd)

* Revenues from railroad businesses include:

	2000 RMB'000	1999 RMB'000
Passenger	1,237,289	1,114,046
Freight	549,694	537,970
Total	<u>1,786,983</u>	<u>1,652,016</u>

Cash flows by segment are as follows:

	Railroad businesses RMB'000	Other businesses RMB'000	Total RMB'000
Cash flows from:			
Operating activities	761,800	(32,611)	729,189
Investing activities	(449,140)	(8,947)	(458,087)
Financing activities	(520,453)	—	(520,453)
	<u>(207,793)</u>	<u>(41,558)</u>	<u>(249,351)</u>

27. CONTINGENCIES

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

28. FINANCIAL INSTRUMENTS

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

As of December 31, 2000, cash and cash equivalents and temporary cash investments were mainly maintained with commercial banks in the PRC and the MOR's Railroad Deposit-taking Centre.

As of December 31, 2000, balances denominated in United States dollars and Hong Kong dollars have been translated into RMB at the applicable market exchange rates as of that date. Details of these balances are as follows:

	2000 RMB'000
Cash and cash equivalents	69,467
Temporary cash investments in banks	1,087,766
Temporary cash investments in the MOR's Railroad Deposit-taking Center	80,215

29. CONCENTRATION OF RISKS

(a) Credit risk

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

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

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

(b) Interest rate risk

The directors of the Company and its subsidiaries believe that the exposure to interest rate risk of financial assets and liabilities as of December 31, 2000 was minimum since their deviation from their respective fair values was not significant.

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

29. CONCENTRATION OF RISKS (Cont'd)

(c) Currency risk

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

30. COMMITMENTS

(a) Capital commitments

As of December 31, 2000, the Company and its subsidiaries had the following capital commitments:

	2000 RMB'000	1999 RMB'000
Authorised and contracted for	55,340	196,625
Authorised but not contracted for	—	—
	<u>55,340</u>	<u>196,625</u>

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

- (i) Purchase of railroad equipment for the Company's High Speed Train Project amounted to approximately RMB24,834,000; and
- (ii) Purchase of staff dormitories for the Company's Housing Reform Scheme amounted to approximately RMB30,506,000.

(b) Operating lease commitments

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

	2000 RMB'000	1999 RMB'000
Machinery and equipment		
— not more than one year	91,125	14,460
— later than one year and not later than five years	455,625	542,250
	<u>546,750</u>	<u>556,710</u>

31. SUBSEQUENT EVENTS

Pursuant to a board resolution dated March 13, 2001, the directors recommended the payment of a final dividend of RMB0.10 per share, totaling RMB433,555,000, and recommended that the retained profit of RMB615,185,000 as of December 31, 2000 be carried forward.

32. IMPACT OF IAS ADJUSTMENTS ON CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS

	Consolidated profit attributable to shareholders for the year ended December 31,		Consolidated net assets as of December 31,	
	2000 RMB'000	1999 RMB'000 (Note 35)	2000 RMB'000	1999 RMB'000 (Note 35)
As reported in statutory accounts (audited by certified public accountants in the PRC)	526,252	549,501	9,763,204	9,647,517
Impact of IAS adjustments:				
Additional depreciation charges on fixed assets	(3,100)	—	(150,651)	(122,051)
Write-down of reclaimed rails to realisable value	—	—	(44,123)	(44,123)
Additional provision for doubtful accounts	(8,614)	(23,145)	36,078	44,692
Amortisation of deferred staff costs	(14,461)	—	(14,461)	—
Housing benefits for retired employees	(3,602)	—	(3,602)	—
Dividends in respect of the year but declared after the end of the year (see Note 23)	—	—	433,555	520,266
Deferred tax (realised) created	(5,033)	2,700	(2,333)	2,700
Others	647	618	3,016	(141)
As restated for the Company and its subsidiaries	492,089	529,674	10,020,683	10,048,860

Notes to the Financial Statements (Cont'd)

December 31, 2000

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

33. DIFFERENCE BETWEEN IAS AND US GAAP

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

Revaluation of fixed assets

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

Under IAS, revaluation of fixed assets is permitted and depreciation is based on the revalued amount. Additional depreciation arising from the revaluation surplus was approximately RMB48,422,000 for the year ended December 31, 2000 (1999: approximately RMB48,422,000).

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

Effects on the consolidated profit attributable to shareholders and consolidated net assets of significant differences between IAS and US GAAP are summarised below:

	Consolidated profit attributable to shareholders for the year ended December 31,		Consolidated net assets as of December 31,	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000 (Note 35)
Under IAS	492,089	529,674	10,020,683	10,048,860
Impact of US GAAP adjustments:				
Reversal of the revaluation surplus on fixed assets	—	—	(1,492,185)	(1,492,185)
Reversal of additional depreciation charges arising from the revaluation surplus on fixed assets	48,422	48,422	234,040	185,618
Deferred tax assets created	—	—	223,828	223,828
Realisation of deferred tax assets created	(7,263)	(7,263)	(35,107)	(27,842)
Under US GAAP	<u>533,248</u>	<u>570,833</u>	<u>8,951,259</u>	<u>8,938,279</u>

34. FOREIGN CURRENCY EXCHANGE

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

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation in accordance with the presentation and disclosure requirements of the revised IAS 10 "Events After the Balance Sheet Date", IAS 28 "Accounting for Investment in Associates", IAS 32 "Financial Instruments: Disclosure and Presentation", and the adoption of new Appendix 16 of *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*.

Financial Summary

December 31, 2000

(Amounts expressed in thousands of Renminbi unless otherwise stated)

The information set forth below summarises the consolidated financial statements of the Company and its subsidiaries. This information, which does not form part of the December 31, 2000 audited financial statements, should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of the Company and its subsidiaries, including the notes thereto, as of December 31, 1996, 1997, 1998, 1999 and 2000 and for the years ended December 31, 1996, 1997, 1998, 1999 and 2000.

AUDITED CONSOLIDATED INCOME STATEMENTS

	Year ended December 31,				
	2000	1999	1998	1997	1996
Turnover	<u>1,980,398</u>	<u>1,818,816</u>	<u>1,942,587</u>	<u>2,198,374</u>	<u>2,258,065</u>
Operating profit	<u>519,405</u>	<u>477,920</u>	<u>632,974</u>	<u>802,796</u>	<u>1,178,469</u>
Profit attributable to shareholders	<u>492,089</u>	<u>529,674</u>	<u>642,175</u>	<u>830,282</u>	<u>1,078,141</u>
Dividends (restated)	<u>RMB0.12</u>	<u>RMB0.10</u>	<u>RMB0.12</u>	<u>RMB0.10</u>	<u>N/A</u>

AUDITED CONSOLIDATED BALANCE SHEETS (RESTATED)

	As of December 31,				
	2000	1999	1998	1997	1996
Non-current assets					
Fixed assets	7,770,138	7,467,961	7,603,374	6,890,076	5,934,734
Construction-in-progress	369,285	653,958	394,049	864,501	1,426,728
Interests in associates	122,222	88,708	11,921	35,280	38,177
Long-term investment	30,000	30,000	—	—	—
Deferred tax assets	—	2,700	—	—	—
Deferred staff costs	202,449	—	—	—	—
	8,494,094	8,243,327	8,009,344	7,789,857	7,399,639
Current assets					
Materials and supplies	30,033	24,507	33,445	39,923	25,231
Accounts receivable	87,444	100,779	43,093	55,680	53,592
Due from Parent Company	80,604	48,485	9,666	—	—
Due from affiliates	247,932	298,199	221,746	214,206	197,903
Prepayments and other receivables, net	196,073	163,014	153,454	89,132	130,487
Temporary cash investments	1,451,330	1,512,780	1,898,719	1,944,753	2,425,540
Cash and cash equivalents	330,054	579,405	368,868	613,047	624,949
	2,423,470	2,727,169	2,728,991	2,956,741	3,457,702
Current liabilities					
Accounts payable	61,147	49,586	47,653	71,163	108,233
Accounts payable for construction of fixed assets	345,471	405,971	493,430	527,566	392,140
Due to affiliates	63,734	154,328	103,195	86,156	151,765
Due to Parent company	—	—	—	123,954	500,708
Tax payable	57,552	27,329	—	—	89,792
Accrued expenses and other payables	351,889	268,698	123,505	86,604	160,550
	879,793	905,912	767,783	895,443	1,403,188
Net current assets	1,543,677	1,821,257	1,961,208	2,061,298	2,054,514
Total assets less current liabilities	10,037,771	10,064,584	9,970,552	9,851,155	9,454,153
Non-current liabilities					
Deferred tax liabilities	2,333	—	—	—	—
Minority interests	14,755	15,724	17,811	20,323	20,048
Net assets	10,020,683	10,048,860	9,952,741	9,830,832	9,434,105
Representing:					
Share capital	4,335,550	4,335,550	4,335,550	4,335,550	4,335,550
Reserves	5,685,133	5,713,310	5,617,191	5,495,282	5,098,555
	10,020,683	10,048,860	9,952,741	9,830,832	9,434,105