

Interim Report 2009

(Stock Code: 0525)



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## CHAPTER 1: IMPORTANT NOTICE

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

All Directors of the Company attended the meeting of the Board of Directors of the Company.

The 2009 interim report prepared under IFRS has been considered and passed by the Board and the Audit Committee of the Company.

The 2009 interim report prepared under IFRS has not been audited.

There is no non-regular appropriation of the Company's fund by its substantial shareholder or any related party.

The Company provided no guarantees in violation of the decision-making procedure.

Mr. He Yuhua, Chairman of the Board of Directors of the Company, Mr. Shen Yi, General Manager and Director, Mr. Tang Xiangdong, Chief Accountant and Mr. Lin Wensheng, head of Finance Department hereby declare that the authenticity and completeness of the financial statements contained in the interim report is warranted.

## CHAPTER 2: BASIC INFORMATION ON THE COMPANY

### I. Basic Information

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

English name of the Company: Guangshen Railway Company Limited

**2. Legal representative: He Yuhua**

**3. Company Secretary: Guo Xiangdong**

Tel: (86) 755-25587920 or (86) 755-25588146  
Representative of Security Affairs: Zheng Bei  
Tel: (86) 755-61382173  
Fax: (86-755) 25591480  
Email: ir@gsrc.com  
Address: No. 1052, Heping Road  
Shenzhen, Guangdong Province  
The People's Republic of China

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

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

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

China Securities Journal, Securities Times, Shanghai Securities News

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

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

**6. Information on listing:**

A Share : Shanghai Stock Exchange  
Abbreviation : 廣深鐵路  
Share Code : 601333

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

**7. Other relevant information:**

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

PRC auditors: PricewaterhouseCoopers Zhong Tian CPAs  
Limited Co.  
11/F PricewaterhouseCoopers Center  
202 Hu Bin Road  
Shanghai  
The People's Republic of China

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

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

Legal adviser as to Hong Kong law:	Norton Rose 38th Floor, Jardine House 1 Connaught Place Central Hong Kong
Legal adviser as to United States law:	Shearman & Sterling LLP 12th Floor Gloucester Tower the Landmark 15 Queen's Road Central Hong Kong
PRC share registrar:	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F, China Insurance Building No. 166, Lujiazui Road New district Pudong Shanghai The People's Republic of China
Hong Kong share registrar:	Hong Kong Registrars Limited Rooms 1712-16 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Depositary:	JPMorgan Chase Bank, N.A. 13th Floor, 4 New York Plaza New York USA
Principal banker:	China Construction Bank Shenzhen Branch Jiabin Rd Sub-branch 1st to 4th Floors Jinwei Building Jiabin Road Shenzhen The People's Republic of China

## II. Main Accounting Data and Financial Indicators

*Unit: RMB'000*

	<b>As at 30 June 2009 (RMB'000)</b>	<b>As at 31 December 2008 (RMB'000)</b>	<b>Increase/ Decrease (%)</b>
Total assets	28,369,386	28,221,826	0.52
Net assets	21,811,605	21,783,207	0.13
Net assets per share attributable to shareholders (RMB)	3.08	3.08	—
	<b>Reporting period (From January to June 2009)</b>	<b>The same period of 2008</b>	<b>Increase/ Decrease (%)</b>
Total revenues	5,857,884	5,619,902	4.23
Total operating expenses	5,001,979	4,712,050	6.15
Profit from operations	866,740	924,397	(6.24)
Profit before tax	745,227	826,372	(9.82)
Profit attributable to shareholders	595,081	674,203	(11.74)
Earnings per share (RMB) — Basic and diluted	0.084	0.095	(11.58)

## III. Differences between PRC accounting standards and International Financial Reporting Standards

Extracts of main differences between accounting statements prepared under PRC accounting standards and International Financial Reporting Standards:

*Unit: RMB'000*

	<b>Net Profit (Including profit/loss attributable to minority interests)</b>	<b>Shareholders' Interests (Including minority interests)</b>
Under Chinese accounting standards	590,507	22,467,797
Breakdown and consolidation of IFRS reconciliation		
—Differences arising from valuing fixed assets under cost model and others (Note)	6,559	(826,958)
—Deferred income tax effects on the above differences	(2,769)	225,871
	3,790	(601,087)
Under IFRS	594,297	21,866,710

*Note:* The Company recorded the revaluation surplus on fixed assets arising from the assets valuation performed at the time of IPO as cost in the preparation of PRC financial statements and consolidated it into the original estimation of fixed assets; however, the Company applied historical cost convention to value its fixed assets in the preparation of international financial statements, and such revaluation surplus should not be incorporated into the original estimation of fixed assets under IFRS, leading to differences in net assets as at 30 June 2009 and net profit for the first half of 2009.

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

### I. Change in Share Capital

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

### II. Information on Shareholders

1. **As of the end of this reporting period, according to the stock ledgers provided by China Securities Depository & Clearing Corp. Ltd. Shanghai Branch and Hong Kong Registrars Limited, the total number of shareholders, the top ten shareholders and the top ten shareholders holding shares without restrictions on sales of the Company were as follows:**

Unit: Share

**Total shareholders** Total number of 460,008 shareholders on record, including 459,530 shareholders of A Shares and 478 shareholders of H Shares

#### Top ten shareholders

Name of shareholder	Total Number of shares held	Ownership percentage (%)	Number of shares with restrictions on sales held	Number of shares in pledge or frozen	Nature of shareholder
Guangzhou Railway (Group) Company	State-owned	2,904,250,000	41.00	2,904,250,000 (Note 1)	274,798,700
HKSCC NOMINEES LIMITED (Note 2)	1,399,086,831	19.75	—	unknown	Foreign-funded
Bank of China-Harvest Sustaining Open-ended Fund	70,000,000	0.99	—	unknown	Other
China Construction Bank Corporation-Changsheng Tongqing Separated Stock Fund	55,580,694	0.78	—	unknown	Other
China Shipbuilding Industry Corporation Finance	53,191,000	0.75	—	unknown	State-owned
Bank of China-Harvest Theme Selected Mixed Fund	50,940,416	0.72	—	unknown	Other
Taiyuan Iron & Steel (Group) Company Ltd.	50,776,147	0.72	—	unknown	State-owned
National Social Security Fund 108 Portfolio	42,906,313	0.61	—	unknown	Other
Bank of Communications – Hua An Strategic Selected Stock Fund	36,000,000	0.51	—	unknown	Other
ICBC – China Southern Longyuan Industry Theme Stock Fund	34,614,285	0.49	—	unknown	Other

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

Name of shareholder	Number of shares without restrictions on sales	Class of shares
HKSCC NOMINEES LIMITED (Note 2)	1,399,086,831	H Shares
Bank of China – Harvest Sustaining Open-ended Fund	70,000,000	A Shares
China Construction Bank Corporation – Changsheng Tongqing Separated Stock Fund	55,580,694	A Shares
China Shipbuilding Industry Corporation Finance	53,191,000	A Shares
Bank of China – Harvest Theme Selected Mixed Fund	50,940,416	A Shares
Taiyuan Iron & Steel (Group) Company Ltd.	50,776,147	A Shares
National Social Security Fund 108 Portfolio	42,906,313	A Shares
Bank of Communications – Hua An Strategic Selected Stock Fund	36,000,000	A Shares
Bank of Communication – China Southern Longyuan Industry Theme Stock Fund	34,614,285	A Shares
ICBC – China International Growth Pioneer Fund	30,999,960	A Shares
Statement regarding connectedness or unanimity of the above shareholders	The Company is not aware of whether the above shareholders are connected or unanimous as defined in Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures.	

Note: (1) According to the Circular on Releasing the Implementing Measures for Transferring Certain State-owned Shares to the National Social Security Fund in the Domestic Stock Market (File No. Caiqi [2009]94) jointly issued by Ministry of Finance the People's Republic of China, State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and National Council for Social Security Fund on 19 June 2009 and relevant regulations of Announcement No.63 in 2009, 274,798,700 shares (representing 10% of the A share of the Company's IPO) held by Guangzhou Railway (Group) Company has been frozen since 19 June 2009.

(2) 1,399,086,831 H Shares, which accounts for 97.75% of the total number of H shares issued by the company, are held by HKSCC NOMINEES LIMITED on behalf of its various customers.



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

Unit: share

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

As of 30 June 2009, Guangzhou Railway (Group) Company (“GRGC”) complied with its promise of locking its shares for 36 months since 22 December 2006.

**3. So far as the Directors, Supervisors and other senior management are aware, as at 30 June 2009, the interests and short positions of the persons, other than Directors, Supervisors and other senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) were as follows:**

Name of shareholder	Class of shares	Number of shares held (note)	Capacity	Percentage of Class of shares	Percentage of total share capital
Guangzhou Railway (Group) Company	A shares	2,904,250,000 (L)	Beneficial owner	51.38%	41.00%
JPMorgan Chase & Co.	H shares	157,216,919 (L)	Beneficial owner	10.98%	2.22%
		1,468,950 (S)	Beneficial owner	0.10%	0.02%
		154,042,330 (P)	Custodian – incorporated/ approved person	10.76%	2.17%
Barclays PLC	H shares	138,358,345 (L)	Interest of controlled corporation	9.67%	1.95%
		5,146,708 (S)		0.36%	0.07%
Baring Asset Management Limited	H shares	129,350,000 (L)	Investment manager	9.03%	1.83%
T. Rowe Price Associates, Inc. and its affiliates	H shares	127,980,000 (L)	Investment manager	8.94%	1.81%
Northern Trust Fiduciary Services (Ireland) Limited	H shares	117,042,000 (L)	trustee (except bare trustee)	8.18%	1.65%

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

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

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

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

As of the end of the reporting period, the Company is therefore in compliance with the Stock Listing Rules promulgated by Shanghai Stock Exchange and the Exchange Listing Rules promulgated by Hong Kong Exchange as regard to sufficiency of public float.

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

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

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

As of 30 June 2009, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the shares of the Company.

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

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

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

As of 30 June 2009, there was no record of interests and short positions (including the interests and short positions which were taken or deemed to have under the provisions of the Hong Kong Securities and Futures Ordinance) of the Directors or Supervisors of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Hong Kong Securities and Futures Ordinance) in the register required to be kept under section 352 of the Securities and Futures Ordinance. The Company had not received notification of such interests and short positions from any Director or Supervisor of the Company as required to be made to the Company and the Hong Kong Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Exchange Listing Rules”). The Company has not granted to any of the Company’s Directors or Supervisors or their spouses or children under the age of 18 any right to subscribe for any shares or debentures of the Company.

The Company has adopted a code of conduct for transactions of securities by the directors, which is not less strict than the Model Code. The Company has made special inquiry to all directors. All of them have confirmed that they complied with the Model Code during the six months ended 30 June 2009.

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

1. On 23 February 2009, the Company held the eighth meeting of the fifth session of the Board of the Directors at which resolutions were passed to terminate the engagement of Mr. Wang Jianping as the deputy general manager and elect Mr. Mu Anyun as deputy general manager.
2. On 25 June 2009, the Company held the Annual General Meeting of 2008, at which resolutions were passed to terminate the engagement of Mr. Wu Houhui and Mr. Liu Hai as directors of the Board and elect Mr. Li Liang and Mr. Luo Qing as directors of the Board.

## CHAPTER 5: REPORT OF DIRECTORS

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

#### 1. *Business overview*

In the first half of 2009, due to the decrease in demand for railway passenger and freight transportation services caused by the global financial crisis and the A/H1N1 flu, as well as the rise in operating costs as a result of the expansion of the Company's operating scale and the increase in finance costs, the Company faced tough challenges in its operation and management. Faced with difficulties and pressure, the management and the entire staff made joint aggressive efforts. They increased traffic and revenues through continuously strengthening marketing efforts and enhanced transportation capacity and efficiency through consolidating and optimizing transportation resources while stringently controlling related costs and expenses. These efforts aimed to minimize the impact of the above-mentioned unfavorable factors. The Company achieved safety and stability in its transportation operation with steady increase in transportation revenues.

In the first half of 2009, the operating revenues of the Company were RMB5,858 million, representing an increase of 4.23% from RMB5,620 million in the same period last year, among which revenues from passenger transportation, freight transportation, railway network usage and services and other businesses were RMB3,512 million, RMB506 million, RMB1,483 million and RMB356 million, respectively, accounting for 59.95%, 8.65%, 25.32% and 6.08% of the total revenues, respectively; profit from operation was RMB867 million, a decrease of 6.24% from RMB924 million in the same period last year; profit attributable to equity holders was RMB595 million, a decrease of 11.72% from RMB674 million in the same period last year.

## 2. Analysis of businesses and revenues

### (1) Passenger transportation

Passenger transportation, which is the most important business segment of the Company, includes Guangzhou-Shenzhen inter-city trains, long-distance trains as well as Hong Kong Through Trains. As at 30 June 2009, the Company operated 228.5 pairs of passenger trains in accordance with its daily train schedule, representing a decrease of 11 pairs from that at the end of 2008, among which there were 100 pairs of Guangzhou-Shenzhen inter-city trains, including 7.5 stand-by pairs, a decrease of 20 pairs, mainly due to the decrease in stand-by pairs to optimize the train diagram; 13 pairs of Through Trains and 115.5 pairs of long-distance trains, an increase of 9 pairs. The table below sets forth the revenues from passenger transportation and passenger delivery volumes for the six months ended 30 June 2009 in comparison with those of the same period in 2008:

	January- June 2009	January- June 2008	Increase (%)
Passenger Transportation Revenues (RMB'000)	3,511,977.2	3,261,562.0	7.68
– Guangzhou-Shenzhen inter-city trains	989,625.0	962,123.0	2.86
– Through Trains (Note)	181,221.0	192,471.0	(5.85)
– Long-distance trains (Note)	2,341,131.2	2,106,968.0	11.11
Passenger delivery volume ('000 persons)	41,316.0	40,866.0	1.10
– Guangzhou-Shenzhen inter-city trains	16,172.0	15,565.2	3.90
– Through Trains	1,599.3	1,561.5	2.42
– Long-distance trains	23,544.8	23,739.3	(0.82)
Revenue per passenger delivered (RMB)	85.00	79.81	6.50
– Guangzhou-Shenzhen inter-city trains	61.19	61.81	(1.00)
– Through Trains	113.31	123.26	(8.07)
– Long-distance trains	99.43	88.75	12.03
Total passenger-kilometers (million passenger-kilometers)	14581.0	14531.0	0.34
Revenue per passenger-kilometer (RMB)	0.24	0.22	9.09

Note: The operation of T97/8 trains from Beijing West to Kowloon, or Beijing-Kowloon Through Trains, has been undertaken by the Company since 1 January 2009. For convenience in comparison with data of the same period last year, the revenue from Guangzhou-Shenzhen section of Beijing-Kowloon Through Trains at a reduced rate was still recorded as revenue from Through Trains, while revenue attributable to the rest section was accounted as revenue from long-distance trains.

- Guangzhou-Shenzhen inter-city trains

The main reasons for the increases in passenger delivery volume and revenue of Guangzhou-Shenzhen inter-city trains were: (1) the considerable increase in passenger delivery volume in January and February due to the absence of natural disasters such as storm and freezing weather during the Spring Festival transportation season this year; (2) our Guangzhou-Shenzhen inter-city trains began to make stops at each of the intermediary stations from 1 May, bringing about the growth of passenger traffic at the intermediary stations (3) the introduction of Guangshen Railway Peony Credit Card and Guangshen Railway Fast Pass Card has made train taking more convenient and attracted more passengers.

- Through Trains

Our Through Train services include Beijing-Kowloon trains, Shanghai-Kowloon trains, Zhaoqing-Kowloon trains and Canton-Kowloon trains, the last of which are operated in cooperation with MTR Corporation in Hong Kong. In the first half of this year, due to the evident increase in the number of mainland passengers visiting Hong Kong, Beijing-Kowloon trains, Shanghai-Kowloon trains, and Zhaoqing-Kowloon trains contributed to the increase in total passenger delivery volume of Through Trains; however, revenues from Canton-Kowloon trains, which account for a relatively large portion of Through Train revenues, recorded a substantial decrease under the joint influence of the global financial crisis and the A/H1N1 flu, leading to a decline in total Through Train revenues.

- Long-distance trains

In the first half of 2009, the passenger delivery volume of long-distance trains failed to grow along with the increase in the number of trains in operation and train capacity as a result of the global financial crisis and the A/H1N1 flu; however, the revenue from long-distance trains recorded a considerable increase. The main reasons for the increase were: (1) the Company has superseded Beijing Railway Bureau in undertaking the operation of T97/8 trains from Beijing West to Kowloon (Guangzhou East) effective from 1 January 2009, leading to a considerable increase in revenue; (2) the absence of natural disasters such as storm and freezing weather during the Spring Festival transportation season this year, leading to an increase in passenger delivery volume and revenue compared to those of the 2008 Spring Festival.

(2) *Freight transportation*

Freight transportation is one important business of the Company. The Company is engaged in the freight transportation business on the Shenzhen-Guangzhou-Pingshi Railway and Hong Kong freight through train business. The table below sets forth the revenues from freight transportation and freight tonnage for the six months ended 30 June 2009 in comparison with those of the same period in 2008:

	<b>January- June 2009</b>	<b>January- June 2008</b>	<b>Increase (%)</b>
Freight Transportation			
Revenues ( <i>RMB'000</i> )	506,488.0	635,593.6	(20.31)
– Outbound freight	82,708.0	97,073.0	(14.80)
– Inbound freight, including arrival and pass-through freight	399,283.0	519,724.0	(23.17)
– Other revenues from freight transportation	24,497.0	18,796.6	30.33
Tonnage of freight ( <i>'000 tonnes</i> )	26,540.6	34,550.8	(23.18)
– Outbound freight	7,634.4	8,793.8	(13.18)
– Inbound freight, including arrival and pass-through freight	18,906.1	25,757.0	(26.60)
Revenue per tonne ( <i>RMB</i> )	19.08	18.40	3.70
– Outbound freight	10.83	11.04	(1.90)
– Inbound freight, including arrival and pass-through freight	21.12	20.18	4.66
Total tonne-kilometers ( <i>million tonne- kilometers</i> )	5,589	7,432	(24.80)
Revenue per tonne- kilometer ( <i>RMB</i> )	0.09	0.09	—

In the first half of this, both the outbound and inbound (including arrival and pass-through) freight tonnages recorded substantial declines compared to those of the first half of 2008 and the revenues decreased, too due principally to the spreading of the global financial crisis and the slowdown of China's macro-economy.

(3) *Railway network usage and services*

Railway network usage and services mainly include locomotive traction, track usage, electric catenary, vehicle coupling and other services. The table below sets forth the revenues from railway network usage and services for the six months ended 30 June 2009 in comparison with those of the same period in 2008:

	<b>January- June 2009</b>	<b>January- June 2008</b>	<b>Increase (%)</b>
Railway network usage and services (RMB'000)	1,483,048.7	1,336,765.9	10.94
– Locomotive traction	655,956.7	511,822.7	28.16
– Track usage	502,656.2	491,023.4	2.37
– Electric catenary	133,535.2	147,862.0	(9.69)
– Vehicle coupling	112,115.1	105,401.4	6.37
– Other services	78,785.5	80,656.4	(2.32)

The increase in revenues from railway network usage and services was mainly due to the increase in the number of long-distance trains undertaken by other railway companies (bureaus) arriving at stations within our jurisdiction, which led to the increase in locomotive traction service provided by the Company and the increase in locomotive traction fees charged by the Company; besides, some of the freight trains turned to diesel locomotives from electric locomotives, leading to a decrease in revenue from the use of electric catenary in our freight transportation.

(4) *Other businesses*

Other businesses of the Company mainly include sale of materials and supplies, maintenance of trains, on-board catering services, labor services and other businesses related to railway transportation. The table below sets forth the revenues from other businesses for the six months ended 30 June 2009 in comparison with those of the same period in 2008:

	<b>January- June 2009</b>	<b>January- June 2008</b>	<b>Increase (%)</b>
Revenues from other businesses (RMB'000)	356,370.4	385,980.9	(7.67)
– Sale of materials and supplies	54,123.1	96,267.7	(43.78)
– Maintenance of trains	105,500.1	111,315.0	(5.22)
– On-board catering services	57,813.8	58,616.1	(1.37)
– Labor services	35,177.1	33,623.0	4.62
– Others	103,756.3	86,159.1	20.42

The decrease in revenues from other businesses was mainly due to the financial crisis, the A/H1N1 flu and the decrease in the sale of fuel to other railway companies (bureaus), which led to the decline of related revenues.

### 3. *Main items and analysis of operating costs and expenses*

*Unit: RMB'000*

	January- June 2009	January- June 2008	Increase (%)	Reasons for the change
Operating expenses	5,001,979	4,712,050	6.15	
– Operating expenses of railway businesses	4,679,934	4,341,620	7.79	(1) The Company has undertaken the operation of Beijing-Kowloon Through Trains from 1 January 2009, leading to an increase in railway usage and services expenses;  (2) Due to the policy-orientated salary adjustment, the income of our employees was heightened, and the welfare was also improved;  (3) The increase in depreciation expenses as CRH train sets and the Fourth Rail Line between Guangzhou and Shenzhen have been transferred into fixed assets.
– Operating expenses of other businesses	322,045	370,430	(13.06)	The decrease in indirect expenses related to other businesses due to the rigorous implementation of the Company's cost saving measures to reduce the influence of the global financial crisis.
Finance cost	122,229	98,485	24.11	The increase in interest expenses of bank borrowings.
Income tax expenses	150,930	151,982	(0.69)	

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

In the reported period, the main difficulty facing the Company was the decrease in demand for railway passenger and freight transportation services brought about by the global financial crisis, which exerted great pressure on the operation and management of the Company. The Company has taken vigorous measures to readjust transportation organization and promote marketing of passenger and freight businesses in our efforts to minimize the negative influence of economic environment upon the Company.



## **5. Prospects of the second half of 2009**

Looking into the second half of 2009, China's economy is expected to continue to show evident signs of recovery and the demand for railway passenger and freight transportation services will rebound due to the government's stimulus package of vigorous financial policies and loose monetary policies. The Company will adhere to market demand, continue to arrange our work with the view of scientific development, strengthen work safety, standardize operation and management, improve corporate governance, boost our core businesses of railway transportation and accelerate the harmonious development of the Company. The Company will pay special attention to the following work:

- (1) Boosting traffic volumes and revenues. Main measures include continuing our marketing efforts for passenger and freight transportation services, putting great effort into passenger transportation during holidays such as the National Day Holidays and Mid-autumn Day Holidays, improving railway network settlement work and introducing as soon as practicably the second generation of Guangshen Railway Fast Pass Card.
- (2) Expenditure saving and energy consumption reduction. Main measures include stringently controlling costs and operating expenses, reducing traveling and telecommunication expenses, improving the accounting and confirmation of related transaction expenses and carrying on with the issue of medium-term notes.

The Company believes that the operation of the Company will remain stable in the second half of 2009 with the joint efforts of the management and the entire staff in the favorable environment of recovering macro-economy and demand for railway passenger and freight transportation services in China.

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

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

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

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

Purchase of electric train sets. The Company invested approximately RMB2.58 billion in the purchase of 20 electric train sets. As of 30 June 2009, the Company had finished paying for the 20 train sets, all of which had been delivered and put into use.

### III. Employees

As at 30 June 2009, the Company had in total 33,746 employees, representing a decrease of 150 compared to that at the end of 2008.

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

<b>Category of profession</b>	<b>Number</b>
Administrative personnel	2,659
Technical personnel	1,783
Ordinary operation personnel	29,304
Total	33,746

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

<b>Category of education level</b>	<b>Number</b>
Postgraduate or above	58
Undergraduate	1,800
College for professional training	3,290
Others (Secondary vocational school, high school and vocational technical school, etc)	28,598
Total	33,746

#### 3. *Salary and benefits*

The Company's salary policy is closely linked with economic efficiency, labour efficiency and individual performance. The total amount of employees' salaries is closely related to the operating results of the Company and the distribution of employees' salaries is based on their post score and performance reviews. The basic salary of an employee is determined on the basis of the evaluation of basic labor factors such as labor skills, labor responsibilities, labor intensity and labor conditions, etc, and the actual labor remuneration is calculated on the basis of technical competence and vocational level of the employee and the evaluation of the quantity and quality of the actual labor input.

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

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

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

#### 5. *Training*

The training was mainly provided by the Company, including training on post standardization, adaptability and continuing education. In the first half of 2009, the Company completed 50% of its training plans for 2008. The expenses for these training programmes were approximately RMB5.7588 million.

## CHAPTER 6: MATTERS OF IMPORTANCE

### I. **Corporate Governance**

During the period of this report, the Company complied earnestly with the Company Law, Securities Law and Governance Standards of Listed Companies of the P.R.C., laws and regulations promulgated by the China Securities Regulatory Commission (the "CSRC"), Stock Listing Rules and Securities Listing Rules promulgated by the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, respectively. Considering the reality of the Company, we continue to improve the framework of corporate legal person governance, promote information disclosure and standardize operation of the Company. Currently, there are no obvious discrepancies between the corporate governance structure of the Company and that stipulated in the regulatory documents on governance of listed companies promulgated by the CSRC.

The Company is committed to high standards of corporate governance. To the best knowledge of the Company and its Directors, the Company has complied with the applicable code provisions set out in the Code on Corporate Governance Practice ("Corporate Governance Code") contained in Appendix 14 of the Listing Rules promulgated by the Stock Exchange of Hong Kong Limited.

The Audit Committee of the Company consists of three independent non-executive Directors. The principal duties of the Audit Committee include reviewing and supervising the Company's financial reporting procedures and internal control. The unaudited interim financial statements for the six months ended 30 June 2009 has been reviewed by the Audit Committee.

## **II. Profit Distribution**

### **1. Execution of the profit distribution plan for 2008**

The profit distribution plan was considered and approved at the annual general meeting for 2008 held on 25 June 2009. Based on the share capital 7,083,537,000 shares as at the end of 2008, a final dividend of RMB0.8 per ten shares, including tax, was paid to shareholders, totaling RMB566,682,960, on 24 July 2009.

### **2. Profit distribution plan for the six months ended 30 June 2009**

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

### **3. Execution of cash dividend policy in the period of this report**

Please refer to “II (1)” of this Chapter for details.

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

The Company was not involved in any material litigation or arbitration in the reported period.

## **IV. Shares of Other Listed Companies and Finance Companies Held by the Company**

The Company did not hold any shares of other listed companies or finance companies in the reported period.

## **V. Asset Transactions**

No asset acquisition, disposal, replacement or merger occurred in the reported period.

## VI. Material Connected Transactions

### 1. Connected transactions related to daily operation

Unit: RMB'000

Name of related party	Relation	Type of connected transaction	Content of connected transaction	Pricing standards	Price of connected transaction
MOR	Controller of our largest shareholder	Provision of labor services	Collection, treatment and distribution of revenues by MOR	Determined based on uniform rates promulgated by MOR or market prices in reference to guidelines provided by MOR	5,073,597
GRGC and its affiliates	Our largest shareholder and its affiliates	Ditto	Train services	Ditto	157,428
GRGC and MOR	Our largest shareholder and its controller	Ditto	Maintenance and repair of freight trains	Ditto	103,295
MOR	Controller of our largest shareholder	Receipt of labor services	Equipment lease and services fees settled and allocated by MOR	Determined based on uniform rates promulgated by MOR or market prices in reference to guidelines provided by MOR	1,197,996
MOR	Controller of our largest shareholder	Ditto	Use of freight trains and cars	Ditto	71,736
GRGC and its affiliates	Our largest shareholder and its affiliates	Ditto	Train services	Ditto	181,428
Guangshen Railway Enterprise Development Company and Yangcheng Railway Enterprise Development Company	Affiliates of our largest shareholder	Ditto	Comprehensive services related to transportation	Costs plus mark-up	185,135

Name of related party	Relation	Type of connected transaction	Content of connected transaction	Pricing standards	Price of connected transaction
GRGC and its affiliates	Our largest shareholder and its affiliates	Procurement of merchandise	Procurement of materials and supplies	In reference to guidelines provided by MOR	278,100
GRGC and its affiliates	Our largest shareholder and its affiliates	Receipt of labor services	Repair and maintenance services	Determined based on uniform rates promulgated by MOR or market prices in reference to guidelines provided by MOR	64,082
GRGC	Our largest shareholder	Other outflows	Leasehold land payment	Determined under the Land Lease Agreement reached between the two parties	25,600

*Explanation regarding connected transactions*

The Company and GRGC entered into the Leasing Agreement on 15 November 2004. Pursuant to the agreement, the land for the GP Railway line was leased to the Company by GRGC for a leasing term of 20 years. It has been agreed by the two parties that the annual land rent should not exceed RMB74 million (For details, please refer to the “Offer Prospectus” published on the website of the Shanghai Stock Exchange (website: [www.sse.com.cn](http://www.sse.com.cn)) on 21 December 2006 and the announcements of the Company published on 16 November and 31 December 2004 in Hong Kong Economic Times). In the first half of 2009, the Company paid a rent of RMB25.60 million to GRGC.

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

On 4 December 2008, the Company held the first extraordinary general meeting of 2008 to approve the amendment to the annual caps in relation to the three conditional continuing connected transactions entered into between the Company and GRGC, Guangzhou Railway Group Yang Cheng Railway Enterprise Development Company and Guangshen Railway Enterprise Development Company, respectively, on 5 November 2007, for each of the three financial years ending 31 December 2010. For details, please refer to the “Announcement of Continuing Connected Transactions” published in the Securities Times, China Securities Journal and Shanghai Securities News and on [www.sse.com.cn](http://www.sse.com.cn) and [www.hkex.com.hk](http://www.hkex.com.hk) on 10 October 2008, or the circular published on [www.hkex.com.hk](http://www.hkex.com.hk) and [www.sse.com.cn](http://www.sse.com.cn) on 20 October 2008 and 31 October 2008, respectively, and the announcement of resolutions and voting results of the Extraordinary General Meeting of Shareholders published in the above-mentioned newspapers and websites on 5 December 2008.

As railway transportation is conducted on an inseparable network of rail lines, the Company must use the rail lines under the control of Guangzhou Railway (Group) Company or its subsidiaries for the dispatching of part of its passengers or freight. Thus, the mutual provision of repair or other services is necessary between the Company and GRGC or its subsidiaries. The regular connected transactions occurring between the Company and GRGC or its subsidiaries are reached on the basis of fairness and reasonableness and are priced with reference to market price, industrial pricing standards or at cost plus a mark-up. These transactions are strictly subject to timely disclosure and approval of independent shareholders as required by relative regulatory rules, thus safeguarding the Company’s interests by the greatest extent.

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

The Company did not engage in any connected transaction in relation to acquisition or sale of assets in the reported period.

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

The Company was not involved in any non-regular claim or debt in the reported period.

**4. *Other material connected transactions***

No other material connected transactions occurred in the reported period.

**VII. *Material Contracts and Implementation***

**1. *Trust***

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

**2. *Contracted Businesses***

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

**3. *Leasing affairs***

The Company leased the land for the GP Railway line from GRGC for a leasing term of 20 years. The annual land rent should not exceed RMB 74 million. During the six months ended 30 June 2009, the Company’s land rents paid and payable were RMB25.60 million.

**4. *Guarantee***

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

**5. Material trust investment affairs**

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

**6. Other material contracts**

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

**VIII. Fulfillment of Publicly Announced Commitments**

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

1. On 13 December 2006, the Company issued for the first time 2,747,987,000 A shares, each with a nominal value of RMB1.00, to the public at RMB3.76 per share and raised approximately RMB10.3 billion. As the largest shareholder of the Company then, GRGC undertook prior to the A share issue that the 2,904,250,000 A shares it holds in the Company would not be transferred to or held in trust by other persons or entities, nor be repurchased by the issuer, within 36 months since the date of listing of A shares.
2. GRGC or any of its subsidiaries will not engage, directly or indirectly, in any business activities that may compete with the railway transportation and related businesses of the Company within the service territory of the Company. After the acquisition of the transportation businesses and assets of GP Railway, GRGC or any of its subsidiaries will not compete with the Company either.
3. GRGC will reduce the number of connected transactions as much as practicable in its operation relations with the Company. For necessary connected transactions, GRGC will perform these connected transactions on the basis of openness, justice and fairness without abusing its position as a large shareholder and behaving in manner that is detrimental to the interests of the Company.

In the reported period, the above-mentioned commitment was fulfilled properly and no breach of commitment occurred.

**IX. Engagement and Disengagement of Accounting Firms**

The Company decided to re-engage PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. as the PRC auditors and re-engage PricewaterhouseCoopers as the international auditors of the Company at the AGM for 2008 held on 25 June 2009.

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

In the reported period, none of the Company, its directors, supervisors, senior management, shareholders, Actual Controller or acquirer was subject to check, administrative punishment or public criticism by the CSRC or public condemnation by the stock exchanges.

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

On 29 April 2009, the Board of the Company approved the resolution of issuing five-year medium-term notes in the total amount of RMB4 billion. The resolution was approved at the 2008 Annual General Meeting held on 25 June 2009. Preparatory work is under way for the issue.



## CHAPTER 7: FINANCIAL REPORT (UNAUDITED)

### Condensed Consolidated Interim Balance Sheet

As of 30 June 2009

		As of 30 June 2009	As of 31 December 2008
	Note	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	5	23,495,832	23,903,846
Construction-in-progress	5	617,923	504,775
Prepayment for fixed assets and construction-in-progress	17(c)	116,315	151,972
Leasehold land payments		584,374	592,368
Goodwill		281,255	281,255
Investments in associates	6	121,421	120,705
Deferred tax assets		326,616	331,738
Deferred employee costs		91,867	99,614
Available-for-sale investments		48,326	48,326
Long-term receivables		48,710	48,136
		<b>25,732,639</b>	26,082,735
<b>Current assets</b>			
Materials and supplies, at cost		176,389	201,923
Trade receivables, net	7	86,371	53,426
Due from related parties	17(c)	252,159	226,916
Prepayments and other receivables, net		106,127	88,574
Short-term deposits		16,300	7,300
Cash and cash equivalents		1,999,401	1,560,952
		<b>2,636,747</b>	2,139,091
<b>Total assets</b>		<b>28,369,386</b>	28,221,826

		<b>As of 30 June 2009</b>	As of 31 December 2008
	<i>Note</i>	<b>RMB'000 (Unaudited)</b>	<i>RMB'000 (Audited)</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	8	7,083,537	7,083,537
Reserves		14,728,068	14,699,670
		<b>21,811,605</b>	21,783,207
<b>Minority interest</b>		<b>55,105</b>	55,948
<b>Total equity</b>		<b>21,866,710</b>	21,839,155
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	9	3,390,000	3,390,000
Employee benefits obligations	10	227,877	237,422
		<b>3,617,877</b>	3,627,422
<b>Current liabilities</b>			
Trade payables	11	482,713	416,227
Payables for fixed assets and construction-in-progress	17(c)	401,839	764,609
Due to related parties	17(c)	269,585	362,533
Dividends payable	17(c)	566,784	47
Income tax payable		93,858	48,977
Accruals and other payables		560,020	652,856
Borrowings	9	510,000	510,000
		<b>2,884,799</b>	2,755,249
<b>Total liabilities</b>		<b>6,502,676</b>	6,382,671
<b>Total equity and liabilities</b>		<b>28,369,386</b>	28,221,826
<b>Net current liabilities</b>		<b>(248,052)</b>	(616,158)
<b>Total assets less current liabilities</b>		<b>25,484,587</b>	25,466,577

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

**Condensed Consolidated Interim Comprehensive Income Statement**  
For the six months ended 30 June 2009

	Note	For the six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Revenues from railroad businesses			
Passenger		3,511,977	3,261,562
Freight		506,488	635,593
Railway network usage and services		1,483,049	1,336,766
		5,501,514	5,233,921
Revenues from other businesses		356,370	385,981
Total revenues	4	5,857,884	5,619,902
Operating expenses			
Railroad businesses		(4,679,934)	(4,341,620)
Other businesses		(322,045)	(370,430)
Total operating expenses		(5,001,979)	(4,712,050)
Other income, net		10,835	16,545
<b>Profit from operations</b>	12	866,740	924,397
Finance costs		(122,229)	(98,485)
Share of post-tax profits of associates		716	460
<b>Profit before income tax</b>		745,227	826,372
Income tax expense	13	(150,930)	(151,982)
<b>Profit for the period</b>		594,297	674,390
<b>Other Comprehensive income</b>		—	—
<b>Total comprehensive income for the period, net of tax</b>		594,297	674,390
Profit attributable to:			
Equity holders of the Company		595,081	674,203
Minority interests		(784)	187
		594,297	674,390
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		595,081	674,203
Minority interests		(784)	187
		594,297	674,390
<b>Earnings per share for profit attributable to the equity holders of the Company during the period</b>			
— Basic and diluted	14	RMB0.084	RMB0.095
<b>Dividends</b>	15	—	—

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

**Condensed Consolidated Interim Statement of Changes in Equity**  
*For the six months ended 30 June 2009*

	Note	Reserves				Subtotal	Minority interest	Total
		Share capital	Share Premium	Surplus reserves	Retained earnings			
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Balance at 1 January 2009		7,083,537	10,294,490	1,797,229	2,607,951	21,783,207	55,948	21,839,155
Total comprehensive income for the period		–	–	–	595,081	595,081	(784)	594,297
Dividends relating to 2008	15	–	–	–	(566,683)	(566,683)	(59)	(566,742)
Balances at 30 June 2009		7,083,537	10,294,490	1,797,229	2,636,349	21,811,605	55,105	21,866,710
Balance at 1 January 2008		7,083,537	10,294,490	1,751,729	1,996,005	21,125,761	55,709	21,181,470
Total comprehensive income for the period		–	–	–	674,203	674,203	187	674,390
Dividends relating to 2007	15	–	–	–	(566,683)	(566,683)	–	(566,683)
Balances at 30 June 2008		7,083,537	10,294,490	1,751,729	2,103,525	21,233,281	55,896	21,289,177

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

## Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Net cash from operating activities	1,209,149	1,177,859
Net cash used in investing activities	(652,300)	(1,788,609)
Net cash used in financing activities	(118,400)	(318,665)
Net increase(decrease) in cash and cash equivalents	438,449	(929,415)
Cash and cash equivalents at beginning of period	1,560,952	2,352,351
Cash and cash equivalents at end of period	1,999,401	1,422,936

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

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2009

(All amounts expressed in Renminbi unless otherwise stated)

### 1. General Information

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

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

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

In December 2006, the Company issued 2,747,987,000 A Shares on the Shanghai Stock Exchange through an initial public offering of shares in order to finance the acquisition of the business and related assets and liabilities associated with the railway transportation business of Guangzhou Railway Group Yangcheng Railway Enterprise Development Company (“Yangcheng Railway Business”), a wholly owned subsidiary of Guangzhou Railway Group which operates a railway line between the cities of Guangzhou and Pingshi in the Southern region of the PRC. On 1 January 2007, control of Yangcheng Railway Business was transferred to the Company at a cash consideration of RMB10,169,925,000.

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

The registered address of the Company is No. 1052 Heping Road, Shenzhen, Guangdong Province, the People’s Republic of China.

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

As of 30 June 2009 and 31 December 2008, the Company had direct or indirect interests in the following subsidiaries which are incorporated/established and are operating in the PRC:

Name of the entity	Date of incorporation/ establishment	Percentage of equity interest attributable to the Company		Paid-in capital	Principal activities
		Directly	Indirectly		
Dongguan Changsheng Enterprise Company	22 May 1992	51%	—	RMB38,000,000	Warehousing
Shenzhen Fu Yuan Enterprise Development Company	1 November 1991	97%	3%	RMB18,500,000	Hotel management
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company	11 September 1993	55%	—	RMB10,000,000	Cargo loading and unloading, warehousing, freight transportation
Shenzhen Railway Property Management Company Limited	13 November 2001	—	100%	RMB3,000,000	Property management
Shenzhen Guangshen Railway Travel Service Ltd.	16 August 1995	100%	—	RMB2,400,000	Travel agency
Shenzhen Shenhusheng Storage and Transportation Company Limited	2 January 1985	42%	58%	RMB2,000,000	Warehousing, freight transport and packaging agency services
Shenzhen Nantie Construction Supervision Company	8 May 1995	100%	—	RMB2,000,000	Supervision of construction projects
Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited	7 March 2002	—	100%	RMB2,000,000	Catering management
Shenzhen Railway Station Passenger Services Company	18 December 1986	100%	—	RMB1,500,000	Catering services and sales of merchandise
Guangshen Railway Station Dongqun Trade and Commerce Service Company	23 November 1992	100%	—	RMB1,020,000	Sales of merchandises
Guangzhou Tielian Economy Development Company Limited ("Tielian")	27 December 1994	50.50%	—	RMB1,000,000	Warehousing and freight transport agency services
Guangzhou Dongqun Advertising Company Limited	6 March 1996	—	100%	RMB500,000	Advertising service
Guangzhou Railway Huangpu Service Company	2 January 1985	100%	—	RMB379,000	Cargo loading and unloading, warehousing, freight transportation

This condensed consolidated interim financial information was approved for issue on 26 August 2009.

This condensed consolidated interim financial information has not been audited.

## 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with IAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group reported net current liabilities of approximately RMB248,052,000 as of 30 June 2009. It is mainly due to the fact that certain capital expenditures of the Group were financed by self generated operation cash flow and short-term bank borrowings. In addition, as of 30 June 2009, the total capital commitment of the Group, authorised but not contracted for and contracted but not provided for, were approximately RMB2,162,893,000 and RMB550,062,000 respectively (Note 16).

Notwithstanding the foregoing, the directors have adopted the going concern basis in the preparation of the consolidated financial statements based on the following:

- The Group has always been able to maintain a stable operating cash inflow derived from its profitable operations. The directors expect that the Group will continue to generate sufficient cash flows from its future operating activities.
- As of 30 June 2009, the Group had unutilised borrowing facilities of RMB1,200,000,000 (Note 9). In addition, the Group has also identified alternative sources of financing such as issuing bonds of medium maturity terms, amounting to RMB4,000,000,000. The issuance was approved by the shareholders of the Company in the annual general meeting dated 25 June 2009 and the Company is currently making the necessary arrangements.
- The directors of the Company are able to, and will also undertake necessary monitoring procedures, to control the magnitude and timing of the expected cash outlays associated with these commitments with reference made to the operating cash inflow, bank financing and other forms of financing arranged by the Group.

In light of the above, the directors consider that the Group will have sufficient financial resources to settle its liabilities and fund its obligations and it is appropriate to prepare the financial statements of the Group on a going concern basis.

## 3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one performance statement: i.e. the statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting". It requires a "management approach" be taken under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any material impact on the Group's financial statements.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the senior management that makes strategic decisions.

Goodwill is allocated by management to groups of cash-generating units on a segment level. Goodwill relating to a previous acquisition remains in the Railroad Business segment. The change in reportable segments has not resulted in any additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2008 have been restated.



- Amendment to IFRS 7, “Financial instruments: disclosures”. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.
- IAS 23 (amendment), “Borrowing costs”. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The Group adopted the relevant accounting policy consistent with the new requirements under revised IAS 23 in the past and therefore there was no substantial impact arising from this amendment.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- IFRS 2 (amendment), “Share-based payment”
- IAS 32 (amendment), “Financial instruments: presentation”
- IFRIC 9 (amendment), “Reassessment of embedded derivatives” and IAS 39 (amendment), “Financial instruments: Recognition and measurement”
- IFRIC 13, “Customer loyalty programmes”
- IFRIC 15, “Agreements for the construction of real estate”
- IFRIC 16, “Hedges of a net investment in a foreign operation”
- IAS 39 (amendment), “Financial instruments: Recognition and measurement”

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to IAS 39, “Financial instruments: Recognition and measurement”
- IFRS 3 (revised), “Business combinations” and consequential amendments to IAS 27, “Consolidated and separate financial statements”, IAS 28, “Investments in associates” and IAS 31, “Interests in joint ventures”
- IFRIC 17, “Distributions of non-cash assets to owners”
- IFRIC 18, “Transfers of assets from customers”
- Amendment to IFRS 2 “Share-based payments”
- Amendment to IFRS 5 “Non-current Assets held for sale and discontinued operations”
- Amendment to IFRS 8 “Operating segments”
- Amendment to IAS 1 “Presentation of financial statements”
- Amendment to IAS 7 “Statement of cash flows”
- Amendment to IAS 17 “Leases”
- Amendment to IAS 36 “Impairment of assets”
- Amendment to IAS 38 “Intangible assets”
- Amendment to IAS 39 “Financial instruments: recognition and measurement”
- Amendment to IFRIC 9 “Reassessment of embedded derivatives”
- Amendment to IFRIC 16 “Hedges of a net investment in a foreign operation”

#### 4. Segment information

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

Senior management considers the business from a perspective on revenues and operating results generated from railroad business conducted by the Company ("the Railroad Business") and the reportable segment of the Group only includes the Railroad Business. Other segments mainly include provision of on-board catering services, warehousing services, hotel management services and sales of merchandises provided by the subsidiaries of the Group.

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

The segment results for the six months ended 30 June 2009 and 30 June 2008 are as follows:

	For the six months ended 30 June					
	the Railroad Business		All other segments		Total	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Total revenue (all from external customers)	5,779,873	5,550,313	78,011	69,589	5,857,884	5,619,902
<b>Segment result</b>	<b>735,442</b>	827,999	<b>9,785</b>	(1,627)	<b>745,227</b>	826,372
Finance costs	122,198	98,425	31	60	122,229	98,485
Share of results of associates	377	460	339	—	716	460
Depreciation	618,391	548,765	2,389	2,279	620,780	551,044
Amortization of leasehold land payments	7,501	7,501	493	493	7,994	7,994
Amortization of deferred employee costs	9,444	12,356	51	69	9,495	12,425
Recognition of employee benefits obligations	—	24,700	1,200	7,192	1,200	31,892
Impairment of construction-in-progress	396	—	—	—	396	—
Provision/(reversal of provision) for doubtful accounts	381	(2)	1,577	338	1,958	336

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

	For the six months ended 30 June					
	the Railroad Business		All other segments		Total	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Segment result</b>	<b>735,442</b>	827,999	<b>9,785</b>	(1,627)	<b>745,227</b>	826,372
Income tax expense	(148,254)	(150,399)	(2,676)	(1,583)	(150,930)	(151,982)
<b>Profit for the period</b>	<b>587,188</b>	677,600	<b>7,109</b>	(3,210)	<b>594,297</b>	674,390

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

	the Railroad Business		All other segments		Total	
	As of 30 June 2009 RMB'000 (Unaudited)	As of 31 December 2008 RMB'000 (Audited)	As of 30 June 2009 RMB'000 (Unaudited)	As of 31 December 2008 RMB'000 (Audited)	As of 30 June 2009 RMB'000 (Unaudited)	As of 31 December 2008 RMB'000 (Audited)
<b>Total segment assets</b>	<b>28,149,856</b>	28,006,602	<b>219,530</b>	215,224	<b>28,369,386</b>	28,221,826
Total segment assets include:						
Investment in associates	121,421	120,705	–	–	121,421	120,705
Additions to non-current assets (other than financial instruments and deferred tax assets)	291,037	1,847,819	3,985	779	295,022	1,848,598
<b>Total segment liabilities</b>	<b>6,438,615</b>	6,315,928	<b>64,061</b>	66,743	<b>6,502,676</b>	6,382,671

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

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Opening net book value as of 1 January	24,408,621	21,417,921
Additions	328,025	2,416,559
Disposal	(1,715)	(297)
Depreciation	(620,780)	(551,044)
Impairment of construction-in-progress	(396)	–
Closing net book amount as of 30 June	<b>24,113,755</b>	23,283,139

As of 30 June 2009, the ownership certificates of certain buildings (“Building Ownership Certificates”) with an aggregate carrying value of approximately RMB1,878,923,000 (2008: RMB2,000,621,000) had not been obtained by the Group. After consultation made with the Company’s legal counsel, the directors consider that there is no legal restriction for the Group to apply for and obtain the Building Ownership Certificates and it should not lead to any significant adverse impact on the operations of the Group.

As of 30 June 2009, fixed assets with an aggregate net book value of approximately RMB25,780,000 (2007: RMB26,894,000) had been fully depreciated but still in use.

#### 6. Investment in associates

As of 30 June 2009, the Company’s interest in an associated company, Guangzhou Tiecheng Enterprise Company Limited (“Tiecheng”), amounted to approximately RMB85,696,488.

In 1996, Tiecheng and a third party company jointly established a sino-foreign contractual joint venture, Guangzhou Guantian Real Estate Company (“Guangzhou Guantian”), in Guangzhou of the PRC for developing certain properties near a railway station operated by the Group. In 2000, Guangzhou Guantian together with two other parties, namely Guangzhou Guanhua Real Estate Company Limited (“Guangzhou Guanhua”) and Guangzhou Guanyi Real Estate Company Limited (“Guangzhou Guanyi”), undertook to act as joint guarantors (collectively the “Guarantors”) for certain payable balances (the “Payables”) due from Guangdong Guancheng Real Estate Company Limited (“Guangdong Guancheng”) to a third party creditor (the “Creditor”).

Due to the fact that Guangdong Guancheng had failed to settle the Payables, as a result, the Guarantors were found to be jointly liable to the Creditor an amount of approximately RMB257,000,000 plus accrued interest (collectively the “Damages”) according to the court verdicts (the “Verdicts”). Guangzhou Guantian made an appeal to overturn the Verdicts.

A final judgement on the appeal, which was in favour of Guangzhou Guantian, was obtained from the Supreme People’s Court of the PRC in March 2009. Accordingly, Guangzhou Guantian was not held liable to settle the Damages.

## 7. Trade receivables, net

	As of 30 June 2009 RMB'000 (Unaudited)	As of 31 December 2008 RMB'000 (Audited)
Trade receivables	95,475	62,568
Less: Provision for doubtful accounts	(9,104)	(9,142)
	<b>86,371</b>	53,426

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

	As of 30 June 2009 RMB'000 (Unaudited)	As of 31 December 2008 RMB'000 (Audited)
Within 1 year	82,416	50,032
Over 1 year but within 2 years	3,292	3,087
Over 2 years but within 3 years	387	40
Over 3 years	276	267
	<b>86,371</b>	53,426

## 8. Share capital

As of 30 June 2009, the total authorised number of ordinary shares is 7,083,537,000 shares with a par value of RMB1.00 per share:

	30 June 2009 and 31 December 2008 RMB'000
Authorised, issued and fully paid:	
A Shares subject to sale restrictions	
– shares held by state-owned legal person ( <i>Note a</i> )	2,904,250
Listed shares	
– H Shares	1,431,300
– A Shares	2,747,987
	4,179,287
	<b>7,083,537</b>

*Note a:* In December 2006, the Company issued 2,747,987,000 A shares on the Shanghai Stock Exchange through an initial public offering, Guangzhou Railway Group undertook its 2,904,250,000 A shares to be subject to a 3-year sale and transfer restriction period.

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

## 9. Borrowings

	As of 30 June 2009 <i>RMB'000</i> (Unaudited)	As of 31 December 2008 <i>RMB'000</i> (Audited)
<b>Non current</b>		
– Unsecured bank borrowings	3,390,000	3,390,000
<b>Current</b>		
– Unsecured bank borrowings	510,000	510,000
<b>Total borrowings</b>	<b>3,900,000</b>	3,900,000

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

	As of 30 June 2009 <i>RMB'000</i> (Unaudited)	As of 31 December 2008 <i>RMB'000</i> (Audited)
At floating rates (at relevant prevailing interest rates with a maximum range of downward adjustment up to 10%)	3,900,000	3,900,000

The effective interest rate of the bank borrowings as of 30 June 2009 was 5.88% p.a. (31 December 2008: 6.44%).

As of 30 June 2009, the carrying amounts of the Group's borrowings approximated their fair values.

As of 30 June 2009, the Group had unutilized banking facilities granted by various financial institutions amounting to RMB1,200,000,000 (2008: RMB900,000,000).

## 10. Employee Benefits Obligations

	As of 30 June 2009 <i>RMB'000</i> (Unaudited)	As of 31 December 2008 <i>RMB'000</i> (Audited)
Retirement benefit obligations	261,079	288,541
Less: current portion included in accruals and other payables	(33,202)	(51,119)
	<b>227,877</b>	237,422

	For the six months ended 30 June	
	2009 <i>RMB'000</i> (Unaudited)	2008 <i>RMB'000</i> (Unaudited)
At 1 January	288,541	377,409
Addition	1,200	30,340
Interest unwound	3,255	1,552
Payment	(31,917)	(68,939)
At 30 June	<b>261,079</b>	340,362

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

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

These obligations have been provided for by the Group at amounts equal to the total expected benefit payments. Where the obligation does not fall due within twelve months, the obligation payable has been discounted using a pre-tax rate that reflects management's current market assessment of the time value of money and risk specific to the obligation (the discount rate was determined with reference to market yields at the balance sheet date on high quality investments in the PRC).

#### 11. Trade payables

The aging analysis of trade payables was as follows:

	As of 30 June 2009 RMB'000 (Unaudited)	As of 31 December 2008 RMB'000 (Audited)
Within 1 year	481,770	413,002
Over 1 year but within 2 years	454	1,763
Over 2 years but within 3 years	142	66
Over 3 years	347	1,396
	<b>482,713</b>	<b>416,227</b>

#### 12. Operating profit

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

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Impairment of construction-in-progress	396	—
Loss on disposal of fixed assets	729	53

#### 13. Income tax expense

Before 2008, enterprises established in the Shenzhen Special Economic Zone of the PRC were subject to income tax at a reduced preferential rate of 15% as compared with the standard income tax rate for PRC companies of 33%. The Company and the subsidiaries located in Shenzhen were subject to income tax rate of 15%, while those subsidiaries located outside Shenzhen were subject to income tax rate of 33%.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which became effective on 1 January 2008. Under the new CIT Law, the enterprise income tax rate was changed from 33% to 25% from 1 January 2008 onwards. While the enterprise income tax rate applicable to the Company and the subsidiaries located in Shenzhen would increase gradually to 25% within 5 years from 2008 to 2012. In 2009, the applicable income tax rate is 20% (2008: 18%).

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

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Current income tax	<b>145,808</b>	143,765
Deferred income tax	<b>5,122</b>	8,217
	<b>150,930</b>	151,982

#### 14. Earnings per share

The calculation of basic earnings per share is based on the net profit for the six months ended 30 June 2009 attributable to shareholders of RMB595,081,000 (2008: RMB674,203,000), divided by the weighted average number of ordinary shares outstanding during the period of 7,083,537,000 shares (2008: 7,083,537,000 shares). There were no dilutive potential ordinary shares as of period end and therefore the diluted earning per share amount is the same as the basic.

#### 15. Appropriations to reserves and proposed dividends

No appropriation from retained earnings had been made to the statutory reserves for the six months ended 30 June 2009. Such appropriation will be made at year end in accordance with the Company Law of the PRC and the Articles of Association of the Company.

In April 2009, the Board of Directors declared a dividend of RMB0.08 per share in respect of the year ended 31 December 2008, totalling RMB566,682,960 (2008: RMB566,682,960), and it was approved by shareholders in the Annual General Meeting on 25 June 2009.

In June 2009, Tielian, one of the Group's subsidiaries, declared dividends to shareholders according to the percentage of their equity interest. The declared dividend attributable to the Company and minority shareholders is RMB60,837 and RMB59,633 respectively (2008: Nil).

There is no interim dividend for the six months ended 30 June 2009 (2008: same) proposed by the board of directors on 26 August 2009.

#### 16. Commitments

##### (a) Operating lease commitments

In connection with the acquisition of Yangcheng Railway Business, the Company signed an agreement on 15 November 2004 with Guangzhou Railway Group for leasing the land use rights associated with the land on which the acquired assets of Yangcheng Railway Business are located. The agreement became effective upon the completion of the acquisition on 1 January 2007 and the lease term is 20 years, renewable at the discretion of the Group. According to the terms of the agreement, the rental for such lease would be agreed by both parties every year with a maximum amount not exceeding RMB74,000,000. For the six months ended 30 June 2009, the related lease rental paid and payable was RMB25,600,000 (2008: RMB25,000,000).

##### (b) Capital commitments

As of 30 June 2009, the Group had the following capital commitments which are authorized but not contracted for, and contracted but not provided for:

	<b>As of 30 June 2009</b>	As of 31 December 2008
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Authorised but not contracted for	<b>2,162,893</b>	2,530,325
Contracted but not provided for	<b>550,662</b>	390,691

## 17. Related party transactions

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

- (a) For the six months ended 30 June 2009, the Group had the following material transactions undertaken with related parties:

	For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Recurring Transactions:</b>		
<b>(I). Income</b>		
Revenue collected from the Ministry of Railways ("MOR") ((i) and (ii))		
– Passenger transportation	3,266,234	3,033,011
– Freight transportation	324,314	422,423
– Railway network usage and services including: services provided to Guangzhou Railway Group	1,483,049	1,336,766
Provision of train transportation services to Guangzhou Railway Group and its subsidiaries (ii)	550,158	471,906
Provision of repairing services for cargo trucks of Guangzhou Railway Group and MOR (ii)	157,428	102,859
	103,295	98,788
<b>(II). Charges and Payments</b>		
Services charges allocated from the MOR for equipment lease and services ((i) and (ii)) including: service provided by Guangzhou Railway Group	1,197,996	1,327,385
Operating lease rentals paid/payable to the MOR (ii)	634,920	539,025
Provision of train transportation services provided by Guangzhou Railway Group and its subsidiaries (ii)	71,736	85,833
Social services (employee housing, health care, educational and public security services and other ancillary services) provided by (iii):		
– GEDC	60,135	52,568
– Yangcheng Railway	125,000	137,650
Purchase of materials and supplies from Guangzhou Railway Group and its subsidiaries (iv)	278,100	189,128
Provision of repair and maintenance services by Guangzhou Railway Group and its subsidiaries (ii)	64,082	79,646
Other services provided by subsidiaries of Guangzhou Railway Group ((iv) and (v))	–	15,280
<b>Non-recurring Transactions:</b>		
Rental income from an associate (v)	2,250	2,431
Project construction services provided by Guangzhou Railway Group and its subsidiaries (v)	24,720	46,597
Operating lease rental paid to Guangzhou Railway Group for the leasing of land use rights (Note 16 (a))	25,600	25,000



- (i) Due to the fact that the railway business is centrally managed by the MOR within the PRC, the Company works in co-operation with the MOR and other railway companies owned and controlled by the MOR in order to operate certain long distance passenger train transportation and cargo forwarding services within the PRC. The related revenues are collected by other railway companies, which are then remitted to the MOR, and centrally processed. A certain portion of the revenues so collected are allocated to the Company for the use of its rail-lines or for services rendered by the Company in conjunction with the delivery of these services. On the other hand, the Company is also allocated by the MOR certain charges for the use of the rail lines and services provided by other railway companies. Such allocation is determined by the MOR based on its standard charges applied on a nationwide basis.
- (ii) The service charges are determined based on a pricing scheme set by the MOR or by reference to current market prices with guidance provided by the MOR.
- (iii) The service charges are levied based on contract prices determined based on cost plus a profit margin and explicitly agreed between both contract parties.
- (iv) The prices are determined based on mutual negotiation between the contracting parties with reference to guidance provided by the MOR.
- (v) The prices are determined based on mutual negotiation between the contracting parties.
- (b) Compensation paid and payable to directors and supervisors of the Group amounted to RMB1,668,376 for the six months ended 30 June 2009 (2008: RMB1,326,000).
- (c) As of 30 June 2009, the Group had the following material balances maintained with related parties:

	As of 30 June 2009 RMB'000 (Unaudited)	As of 31 December 2008 RMB'000 (Audited)
Due from Guangzhou Railway Group	135,316	155,034
– Trade balance (i)	130,321	150,066
– Non-trade balance	4,995	4,968
Due to Guangzhou Railway Group	(55,126)	(35,209)
– Trade balance (i)	(45,431)	(25,787)
– Non-trade balance (iii)	(9,695)	(9,422)
Due from subsidiaries of Guangzhou Railway Group	87,372	16,815
– Trade balance	37,795	15,350
– Non-trade balance	49,577	1,465
Due to subsidiaries of Guangzhou Railway Group	(188,381)	(302,206)
– Trade balance (ii)	(132,165)	(198,843)
– Non-trade balance (iii)	(56,216)	(103,363)

	As of 30 June 2009 RMB'000 (Unaudited)	As of 31 December 2008 RMB'000 (Audited)
Due from an associate	1,773	2,019
– Trade balance	14,085	14,331
Less: impairment provision (v)	(12,312)	(12,312)
Due to an associate	(26,078)	(25,118)
– Non-trade balance (iv)	(26,078)	(25,118)
Due from MOR	27,698	53,048
– Trade balance (i)	27,698	53,048
Prepayment for fixed assets and construction-in-progress	3,096	31,012
– Guangzhou Railway Group and its subsidiaries	3,096	31,012
Payables for fixed assets and construction-in-progress	(60,651)	(125,487)
– Due to Guangzhou Railway Group and its subsidiaries	(52,427)	(95,498)
– Due to an associate	(8,224)	(29,989)
Dividends payable	232,340	–
– Guangzhou Railway Group	232,340	–

- (i) The trade balances due from/to Guangzhou Railway Group, subsidiaries of Guangzhou Railway Group and the MOR mainly represented service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC as described in 17(a)(i) above.
- (ii) The trade balances due to related parties mainly represent payables arising from unsettled fees for purchase of materials and provision of other services according to various service agreements entered into between the Group and the related parties.
- (iii) The non-trade balances due to related parties mainly represent the deposits of related parties maintained in the deposit-taking centre of the Company.
- (iv) The non-trade balance due to associate mainly represents the payable balance arising from unsettled balance for the construction project services undertaken by an associate.
- (v) Full impairment loss provision set up against a receivable balance due from Zengcheng Lihua Stock Company Limited, which was brought forward from prior years.

As of 30 June 2009, all the balances maintained with related parties are unsecured, non-interest bearing and are repayable on demand.

## CHAPTER 8: DOCUMENTS AVAILABLE FOR INSPECTION

Documents for review include:

- I. Interim Report signed by the legal representative;
- II. Financial Statements signed by the legal representative, person in charge of accounting affairs, responsible person of accounting firm and head of finance department;
- III. All the original of files or announcements disclosed in Securities Times, China Securities Journal and Shanghai Securities News in the reported period;
- IV. Interim report announced at the Hong Kong securities market.

The documents are placed at Secretariat of the Company.

Chairman of the Board  
**He Yuhua**  
**Guangshen Railway Company Limited**

26 August 2009