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(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00525)

2022 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Guangshen Railway Company Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2022. This announcement, containing the full text of the 2022 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) in relation to information to accompany preliminary announcement of annual results.

Both the Chinese and English versions of this results announcement are available on the website of the Company (www.gsrg.com) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk). The Company’s 2022 Annual Report will be dispatched to holders of H shares and published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange in due course.

By Order of the Board
Guangshen Railway Company Limited
Wu Yong
Chairman

Shenzhen, the PRC

29 March 2023

As at the date of this announcement, the Board consists of :

Executive Directors

Wu Yong
Hu Lingling
Zhou Shangde

Non-executive Directors

Guo Jiming
Hu Dan
Zhang Zhe

Independent Non-executive Directors

Frederick Ma Si-Hang
Tang Xiaofan
Qiu Zilong

Important Notice

- 1. The board of directors (“Director(s)”) of the Company (the “Board”), the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that the contents of this annual report are true, accurate and complete, and there are no misrepresentations, misleading statements or material omissions in this annual report, and jointly and severally accept the related legal responsibility.**
- 2. All Directors of the Company attended the meeting of the Board to consider this annual report.**
- 3. PricewaterhouseCoopers issued an audit report for the Company with standardized and unqualified audit opinions.**
- 4. Wu Yong, Chairman of the Board of the Company, Hu Lingling, General Manager, Luo Xinpeng, Chief Accountant, and Liu Qiyi, Chief of Finance Department hereby warrant that the financial statements contained in this annual report are true, accurate and complete.**
- 5. Plan for profits distribution for the reporting period or plan for Common Reserve Capitalization approved by the Board through resolution**

In consideration of both the Company's profitability in recent years and the capital requirements for maintaining the normal operation of the Company, the Board of the Company proposed not to make profit distribution or capitalize capital reserve into share capital for 2022. This proposal has been considered and approved at the sixteenth meeting of the ninth session of Board of the Company, and is subject to consideration and approval at the 2022 Annual General Meeting of the Company.

- 6. Declaration of risks with respect to forward-looking statements**

Forward-looking statements, including future plans and development strategies contained in this annual report, do not constitute any actual commitments to the investors of the Company. Investors and personnel concerned shall stay adequately mindful of risks, and understand the difference between plans, projections and commitments.
- 7. Is there any non-regular appropriation of the Company’s fund by its controlling shareholder and other related parties?**

No
- 8. Is there any violation of the decision-making procedures with respect to the provision of external guarantee by the Company?**

No
- 9. Whether more than half of the directors cannot guarantee the authenticity, accuracy and completeness of the annual report disclosed by the Company**

No
- 10. Notice of Material Risks**

This annual report contains details of future potential risks. Please read “Potential risks” in the chapter “Report of the Directors (Including Management Discussion and Analysis)” for details.

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List of Documents Available for Inspection	<ul style="list-style-type: none">I. Accounting statements signed and sealed by the chairman, general manager, chief accountant and financial director of the Company;II. The original audit report with the seal of the accounting firm and the signature and seal of the certified public accountant;III. The originals of all corporate documents and announcements publicly disclosed during the reporting period;IV. Annual reports published in the stock markets in Shanghai. Place to maintain such documents: Board secretariat of the Company
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Chapter 1

Definitions

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

Company	Guangshen Railway Company Limited
Reporting period, this period, this year	12 months from 1 January to 31 December 2022
Same period last year	12 months from 1 January to 31 December 2021
A Share(s)	Renminbi-denominated ordinary share(s) of the Company with a par value of RMB1.00 issued in the PRC and listed on the SSE for subscription in Renminbi
H Share(s)	Overseas listed foreign share(s) of the Company with a par value of RMB1.00 issued in Hong Kong and listed on the SEHK for subscription in Hong Kong dollars
ADS(s)	U.S. dollar-denominated American Depositary Shares representing ownership of 50 H Shares issued by trustees in the United States under the authorization of the Company
PRC	The People's Republic of China
CSRC	The China Securities Regulatory Commission
SSRB	The Shenzhen Securities Regulatory Bureau of the China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
SEHK	The Stock Exchange of Hong Kong Limited
SFO	The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
Listing Rules	The Rules Governing the Listing of Securities on SEHK and/or the listing rules of SSE (as the case may be)
Articles	The Articles of Association of the Company
Company Law	The Company Law of the PRC
Securities Law	The Securities Law of the PRC
CSRG	China State Railway Group Co., Ltd.
GRGC	China Railway Guangzhou Group Co., Ltd.
GZIR	Guangdong Guangzhou Intercity Rail Transportation Company Limited
WGPR	Wuhan-Guangzhou Passenger Railway Line Co., Ltd.
GSHER	Guangzhou-Shenzhen-Hong Kong Express Rail Link Company Limited
GZR	Guangzhou-Zhuhai Railway Company Limited
XSR	Xiamen-Shenzhen Railway Company Limited
GDR	Guangdong Railway Company Limited
GGR	Guiyang-Guangzhou Railway Company Limited
NGR	Nanning-Guangzhou Railway Company Limited
PRDIR	Guangdong Pearl River Delta Inter-city Railway Traffic Company Limited
MZR	MaoZhan Railway Company Limited
SMR	Guangdong Shenmao Railway Company Limited
MSR	Guangdong Meizhou-Shantou Passenger Railway Line Company Limited
GSTR	Guangzhou Northeast Freight Car Outer Winding Railway Co., Ltd.
GSR	Ganzhou-Shenzhen Railway (Guangdong) Company Limited
NSGR	Guangzhou Nanshagang Railway Company Limited

Chapter 2

Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

(1) General information of the Company

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

(2) Contact Person and Contact Information

	<i>Company Secretary</i>	<i>Representative of Securities Affairs</i>
Name	Tang Xiangdong	Deng Yanxia
Address	No. 1052 Heping Road, Luohu District, Shenzhen, Guangdong Province	No. 1052 Heping Road, Luohu District, Shenzhen, Guangdong Province
Tel.	(86) 755-25588150	(86) 755-25588150
Fax.	(86) 755-25591480	(86) 755-25591480
E-mail	ir@gstlgs.com	ir@gstlgs.com

(3) Basic Information

Registered Address	No. 1052 Heping Road, Luohu District, Shenzhen, Guangdong Province
Change of Registered Address in the Past	None
Place of Business	No. 1052 Heping Road, Luohu District, Shenzhen, Guangdong Province
Postal Code of the Place of Business	518010
Company Website	http://www.gsrc.com
E-mail	ir@gstlgs.com

(4) Places for Information Disclosure and Reserve Address

Names and websites of the newspapers for the disclosure of annual reports by the Company	China Securities Journal: https://www.cs.com.cn Securities Times: http://www.stcn.com Shanghai Securities News: https://www.cnstock.com Securities Daily: http://www.zqrb.cn
Websites of stock exchanges for the disclosure of annual reports by the Company	SSE: http://www.sse.com.cn SEHK: http://www.hkexnews.hk
Reserve address of annual report	No. 1052 Heping Road, Luohu District, Shenzhen, Guangdong Province



(5) Share Information of the Company

Type of Shares	Stock Exchange	Stock Short Name	Stock Code
A Shares	SSE	廣深鐵路	601333
H Shares	SEHK	GUANGSHEN RAIL	00525
ADS (note)	—	—	—

Note: On 25 October 2022, the Company submitted an application to the U.S. Securities and Exchange Commission to withdraw the ADS registration and terminate the reporting obligation, which took effect in January 2023 (effective 90 days after the application was submitted).

(6) Other Information

Auditor engaged by the Company (Domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office Address	11/F PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, China
	Name of signing auditors	Yao Wenping, Liu Jingping
Auditor engaged by the Company (Overseas)	Name	PricewaterhouseCoopers
	Office Address	22nd Floor, Prince's Building, Central, Hong Kong
Legal advisor as to PRC law	Name	Jia Yuan Law Offices
	Office Address	Unit A/B, 45/F, Radio and Television Financial Center, Pengcheng 1st Road, Futian District, Shenzhen
Legal advisor as to Hong Kong law	Name	Jingtian & Gongcheng LLP
	Office Address	Rooms 3203 to 3207, 32/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong
Legal advisor as to United States law	Name	DLA Piper
	Office Address	17/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong
Registrar for A Shares	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office Address	36th Floor, China Insurance Building, No. 166, Lujiazui East Road, Pudong New District, Shanghai
Registrar for H Shares	Name	Computershare Hong Kong Investor Services Limited
	Office Address	Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Principal banker	Name	Construction Bank of China Shenzhen Branch Jiabin Road Sub-branch
	Office Address	1st to 4th Floors, Jinwei Building, Jiabin Road, Shenzhen, China

Chapter 2

Company Profile and Major Financial Indicators

II. COMPANY PROFILE

On 6 March 1996, the Company was registered and established in Shenzhen, the PRC in accordance with the Company Law.

In May 1996, the H shares and ADSs issued by the Company were listed on the SEHK and the US New York Stock Exchange, respectively; in December 2006, the A Shares issued by the Company were listed on the Shanghai Stock Exchange; in January 2007, the Company used the proceeds from the issue of A Shares to acquire the railway of Guangzhou-Pingshi section (southern section of Beijing-Guangzhou line), taking the coverage of the Company's operations into the national trunk line networks; in November 2020, the Company's ADSs were delisted from the US New York Stock Exchange and transferred to the US OTC market; in October 2021, the trading of the Company's ADSs was suspended in the US OTC market; in October 2022, the Company applied to the US Securities and Exchange Commission to withdraw the registration of ADSs and terminate the reporting obligation; and in January 2023, the deregistration of the Company's ADSs was completed. So far, the Company is the only PRC railway transportation enterprise which has issued securities in Shanghai and Hong Kong.

The Company is mainly engaged in the railway passenger and freight transportation businesses, the Hong Kong Through Train passenger services in cooperation with MTR Corporation Limited, and management services for commissioned transportation for other railway companies in the PRC. The Company is also engaged in the provision of integrated services in relation to railway facilities and technology, commercial trading and other industrial businesses that are consistent with the Company's objectives.

The Shenzhen-Guangzhou-Pingshi Railway, which is operated solely and independently by the Company, runs 481.2 kilometers long and connects the entire Guangdong Province vertically. The Guangzhou-Pingshi Railway is the southern part of Beijing-Guangzhou Railway, forming an aorta connecting northern and southern China; whereas the Guangzhou-Shenzhen Railway is one of the main railway passways from mainland China to Hong Kong, linking with the Beijing-Guangzhou, Beijing-Kowloon, Sanshui-Maoming, Pinghu-Nantou and Pinghu-Yantian lines, as well as with the Xiamen-Shenzhen Railway, Guangzhou-Dongguan-Shenzhen Intercity Railway, Ganzhou-Shenzhen Railway and the East Rail Line in Hong Kong, which form a key integral part of the railway transportation network in the PRC.

Passenger transportation, which is the most important transportation business segment of the Company, includes the transportation businesses of Guangzhou-Shenzhen inter-city trains (including Guangzhou East to Chaozhou-Shantou cross-network electric multiple unit ("EMU") trains), long-distance trains and Hong Kong Through Trains. The Company adopts an "as-frequent-as-buses" operation for Guangzhou-Shenzhen inter-city trains, meaning that one pair of China Railway High-speed Trains are dispatched every 10 minutes on average during peak hours between Guangzhou and Shenzhen. The through trains passing through Hong Kong, jointly operated by the Company and MTR Corporation Limited, are an important means of transportation for travelling between Guangzhou and Hong Kong. The Company operates a number of long-distance trains running from and to Guangzhou and Shenzhen, linking with most of the provinces, autonomous regions and municipals across the nation.



Freight transportation is an important transportation business segment of the Company. The Company is not only well-equipped with comprehensive freight facilities which enable the efficient transportation of full load cargos, single load cargos, containers, bulky and heavy cargos, dangerous goods, perishable goods and oversized cargos, but also operates rail lines which are closely connected to major ports in Guangzhou and Shenzhen and are at the same time connected to several large industrial zones, logistics zones, and plants and mining enterprises in the Pearl River Delta region via railroad sidings. The major market of the Company's freight transportation business is domestic mid-to-long-distance transportation, which is also an aspect that the Company enjoys competitive advantages in.

Railway operation services are one of the extended passenger and freight transportation services that the Company has expanded since the commencement of operation of WGPR in December 2009. So far, the Company has provided this service to WGPR, GZIR, GSHER, GZR, XSR, GDR, NGR, GGR, PRDIR, MZR, SMR, MSR, GSTR, GSR and NSGR, where such railway operation service has also become a new area of business growth for the Company. With the successive completion and commencement of operation of a series of high-speed railways and inter-city railways in the "Guangdong-Hong Kong-Macau Greater Bay Area", the geographical coverage of the Company's railway operation services will be further expanded.

III. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

(Unit: RMB thousand)

Income items	2022	2021	Year-on-year increase/decrease (%)	2020	2019	2018
Operating revenue	19,943,430	20,206,157	(1.30)	16,349,366	21,178,351	19,828,018
Operating cost	22,569,754	21,574,642	4.61	18,186,790	20,076,414	18,658,213
Loss/(profit) from operations	2,552,035	1,193,154	113.89	652,262	(1,072,841)	(1,062,253)
Loss/(profit) before tax	2,579,793	1,249,586	106.45	690,745	(1,009,092)	(1,068,800)
Loss/(profit) after tax	1,993,647	973,963	104.69	558,100	(747,964)	(779,034)
Consolidated loss/(profit) attributable to shareholders	1,994,665	973,119	104.98	557,876	(748,439)	(784,059)
Basic loss/(profit) per share (RMB per share)	0.28	0.14	100.00	0.08	(0.11)	(0.11)
Loss/(profit) per ADS (RMB/Unit)	14.08	6.87	104.95	3.94	(5.28)	(5.53)

Chapter 2

Company Profile and Major Financial Indicators

Assets and liabilities	At the end of 2022	At the end of 2021	Increase/decrease as at the end of the year compared to the end of last year (%)	At the end of 2020	At the end of 2019	At the end of 2018
Total assets	37,041,376	37,403,422	(0.97)	36,780,453	36,893,133	35,402,237
Total liabilities	11,788,175	10,198,986	15.58	8,624,284	7,753,852	6,585,908
Shareholders' equity interests (excluding interests of minor shareholders)	25,289,696	27,241,949	(7.17)	28,192,838	29,175,726	28,852,299
Net assets per share (RMB per share)	3.57	3.85	(7.27)	3.98	4.12	4.07

IV. DIFFERENCES IN ACCOUNTING DATA UNDER CHINESE AND INTERNATIONAL ACCOUNTING STANDARDS

Applicable Not applicable

V. ITEMS MEASURED AT FAIR VALUE

(Unit: RMB thousand)

Item	Opening balance	Closing balance	Change in the current period	Impact on the profit for the current period
Financial assets at fair value through other comprehensive income	463,696	463,696	—	13,121
Total	463,696	463,696	—	13,121



Chapter 3

Report of the Directors

(Including Management Discussion and Analysis)

I. CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I am pleased to present the audited operating results of the Company for 2022, and hereby extend my sincere gratitude to all the shareholders for your concern and support for the Company!

(1) Business review

In 2022, the Board and the management of the Company worked together to lead the cadres and workers to resolutely implement the decisions and assignments of the Party Central Committee and the State Council under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, and in the spirit of General Secretary Xi Jinping's important instructions on railway-related work; take the 20th National Congress of the Party and the study, publicity and implementation of the spirit of the 20th National Congress of the Party as the main theme, and adhere to the general work keynote of seeking progress while maintaining stability to efficiently coordinate passenger and cargo transportation and key operations, coordinate development and safety, vigorously and effectively cope with various risks and challenges, and strive to promote the Company's high-quality development. With such efforts, the Company's transportation safety and operation remained stable, the measures for risk prevention and supply guarantee were effective, the operation and management were more standardized, and the transportation guarantee capacity was steadily improved.

Chapter 3

Report of the Directors (Including Management Discussion and Analysis)

In 2022, when the Company's main business of passenger and cargo transportation was affected by the external environment, and the volume of passenger and cargo transportation dropped significantly, resulting in a loss in the Company's business performance. Facing up to the unfavorable operating environment, the Company exerted great efforts on transportation safety, while actively adjusting the passenger and cargo transportation organization, strictly controlled costs, and strengthened risk prevention and control to minimize the adverse impact of the external environment on the business operation of the Company.

In 2022, the Company recorded a passenger delivery volume of 26,517,100 people, representing a year-on-year decline of 34.97%, while its freight delivery volume amounted to 16,573,600 tonnes, representing a year-on-year decrease of 12.01%. Additionally, the Company recorded an operating revenue of RMB19.943 billion, representing a year-on-year decrease of 1.30%; consolidated loss attributable to shareholders amounted to RMB1.995 billion, representing a year-on-year increase of 104.98%; and its basic loss per share amounted to RMB0.28.

Throughout 2022, the Board duly performed its duties under the Articles. With their meticulous and conscientious efforts, all Directors strived to enhance the Company's corporate governance and regulate its operations management. During the year, the Company convened 2 general meetings, 5 Board meetings, 7 Audit Committee meetings and 1 Remuneration Committee meeting, established the Nomination Committee and formulated the Work Rules of Nomination Committee (《提名委員會工作條例》), through which the Company made sound decisions in relation to important matters of the Company, such as the Company's profit distribution, financial budget, production and operation, connected transactions, corporate governance, establishment of systems and appointment of accountants so as to enhance the Company's continuous development.

The Company has always strived to enhance its enterprise value, and persists in ensuring a sustainable and stable profit distribution policy, and attaching importance to the reasonable returns to investors while focusing on the sustainable development of the Company. The Company distributed annual cash dividends for 24 consecutive years from 1996 to 2019, with an aggregate cash dividend amount of approximately RMB12.3 billion. However, since 2020, due to the continuous impact of the external environment, the Company has faced great operating pressure, and with comprehensive consideration of the Company's profitability and the capital needs to maintain the Company's normal operation, the Company did not distribute any cash dividend in 2020 and 2021.

(2) Prospects

Shareholders are reminded that the Company has made certain forward-looking statements in this annual report in relation to the national and overseas economic landscapes and the railway transportation market, as well as the Company's work plans for the year of 2023 and the future. These forward-looking statements are subject to the influences of various uncertainties, where the actual outcome may be greatly different from these forward-looking statements of the Company. These statements do not constitute any commitments to the future operating results of the Company. Please be advised to consider the investment risks.



2023 is the first year to fully put into practice the spirit of the 20th National Congress of the Communist Party of China, and a year to deepen the implementation of the 14th Five-Year Plan. Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and the spirit of a series of important instructions given by General Secretary Xi Jinping on railway work, the Company will fully put into practice the spirit of the 20th National Congress of the CPC and the Central Economic Work Conference, adhere to the keynote of seeking progress while maintaining stability, completely, accurately and comprehensively implement the new development concept, promote the overall recovery of economic operation around services, focus on the primary task of high-quality development, exert greater efforts on the coordination of transportation and operation management work, as well as the development and safety, work hard and keep courageous to forge ahead, strive to promote the Company's high-quality development, take the lead in realizing new achievements in railway modernization, contribute more power, railway-wise, as the "locomotive" that bravely serves and supports the modernization in China, and make greater contributions, railway-wise, for the great commencement of the comprehensive construction of a socialist modern country.

I, together with the members of the Board, believe that in the forthcoming year, the Company is going to attain new achievements in different aspects and create new value for our shareholders. Together, we will make new contributions to the development of the society with the strong support of all shareholders and various sectors in the public, along with the joint efforts of the Board, Supervisory Committee, management and staff.

Wu Yong
Chairman of the Board

29 March 2023

Chapter 3

Report of the Directors

(Including Management Discussion and Analysis)

II. FACT SHEET OF OUR INDUSTRY DURING THE REPORTING PERIOD

Being the aorta of the nation's economy, a key infrastructure, a significant project for people's livelihood, the backbone of an integrated transportation system and one of the main means of transportation, the railway is of crucial importance for the nation's economic and social development. Since the State Council of the PRC approved the implementation of the Medium to Long Term Plan for Railway Network Development (《中長期鐵路網規劃》) in 2004, railways in China have experienced exponential development. On the whole, the tight capacity of the Chinese railways has now been alleviated, the bottle neck restriction has been eliminated, and economic and social development needs have been met. However, when benchmarking with the requirements for a new normal of economic developments, other transportation forms and the advanced levels of developed countries, China's railway still faces deficiencies such as incomplete layout, low operational efficiency and rather severe structural conflicts. By the end of 2022, the nationwide railways in operation reached 155,000 kilometers; among which, the high-speed railways in operation ran over 42,000 kilometers, indicating the increasing prominent key role of railways in the modernized comprehensive transportation system.

According to industry statistics released by the National Railway Administration, in 2022, for railways nationwide, the passenger traffic volume was 1.673 billion people, representing a year-on-year decrease of 35.95%, and the outbound freight tonnage reached 4.984 billion tonnes, representing a year-on-year increase of 4.40%.

III. PRINCIPAL ACTIVITIES AND BUSINESS MODEL OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, as a railway transportation enterprise, the Company has primarily been operating passenger and freight transportation businesses. It has also operated the Hong Kong Through Train passenger services in cooperation with MTR Corporation Limited, and provided railway operation services for commissioned transportation for other railway companies such as WGPR, GZIR, GSHER, GZR, XSR, GDR, NGR, GGR, PRDIR, MZR, SMR, MSR, GSTR, GSR and NSGR.

IV. CHANGE(S) IN THE COMPANY'S CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the reporting period, there was no major change in the Company's core competitiveness.



V. DISCUSSION AND ANALYSIS OF THE PRINCIPAL OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

In 2022, the operating revenue of the Company was RMB19.943 billion, representing a decrease of 1.30% as compared to RMB20.206 billion for the same period of last year. Operating cost amounted to RMB22.57 billion, representing an increase of 4.61% as compared to RMB21.575 billion for the same period of last year; loss from operations amounted to RMB2.552 billion, representing an increase of 113.89% as compared to RMB1.193 billion for the same period of last year; consolidated loss attributable to shareholders was RMB1.995 billion, representing an increase of 104.98% as compared to RMB0.973 billion for the same period of last year.

(1) Analysis of operating results

1. An analysis of changes in items of the income statement and the cash flow statement

(Unit: RMB thousand)

Item	Current period	Same period last year	Change (%)
Operating revenue	19,943,430	20,206,157	(1.30)
Operating cost	22,569,754	21,574,642	4.61
Derecognition of land use right	18,664	—	100.00
Impairment losses on financial assets — net	4,093	(40,613)	N/A
Other gains — net	59,718	134,718	(55.67)
Finance costs — net	79,925	74,576	7.17
Share of results of associates — net of tax	52,167	18,144	187.52
Income tax credit	586,146	275,623	112.66
Net cash flows from operating activities	(193,449)	1,002,468	(119.30)
Net cash flows from investing activities	(1,425,870)	(926,112)	N/A
Net cash flows from financing activities	1,419,492	(62,126)	N/A

Chapter 3

Report of the Directors

(Including Management Discussion and Analysis)

2. Analysis of revenue and costs

(1) Revenue from passenger transportation

Passenger transportation, which is the most important transportation business segment of the Company, includes the transportation businesses of Guangzhou-Shenzhen inter-city trains (including Guangzhou East to Chaozhou-Shantou cross-network EMU trains), long-distance trains and Hong Kong Through Trains. The table below sets forth the revenue from passenger transportation and passenger delivery volume for this period in comparison with those from the same period last year:

	2022	2021	Year-on-year increase/ decrease (%)
Revenue from passenger transportation (RMB ten thousand)	668,295	616,911	8.33
— Guangzhou-Shenzhen inter-city trains	150,960	189,702	(20.42)
— Through trains	—	—	—
— Long-distance trains	482,556	387,846	24.42
— Other revenue from passenger transportation	34,779	39,363	(11.65)
Passenger delivery volume (Persons)	26,517,127	40,778,226	(34.97)
— Guangzhou-Shenzhen inter-city trains	9,393,475	17,394,645	(46.00)
— Through trains	—	—	—
— Long-distance trains	17,123,652	23,383,581	(26.77)
Total passenger-kilometers (‘00 million passenger-kilometers)	84.38	120.54	(30.00)

- The increase in revenue from passenger transportation was mainly due to the following:** Since the opening of the Ganzhou-Shenzhen high-speed railway on 10 December 2021, the Company has successively launched certain cross-line long-distance EMU trains heading for the Ganzhou-Shenzhen high-speed railway; and since 1 April 2021, the Company has actively applied to the industry competent authorities for the addition of certain cross-line long-distance EMU trains, resulting in an increase in the income from long-distance trains.
- The decrease in passenger delivery volume was mainly due to the following:** During the reporting period, affected by the external environment, the willingness of passengers to travel continued to weaken, and the flow of people between regions decreased significantly, resulting in insufficient demand in the railway passenger transportation market and a sharp drop in passenger delivery volume.



(2) Revenue from freight transportation

Freight transportation forms an important part of the Company's transportation business. The table below sets forth the revenue from freight transportation and outbound freight volume for this period as compared with the same period last year:

	2022	2021	Year-on-year increase/ decrease (%)
Revenue from freight transportation (RMB ten thousand)	161,711	203,544	(20.55)
— Revenue from freight charges	141,236	170,185	(17.01)
— Other revenue from freight transportation	20,475	33,359	(38.62)
Outbound freight volume (tonnes)	16,573,631	18,836,519	(12.01)
Full-distance volume of outbound freight traffic ('00 million tonne-kilometers)	1,284.76	1,497.35	(14.20)

- **The decreases in revenue from freight transportation and outbound freight volume were mainly due to the following:** Affected by the external environment and the slowdown in macroeconomic growth, during the reporting period, the outbound freight volume at every station under the Company's management decreased, resulting in a decrease in revenue from freight transportation.

Chapter 3

Report of the Directors (Including Management Discussion and Analysis)

(3) Revenue from railway network usage and other transportation business

Railway network usage and other transportation services provided by the Company mainly include passenger and freight transportation railway network usage, the provision of railway operation services, locomotive and passenger car leasing, passenger services and luggage transportation. The table below sets forth the revenue from railway network usage and other transportation services for this period in comparison with those of the same period last year:

	2022	2021	Year-on-year increase/ decrease (%)
Revenue from railway network usage and other transportation related services (RMB ten thousand)	1,042,280	1,081,459	(3.62)
(a) Railway network usage services	336,801	378,829	(11.09)
(b) Other transportation services	705,479	702,630	0.41
— Railway operation services	362,031	377,557	(4.11)
— Other services	343,448	325,073	5.65

- **The decrease in revenue from railway network usage services was mainly due to the following:** Affected by the external environment, during the reporting period, the passenger delivery volume of the railways nationwide dropped significantly, and the number of passenger trains in operation decreased year-on-year. Therefore, the Group's revenue from railway network usage decreased.
- **The decrease in revenue from railway operation services was mainly due to the following:** Affected by the external environment, during the reporting period, the Company's workload of railway operation services provided to other railway companies decreased, resulting in a decrease in the Company's related service income.
- **The increase in revenue from other services was mainly due to the following:** During the reporting period, the Company began to provide railway operation services for GSR and NSGR, and recorded new income from the settlement of maintenance and repair fees for customer service equipment for high-speed railway.

(4) Revenue from other businesses

The Company's other businesses mainly include train repairs, on-board catering services, leasing, sales of materials and supplies, sales of goods and other businesses that are related to railway transportation. In 2022, revenue from other businesses was RMB1.221 billion, representing an increase of 2.83% as compared to RMB1.187 billion for the same period last year.



(5) Analysis of costs

(Unit: RMB thousand)

By Industry	Item	2022	2021	Year-on-year increase/decrease (%)
Railway business	Business tax and surcharges	2,007	43,289	(95.36)
	Employee benefits	8,269,989	8,147,798	1.50
	Equipment leases and services	7,386,515	6,749,319	9.44
	Materials and supplies	1,211,606	1,190,697	1.76
	Repairs and facilities maintenance costs (materials and supplies excluded)	1,119,050	1,189,762	(5.94)
	Depreciation of right-of-use assets	57,068	57,078	(0.02)
	Depreciation of fixed assets	1,809,415	1,755,502	3.07
	Cargo logistics and outsourcing service fees	485,413	595,048	(18.42)
	Utility and office expenses	84,419	89,491	(5.67)
	Others	948,130	657,303	44.25
	Subtotal	21,373,612	20,475,287	4.39
Other businesses	Business tax and surcharges	8,548	12,317	(30.60)
	Employee benefits	615,029	541,665	13.54
	Materials and supplies	345,315	306,890	12.52
	Depreciation of right-of-use assets	11,332	11,332	—
	Depreciation of fixed assets	27,004	30,608	(11.77)
	Utility and office expenses	97,273	37,762	157.59
	Others	91,641	158,781	(42.28)
	Subtotal	1,196,142	1,099,355	8.80
Total	22,569,754	21,574,642	4.61	

- **The changes in costs of the railway business were mainly due to the following:** (a) The addition of cross-line EMU trains and the provision of railway operation services for GSR and NSGR resulted in an increase in equipment rental and service fees, material and utility consumption; (b) the payment bases of social insurance, corporate annuity and surcharges such as housing provident fund increased, and the payment ratio of basic pension insurance increased, resulting in an increase in salaries and welfare expenses; (c) provision was made for the depreciation of newly purchased and constructed fixed assets in the previous year, resulting in an increase in the depreciation of fixed assets; (d) during the reporting period, the high-speed railway customer service and equipment maintenance businesses were launched, and passenger service fees increased accordingly; (e) the provision for production safety expenses increased during the reporting period; (f) during the reporting period, the Company vigorously reduced the outsourcing workload for the maintenance business of trains, equipment and buildings, resulting in a decrease in maintenance expenses; (g) the Company's freight delivery volume decreased during the reporting period, resulting in a decrease in cargo handling fees and other related expenses.

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- **The increases in costs of other businesses were mainly due to the following:** The safety production fees provided for by the Company for providing railway operation services to other railway companies was included in the cost of other businesses for accounting, resulting in a year-on-year increase in corresponding expenses.

(6) Major sales customers and suppliers

During the reporting period, the sales from the top five customers of the Company amounted to RMB5,851.38 million, accounting for 29.34% of the total annual sales; of which the sales from related parties amounted to RMB5,851.38 million, accounting for 29.34% of the total annual sales.

During the reporting period, the purchases from the top five suppliers of the Company amounted to RMB2,400.01 million, accounting for 20.56% of total annual procurement; of which purchases from related parties amounted to RMB16,855.55 million, accounting for 14.44% of the total annual procurement.

3. Expenses

(Unit: RMB thousand)

Item	2022	2021	Year-on-year increase/decrease (%)	Major reason for the change
Derecognition of land use right	18,664	—	100.00	Net gain from the disposal of intangible assets.
Impairment losses on financial assets — net	4,093	(40,613)	N/A	There was a write-back of bad debt provision for accounts receivable in the previous year.
Other gains — net	59,718	134,718	(55.67)	In the previous year, there was write-back or write-off of amounts not payable. At the same time, the provision for impairment of fixed assets decreased during the year, while the government subsidies received, loss from retirement of fixed assets, and fines increased.
Finance costs — net	79,925	74,576	7.17	Interest expenses on bank loans increased.
Share of results of associates — net of tax	52,167	18,144	187.52	Profits and losses of associates increased.
Income tax credit	586,146	275,623	112.66	The total loss before tax increased.



4. Cash flow

(Unit: RMB thousand)

	2022	2021	Year-on-year increase/ decrease (%)	Major reason for the change
Net cash flows from operating activities	(193,449)	1,002,468	(119.30)	Cash paid for purchasing goods and receiving labor services increased.
Net cash flows from investment activities	(1,425,870)	(926,112)	N/A	Cash paid for purchasing and constructing fixed assets and other long-term assets increased.
Net cash flows from financing activities	1,419,492	(62,126)	N/A	Cash received from bank borrowings increased.

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(Including Management Discussion and Analysis)

(2) Analysis of assets and liabilities

1. Assets and liabilities

(Unit: RMB thousand)

Item	Amount at the end of current period	Amount at the end of previous period	Changes in amount from the end of previous period to the end of current period (%)	Explanation
Fixed assets — net	23,430,371	24,010,161	(2.41)	Accumulated depreciation of fixed assets increased.
Construction in progress	1,112,582	1,588,935	(29.98)	Construction in progress was completed and transferred to fixed assets.
Deferred tax assets	1,284,105	698,396	83.86	Deductible losses increased.
Long-term deposits	60,000	160,000	(62.50)	The 3-year term deposit near maturity was transferred out.
Trade receivables	4,656,294	4,396,174	5.92	Receivables for the provision of railway operation services increased.
Current portion of long-term deposits	172,192	—	100.00	The 3-year term deposit near maturity was transferred in.
Cash and cash equivalents	1,299,635	1,499,462	(13.33)	Bank deposits decreased.
Long-term borrowings	775,000	—	100.00	Applied for long-term credit loans from banks.
Trade and bill payables	3,525,291	3,112,710	13.25	Payables for material purchases and bank acceptance bills increased.
Short-term deposits	721,268	—	100.00	Applied for short-term credit loans from banks.
Payables for fixed assets and construction-in-progress	2,053,638	2,776,708	(26.04)	Payables for construction and equipment decreased.
Accruals and other payables	2,323,722	1,955,175	18.85	Quality assurance and deposits collected increased, payment of endowment insurance premiums was deferred, and compensation was received in advance for the exploitation of certain land use rights and demolition in Longgang District, Shenzhen.



2. Restriction on main assets as of the end of the reporting period

- Applicable ✓ Not applicable

(3) Analysis of investment positions

During the reporting period, the Company did not invest in securities such as stocks, warrants or convertible bonds, and did not hold or deal in equity interests in other listed companies and non-listed financial enterprises. Details of investments in the external equity interests of the Company at the end of the reporting period are set out in Notes 10, 11 and 15 to the financial statements.

1. Significant investments in equity interests

- Applicable ✓ Not applicable

2. Significant non-equity investments

- Applicable ✓ Not applicable

3. Financial assets at fair value

Details of financial assets at fair value which were held by the Company during the reporting period are set out in Note 15 to the financial statements.

4. Specific progress of major asset restructuring and consolidation during the reporting period

- Applicable ✓ Not applicable

(4) Disposal of major assets and equity interests

- Applicable ✓ Not applicable

(5) Analysis on major subsidiaries and investee companies

During the reporting period, the Company did not have net profit from a single subsidiary or investment income from a single investee company with an amount exceeding 10% of the Company's net profit.

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VI. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

(1) Industry development trend and competition landscape

Development trend: Being the aorta of the nation's economy, a key infrastructure, a significant project for people's livelihood, the backbone of integrated transportation system and one of the main means of transportation, the railway is of crucial importance for the nation's economic and social development. Since the State Council of the PRC approved the implementation of Medium to Long Term Plan for Railway Network Development (《中長期鐵路網規劃》) in 2004, railways in China have experienced exponential development. On the whole, the tight capacity of the Chinese railways has now been alleviated, the bottleneck restriction has been eliminated, and economic and social development needs have been met. However, when benchmarking with the requirements for a new normal of economic developments, other transportation forms and the advanced levels of developed countries, China's railway still faces deficiencies such as incomplete layout, low operational efficiency and rather severe structural conflicts. To expedite the construction of a contemporary railway network with reasonable layout and wide coverage along with high efficiency, convenience, safety and economic efficiencies, the Medium to Long Term Plan for Railway Network Development (《中長期鐵路網規劃》) (2016–2025) had been jointly modified by the National Development and Reform Commission, Ministry of Transport and CSRG (formerly known as CRC) in July 2016, highlighting a more ambitious "Eight East-West Lines and Eight South-North Lines (八縱八橫)" high-speed railway network for the new era. As such, it is expected that the railway transportation industry will continue to develop rapidly in the long-run, and both railway passenger and freight transportation capacity and the competitive edge of the railway will continue to grow at a steady pace.

Competition landscape: The national railway is highly concentrated with a unified transportation management system. Competition within the industry mainly arises as a result of external factors, such as by other transportation industries (including highways, aviation and water transportation), and this is expected to continue to exist in the long run. However, with the gradual deepening of market-oriented railway reforms (including reforms in the investment and financing system, transportation management system, and pricing mechanism), entry barriers to the railway industry will gradually be relaxed, and investment entities in the railway industry will become more diversified. Following the completion of construction and the commencement of operation of the State's high-speed railway network with "Eight East-West Lines and Eight South-North Lines (八縱八橫)" and numerous inter-city railways, the competition structure of the railway transportation industry is expected to experience substantial changes; not only will competition with other industries (such as highways, aviation and water transportation) intensify, competition within the railway industry will also gradually increase.



(2) Development strategies of the Company

Under the sound leadership and scientific decision-making of the Board, the Company will capitalize on the historic opportunities presented by large-scale railway constructions, while proactively adapt to the policy direction of the railway system reform, in order to establish a steadfast foothold in the Guangdong-Hong Kong-Macao Greater Bay Area, and to optimize and enhance its business portfolio centered on railway passenger and freight transportation which are complemented by the railway-related businesses. Striving to become a first-class railway transportation services enterprise in the PRC and achieve its development objective of “scaling up and consolidating its strengths (做大做強)”, the Company will also focus on improving its quality of service and continuously advancing its innovations in management, services and technologies.

(3) Operating plans

Since 2023, with the gradual implementation of various policies after national optimization and adjustment, the Company expects that the railway passenger flow will rebound significantly in the short term and is expected to gradually return to the level in 2019, and the adverse impact of the external environment on the Company's operations will also continue to weaken. The Company will make full use of favorable opportunities, actively take measures to strengthen the marketing for railway passenger and cargo transportation, optimize passenger and cargo transportation organization, and accelerate the recovery of the Company's main business of passenger and cargo transportation, thereby striving to improve the Company's operating efficiency.

At the sixteenth meeting of the ninth session of the Board of the Company held on 29 March 2023, the Board considered and approved the financial budget for the year of 2023. The Company plans to achieve a passenger delivery volume of 50.50 million people (excluding commissioned transportation) and outbound freight volume of 19.20 million tonnes. To achieve these objectives, the Company will focus its work on the following aspects:

1. Production safety: centering on the approach of “safety first, prevention-led, integrated governance (安全第一、預防為主、綜合治理)” to, on the one hand, continue to promote the construction of standard lines, special safety rectification projects, centralized rectification of hidden dangers, and strengthen the shortcomings in terms of equipment and facilities; and, on the other hand, continue to deepen standardized and regulated operation, construction of safety awareness, and construction of safety-centered work style.
2. Passenger transportation: Firstly, making full use of the timing of the significant rebound in railway passenger flow after the optimization and adjustment of national policy to arrange timely and reasonable transportation capacity according to passenger flow, optimize transportation organization, and speed up the recovery of the Company's passenger transportation business; secondly, actively organizing the operation of cross-line high-speed rail trains from Guangzhou East Railway Station to West Kowloon, Hong Kong with the resumption of operation of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Railway, strengthening the market publicity and passenger marketing of the Hong Kong through train, and realizing the improvement of quality and efficiency of the Hong Kong through train; thirdly, improving the supply and demand adaptability of the passenger transport system, upgrading product structure, improving service quality, and improving transportation efficiency.

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3. Freight transportation: Firstly, improving the supply and demand adaptability of the freight system, and exploring agreement, containerization, intermodal and train-based freight transportation, aiming to enable freight trains for passenger transportation, organizing the operation of domestic and international freight trains on a large scale; secondly, continuing to implement structural reforms on the supply side of railway transportation, actively adapting to market needs, giving full play to the advantages of railways, actively improving quality and reducing costs, innovating in the products of "road-rail operation (公鐵聯運)", and further promoting "Highway Transportation to Railway Transportation (公轉鐵)".
4. Operational management: Firstly, strengthening comprehensive budget management, continuing the establishment of a budget management system covering all professional systems and units, and achieving full-cost, full-caliber and whole-process budget control; secondly, continuing to deepen expenditure and consumption reduction, strictly controlling the size of non-productive expenditures, and tightening business outsourcing management.

(4) Potential risks

Type of risk	Description of risk	Addressing measures
Macro-economic risk	The railway transportation industry is highly related to the macro-economic development conditions and is greatly affected by the macro-economic atmosphere. If the macro-economic outlook declines in the future, the Company's operating results and financial condition may be adversely affected.	The Company will pay close attention to the changes in international and domestic macro-economic conditions, strengthen its analysis and research on the contributing factors relating to the railway and transportation industry, adjust its development strategies in a timely manner in response to changes in the market environment, and strive to maintain the stability of the Company's production and operation.
Policy and regulatory risk	The railway transportation industry is greatly affected by policies and regulations. With changes in the domestic and international economic environment, and the reform and development of the railway transportation industry, corresponding adjustments in the related laws, regulations and industrial policies may be required. These changes may give rise to uncertainties to the Company's business development and operating results.	The Company will proactively engage in various seminars on the formulation and improvement of industrial policies and regulations development, study the latest changes in policies and regulations, capture the development opportunities brought by the amendments of policies and regulations, and adopt a prudent approach in addressing uncertainties caused by changes in policies and regulations.



Type of risk	Description of risk	Addressing measures
Transportation safety risk	Transportation safety is the prerequisite and foundation for the railway transportation industry in maintaining normal operations and a good reputation. Inclement weather, mechanical failures, human errors and other force majeure events may adversely affect the transportation safety of the Company.	The Company will consciously accept the safety supervision of industry authorities, actively participate in regular transportation safety meetings held by competent authorities of the industry to understand the transportation safety condition of the Company, provide for and utilize the expenses for safety production, and intensify the training of safety knowledge and capabilities of its transportation personnel.
Market competition risk	Other transportation methods (such as aviation, road and water) compete with railway transportation in certain markets. In addition, a range of high-speed railways and inter-city railways have been completed and commenced operation along with the development of the railway transportation industry. Internal competition within the railway transportation industry has also intensified. The Company may be subject to greater competitive pressure in the future, which in turn could impact the operating results of the Company.	The Company will take proactive measures to address market competition. For passenger transportation, the Company will leverage the advantages of “safe, comfortable, convenient, on time (安全、舒適、方便、準點)” railway transportation, improve service facilities and enhance service quality. In respect of freight transportation, the Company is committed to increasing the loading and unloading efficiency and the turnover rate of its freight trains to improve the freight train frequency. In addition, the Company will strengthen its analysis and research on the railway transportation market, and proactively apply to competent authorities of the industry to add new long-distance trains in areas not yet covered by high-speed railways.
Financial risk	The operating activities of the Company are subject to various financial risks, such as foreign exchange risks, interest rate risks, credit risks and liquidity risks.	The Company has established a set of managerial procedures for financial risks with a focus on the uncertainties of the financial market. It is also dedicated to minimizing to the potential adverse impacts on the financial performance of the Company. For more detailed analysis, please refer to Note 3 to the financial statements.

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VII. EXPLANATION OF CONDITIONS AND REASONS NOT DISCLOSED BY THE COMPANY IN ACCORDANCE WITH STANDARDS DUE TO NON-APPLICABLE STANDARDS AND REGULATIONS OR SPECIAL REASONS SUCH AS NATIONAL SECRETS, COMMERCIAL SECRETS

Applicable Not applicable

VIII. BUSINESS REVIEW

According to paragraph 28 of Appendix 16 to the Listing Rules of SEHK, the Company is required to conduct a business review in accordance with Schedule 5 of the Companies Ordinance (Cap. 622 of Hong Kong laws) in the Report of the Directors. The details are as follows:

(1) A fair review on the Company's business

Please refer to the "Business review" section under the "CHAIRMAN'S STATEMENT" and the "DISCUSSION AND ANALYSIS OF THE PRINCIPAL OPERATION OF THE COMPANY DURING THE REPORTING PERIOD" section in this chapter.

(2) Major risks and uncertainties to which the Company is exposed

Please refer to the "Potential risks" section under the "DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY" in this chapter.



(3) Important event affecting the Company after the reporting period

None.

(4) Future business development of the Company

Please refer to the “DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY” section.

(5) Analysis on the key financial indicators during the reporting period

Please refer to the “DISCUSSION AND ANALYSIS OF THE PRINCIPAL OPERATION OF THE COMPANY DURING THE REPORTING PERIOD” section.

(6) Environmental policies and performance of the Company

Please refer to the “Environmental and Social Responsibilities” chapter in this annual report, as well as the 2022 Social Responsibility Report published by the Company on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>), the HKExnews website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.gsrc.com>).

(7) Compliance with laws and regulations that have a significant impact on the Company

During the reporting period, the Company complied with all relevant laws and regulations that have a significant impact on the Company.

(8) Description of the Company’s significant relationships with its employees, customers, suppliers and others

During the reporting period, except as disclosed in this annual report, the Company had no other relationship with its employees, customers and suppliers apart from the relationship of employees, customers and suppliers, and no other person had a significant impact on the business of the Company.

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IX. OTHER DISCLOSURES

(1) Liquidity and source of funding

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

As at the end of the reporting period, the Company had short-term borrowings of approximately RMB700 million, with a weighted average annual interest rate of 2.44%; and had long-term borrowings of approximately RMB796 million, with a weighted average annual interest rate of 3.16%. The Company's capital commitments and operating commitments as of the end of the reporting period are set out in Note 40 to the financial statements.

As at the end of the reporting period, the Company had no charges on any of its assets and had not provided any guarantees, and had no entrusted deposits. The gearing ratio (calculated by the balance of liabilities divided by the balance of total assets as of the end of the period) of the Company was 31.82%.

(2) Risk of foreign exchange rate fluctuations and related hedges

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

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

(3) Taxation

Details of income tax applicable to the Company during the reporting period are set out in Note 35 to the financial statements.

(4) Interest capitalized

During the reporting period, no interest was capitalized in the fixed assets and construction-in-progress of the Company.



(5) Properties and fixed assets

During the reporting period, all properties held by the Company were for the purpose of developments, and their percentage ratios (as defined in Rule 14.04(9) of the Listing Rules of SEHK) did not exceed 5%. Movements in the properties and fixed assets held by the Company during the reporting period are set out in Note 6 to the financial statements.

(6) Undistributed profit

Details of movements in the undistributed profit of the Company during the reporting period are set out in the Statement of Changes in Equity.

(7) Surplus reserve

Details of movements in the surplus reserve of the Company during the reporting period are set out in the Statement of Changes in Equity and Note 23 to the financial statements.

(8) Subsidiaries

Details of the principal subsidiaries of the Company as at the end of the reporting period are set out in Note 10 to the financial statements.

(9) Material investments held, material acquisitions and disposals of subsidiaries and associates, and future plans of material investments or acquisition of capital assets

Except as disclosed in this annual report, during the reporting period, the Company had no material investments, had not carried out any material acquisition and disposal of subsidiaries and associates, and had no definite plan for material investment or acquisition of capital assets.

(10) Contingent liabilities

At the end of the reporting period, the Company had no contingent liability.

(11) Fixed interest rate

As at the end of the reporting period, the Company had short-term borrowings of approximately RMB700 million, with a weighted average annual interest rate of 2.44%; and had long-term borrowings of approximately RMB796 million, with a weighted average annual interest rate of 3.16%, details of which are set out in Note 26 to the financial statements.

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(12) Board of Directors of the Company

As of the date of publication of this annual report, the Directors of the Company are as follows:

Executive Directors: Wu Yong, Hu Lingling, Zhou Shangde

Non-executive Directors: Guo Jiming, Hu Dan, Zhang Zhe

Independent Non-executive Directors: Frederick Ma Si-Hang, Tang Xiaofan, Qiu Zilong

(13) Directors of subsidiaries

At the end of the reporting period, except for Dongguan Changsheng Enterprise Company Limited and Zengcheng Lihua Stock Company Limited, none of the subsidiaries of the Company had set up their board of directors. The members of the boards of directors of the above subsidiaries are as follows:

Name of Company	Name of Board Member
Dongguan Changsheng Enterprise Company Limited	Luo Jiancheng, He Shan, Chen Longwei, Liu Qiyi, Ren Jiyao, Yin Jinwen, Yuan Jiansheng
Zengcheng Lihua Stock Company Limited	Luo Jiancheng, Zhang Qingshan, Chen Longwei, Liu Qiyi, Wen Yixin

(14) Valuation of property interests or tangible assets

During the reporting period, the Company did not conduct any valuation on its properties or other tangible assets in accordance with Chapter 5 of the Listing Rules of SEHK.

(15) Management contracts

During the reporting period, the Company did not enter into any contract containing the following terms: the counterparty of the contract undertakes to be responsible for the management and administration of the whole or any substantial part of any business of the company pursuant to the contract; and the contract is not a service contract entered into with any director or full-time employee of the company.

(16) Loans to entities

During the reporting period, the Company did not provide any loan to any entity.



(17) Permitted compensation provisions

At the end of the reporting period, the Company did not have any compensation provision for the benefit of the Directors (including former Directors) of the Company, or any of the affiliated companies.

Other parts, chapters or notes to this annual report referred to in this section form part of the report of the directors.

By Order of the Board
Wu Yong
Chairman of the Board

Shenzhen, China
29 March 2023

Chapter 4

Corporate Governance

I. INFORMATION REGARDING CORPORATE GOVERNANCE

Since the listing of the Company in 1996, the Company has been continuously improving its corporate governance structure, perfecting its internal control and management systems, enhancing information disclosures and regulating its operation in accordance with the relevant domestic and overseas Listing Rules and regulatory requirements after taking into account of the actual state of affairs of the Company. Participants in general meetings, the Board and the Supervisory Committee of the Company have clearly defined powers and duties, each assuming and performing its specific responsibilities and making its own decisions in an independent, efficient and transparent manner. Currently, there are no material differences between the Company's corporate governance structure and the regulatory requirements as set by regulatory authorities in the place of listing of the Company's stocks.

During the reporting period, pursuant to the regulatory requirements for the internal control of listed companies set out by domestic and overseas securities regulatory bodies, the Company completed the self-assessment and audit on internal control for the year of 2021, revised the Company's Management Rules on Information Disclosure (《公司信息披露管理辦法》), established the Nomination Committee of the Board and formulated the Work Rules of Nomination Committee (《提名委員會工作條例》), altogether further improving the Company's corporate governance and internal controls to promote the sound and sustainable developments of the Company.

During the reporting period, in view of the highly centralized systematic transportation management on the national railway network, it was necessary for GRGC to obtain the Company's financial information and the Company's monthly financial data summaries during the reporting period, in order to exercise its administrative functions as an industry leader granted by laws and administrative regulations. In view of this, the Company duly complied with regulations set out in the Management Rules on Inside Information and Insiders (《內幕信息及知情人管理制度》), enhanced the management of non-public information, reminded its shareholders to promptly fulfill their obligations with respect to confidentiality and the prevention of insider trading.

Improvement of corporate governance is a long-term systematic project, which requires continuous improvement and enhancement. As it always has, the Company will continue to promptly update and improve its internal systems in accordance with the relevant regulations, promptly identify and solve problems, strengthen its management foundation and enhance its awareness of standardized operation and level of governance to promote the regulated, healthy and sustainable development of the Company.



II. SPECIFIC MEASURES TAKEN BY THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER OF THE COMPANY TO ENSURE THE INDEPENDENCE OF THE COMPANY IN TERMS OF ASSETS, PERSONNEL, FINANCE, ORGANIZATION AND BUSINESS, AS WELL AS THE SOLUTIONS, WORK PROGRESS AND FOLLOW-UP WORK PLANS FOR ENSURING THE COMPANY'S INDEPENDENCE

Applicable ✓ Not applicable

Circumstances where the controlling shareholder, actual controller and other units under their control are engaged in the same or similar business as the Company, as well as the impact of horizontal competition or major changes in horizontal competition on the Company, the resolution measures that have been taken, the progress of resolution and the follow-up plan for resolution

Applicable ✓ Not applicable

Chapter 4

Corporate Governance

III. SUMMARY OF GENERAL MEETINGS

(1) General meetings held during the reporting period

Session of meeting	Date	Media in which resolutions were disclosed	Date of disclosure	Resolutions
2021 Annual General Meeting	16 June 2022	Website of SSE (www.sse.com.cn) HKExnews website of SEHK (www.hkexnews.hk)	17 June 2022 16 June 2021	A total of 7 resolutions were considered and passed at the meeting with no objection.
2022 First Extraordinary General Meeting	6 December 2022	Website of SSE (www.sse.com.cn) HKExnews website of SEHK (www.hkexnews.hk)	7 December 2022 6 December 2022	A total of 1 resolution were considered and passed at the meeting with no objection.

(2) Important event for the attention of shareholders in the coming year

The Company plans to convene the 2022 Annual General Meeting, during which it will conduct votes and make resolutions on issues including the profit distribution plan. With respect to the specific arrangements for the 2022 Annual General Meeting, investors are advised to pay attention to and carefully read the "Notice of 2022 Annual General Meeting" which will be published on the website of the SSE (<http://www.sse.com.cn>), the HKExnews website of the SEHK (<http://www.hkexnews.hk>) and the Company's website (<http://www.gsrc.com>) in due course.



IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Changes in shareholdings and remunerations of Directors, Supervisors and senior management (current and resigned during the reporting period)

Unit: RMB

Name	Position (note)	Gender	Age	Beginning of engagement period	End of engagement period	Total remuneration received from the Company (before tax) during the reporting period (RMB ten thousand)	Whether receiving remuneration from related parties of the Company
Wu Yong	Chairman of the Board Executive Director	Male	59	18 December 2014 16 December 2014	15 June 2023 15 June 2023	—	Yes
Hu Lingling	Executive Director General Manager	Male	59	26 May 2016 9 December 2015	15 June 2023 To present	61.9	No
Guo Jiming	Non-executive Director	Male	55	23 December 2019	15 June 2023	—	Yes
Hu Dan	Non-executive Director	Male	50	17 June 2021	15 June 2023	—	Yes
Zhang Zhe	Non-executive Director	Male	51	23 December 2019	15 June 2023	—	Yes
Zhou Shangde	Executive Director Deputy Secretary of the Party Committee Employee Representative Supervisor (resigned)	Male	52	17 June 2021 19 March 2021 28 May 2015	15 June 2023 To present 17 June 2021	46.0	No
Frederick Ma Si-Hang	Independent Non-executive Director	Male	71	16 June 2020	15 June 2023	14.5	No
Tang Xiaofan	Independent Non-executive Director	Male	54	16 June 2020	15 June 2023	11.2	No
Qiu Zilong	Independent Non-executive Director	Male	56	16 June 2020	15 June 2023	11.2	No
Lei Chunliang	Chairman of the Supervisory Committee	Male	59	17 June 2021	15 June 2023	—	Yes
Chen Shaohong	Shareholder Representative Supervisor	Male	56	26 June 2008	15 June 2023	—	Yes
Xiang Lihua	Shareholder Representative Supervisor	Male	49	13 June 2019	15 June 2023	—	Yes
Meng Yong	Shareholder Representative Supervisor	Male	55	23 December 2019	15 June 2023	—	Yes

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Name	Position (note)	Gender	Age	Beginning of engagement period	End of engagement period	Total remuneration received from the Company (before tax) during the reporting period (RMB ten thousand)	Whether receiving remuneration from related parties of the Company
Huang Songli	Employee Representative Deputy General Manager Supervisor Chairman of Labor Union	Male	47	17 June 2021 27 April 2021 13 April 2021	15 June 2023 To present To present	47.1	No
Lin Wensheng	Employee Representative Supervisor	Male	58	16 June 2020	15 June 2023	42.2	No
Gong Yuwen	Deputy Secretary of the Party Committee, Secretary of the Discipline Inspection Commission	Male	56	2 April 2018	To present	47.5	No
Luo Jiancheng	Deputy General Manager	Male	50	30 December 2016	To present	47.3	No
Tang Xiangdong	Deputy General Manager, Secretary of the Board, and Company Secretary	Male	54	29 October 2019 3 December 2019	To present To present	47.8	No
Luo Xinpeng	Chief Accountant	Male	57	29 October 2019	To present	47.7	No
Total	/	/	/	/	/	424.4	/

Note: During the reporting period, there was no change in the Company's directors, supervisors and senior management, and none of the directors, supervisors and senior management held or traded the shares of the Company, nor did they hold any share options of the Company or were granted restricted shares.



Name	Biography
Wu Yong	Mr. Wu, male, born in June 1963, is an Executive Director, Chairman of the Board, and member of the Remuneration Committee and Nomination Committee of the Company. Mr. Wu holds a bachelor's degree, and is a certified senior engineer. He had served successively as the deputy bureau chief of Benghu Sub-bureau of Shanghai Railway Bureau, the commander chief of Hefei-Wuhan Railway Engineering Construction Headquarters of Shanghai Railway Bureau, the bureau chief assistant and the deputy bureau chief of Wuhan Railway Bureau, and the bureau chief and the deputy party secretary of Chengdu Railway Bureau, the chairman and the general manager of GRGC and the deputy secretary of the party committee. He is currently the chairman of GRGC and the secretary of the party committee.
Hu Lingling	Mr. Hu, male, born in November 1963, is an Executive Director, General Manager, and member of the Remuneration Committee and Nomination Committee of the Company. Mr. Hu holds a bachelor's degree and is an engineer. He had served successively as the deputy chief engineer and the deputy station master of Shaoguan Station (the current Shaoguan East Station) of the Yangcheng company headquarters of GRGC, the deputy chief engineer and the deputy general manager of the Yangcheng company headquarters of GRGC, and the director of the transportation department and the deputy general manager of GRGC. He had also worked in the global business department in the headquarters of the International Union of Railways in Paris, France and served as the deputy general manager of Guangzhou-Shenzhen-Hong Kong Express Rail Link Company Limited. He is currently the General Manager of the Company.
Guo Jiming	Mr. Guo, male, born in December 1967, is a Non-executive Director of the Company. Mr. Guo holds a bachelor's degree and is a certified senior accountant. He had previously served as the deputy head of the Finance Subsection of Wuhan Sub-bureau of Zhengzhou Railway Bureau, the head of the Finance Section and the director of Capital Settlement Center of Wuhan Railway Bureau, the chief accountant of Jinan Railway Bureau, the chief accountant of China Railway Jinan Group Co., Ltd and the director of GRGC. He is currently the chief accountant of GRGC.
Hu Dan	Mr. Hu, male, born in June 1972, is currently a Non-executive Director of the Company. Mr. Hu holds a bachelor's degree and is an engineer. Mr. Hu had previously served as the chief of the Integrated Analysis Division of the Safety Supervision Office, the deputy chief of the Safety Supervision Office, the secretary of the Party Committee of the Loudi Railway Depot, the head of the Loudi Railway Depot and the head of the Zhuzhou Railway Station of GRGC. He is currently as the chief of the Transportation Department of GRGC.
Zhang Zhe	Mr. Zhang, male, born in October 1971, is a Non-executive Director of the Company. Mr. Zhang holds a bachelor's degree and is a senior engineer. He had previously served as the station master of Tangxi Station and the director of the Subdivision of Freight Transportation Marketing of the Yangcheng company headquarters of GRGC, the deputy director of Safety Supervision Sub-office of Guangzhou Railway Office, the deputy station master of Jiangcun Station of the Company, the head of Zhaoqing Train Section of SR, and the station master of Guangzhou South Station of the Company. He is currently the director of Passenger Transport Department of GRGC.

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Name	Biography
Zhou Shangde	Mr. Zhou, male, born in December 1970, is currently an Executive Director and deputy secretary of party committee of the Company. Mr. Zhou holds a master's degree and is a political officer. Mr. Zhou had previously served as the deputy head of the Organization and Human Resources Department, the chief of the Party Committee Office and the chairman of the union of the General Service Center of the Company; the deputy head of the Human Resources Department, the deputy office chief and chief of the Reception Office and the secretary of the Party General Branch of the Company Affairs Office of GRGC; and the secretary of the Party Committee and head of the Shenzhen Railway Station, the head and deputy secretary of the Party Committee of the Shenzhen North Railway Station of the Company, and an employee representative supervisor of the Company. He is currently the deputy secretary of the Party Committee of the Company.
Frederick Ma Si-Hang	Mr. Ma, male, born in February 1952, is an Independent Non-Executive Director, chairman of the Audit Committee and Remuneration Committee and member of the Nomination Committee of the Company. Mr. Ma holds a bachelor's degree in economics and history from the University of Hong Kong. Mr. Ma is an honorary doctor of social sciences at Lingnan University and the City University of Hong Kong, respectively, an honorary professor of the Faculty of Economics and Finance at the University of Hong Kong, a member of the International Advisory Council of China Investment Corporation, a permanent honorary president of the Hong Kong Special Schools Council, a member of the Global Advisory Council of Bank of America Group, an honorary professor of the Faculty of Business Administration at the Chinese University of Hong Kong, an honorary advisor of the School of Accountancy at the Central University of Finance and Economics, the chairman of the Council of the Education University of Hong Kong, a member of the Chief Executive's Council of Advisors on Innovation and Strategic Development of the Hong Kong SAR Government, and a member of the International Advisory Council of Investcorp. Mr. Ma had been previously honored with a Gold Bauhinia Star and appointed as a Non-official Justice of the Peace. He had previously served as the managing director of the UK branch of RBC Dominion Securities, the deputy chairman and managing director of Kumagai Gumi (HK) Limited, the managing director and Asia manager of the Private Banking Department of Chase Manhattan Bank, the Asia Pacific CEO of Private Banking of JPMorgan Chase & Co., the CFO and executive director of PCCW Limited, the Secretary for Financial Services and the Treasury of Hong Kong SAR Government, the Secretary for Commerce and Economic Development of Hong Kong SAR Government, the non-executive chairman of China Strategic Holdings Limited, an independent non-executive director of China Resources Land Limited, an independent non-executive director of Hutchison Port Holdings Limited, an outside director of China Oil and Foodstuffs Corporation, an outside director of China Mobile Communications Group Co., Ltd, an independent non-executive director of Agricultural Bank of China Limited, an independent non-executive director of Aluminum Corporation of China Limited, the non-executive chairman of MTR Corporation Limited, a non-executive director of Husky Energy Inc., a director of New Frontier Corporation and an independent non-executive director of FWD Group Limited. He is currently the chairman of FWD Group Limited and an independent non-executive director of the Company, COSCO SHIPPING Holdings Co., Ltd., HH&L Acquisition Co. and Unicorn II Holdings Limited.



Name	Biography
Tang Xiaofan	<p>Mr. Tang, male, born in October 1968, is an Independent Non-Executive Director, and member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Tang holds a master's degree in economics management from the School of Economics and Trade at Jiangxi Agricultural University and is a senior auditor, a PRC certified public accountant, an accountant certified by the Association of International Accountants and a certified internal auditor. Mr. Tang also obtained the qualification of secretary of the board of companies listed on the SSE and the securities and fund practitioner qualification in the PRC, and is a securities investment advisor. Mr. Tang had previously served as the deputy section chief of Yichun Audit Bureau of Jiangxi, the audit manager of Shenzhen Dahua Tiancheng Accounting Firm, the audit manager of BDO China Shu Lun Pan Certified Public Accountants LLP and Yangcheng (HK) CPA Limited, the vice president and CFO of Guangzhou Greenery Cafe Company Limited, the secretary of the board and CFO of Guangzhou Jiacheng International Logistics Co., Ltd. (a company listed on the SSE), the deputy general manager of Guangdong Xiyu Investment Management Co., Ltd., a director and senior vice president of Jiangxi Geto New Materials Corporation Limited (a company listed on Shenzhen Stock Exchange), and a director and the general manager of Guangzhou Dening Investment Management Co., Ltd. He is currently the deputy general manager of Guangzhou Huizhi Venture Capital Co., Ltd.</p>
Qiu Zilong	<p>Mr. Qiu, male, born in March 1967, is an Independent Non-executive Director, chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee of the Company. Mr. Qiu holds a bachelor's degree of physics in radio from Hunan Normal University and a master's degree in business administration from Peking University Shenzhen Graduate School and is currently the executive vice president of Shenzhen Changsha Chamber of Commerce. Mr. Qiu had previously served as the assistant engineer, assistant factory director and deputy factory director of Guangdong Panyu Safety Equipment Factory, the deputy general manager of Shenzhen Xingelan Electronic Co., Ltd., the managing director of Shenzhen Guanzhong Xie'an Electronic Technology Co., Ltd. and the managing director of Shenzhen Xingguanzhong Electronic Technology Co., Ltd. He is currently the general manager of Shenzhen Changshang Investment Management Co., Ltd. and a director of Shenzhen Beida Soft Bank Investment Corporation Limited.</p>
Lei Chunliang	<p>Mr. Lei, male, born in April 1963, is currently the chairman of the Supervisory Committee of the Company. Mr. Lei holds a bachelor's degree and is a senior political officer. Mr. Lei had previously served as the secretary of the Communist Youth League Committee of Xi'an Railway Sub-bureau under Zhengzhou Railway Bureau; the secretary of the Party Committee of the Xi'an Railway Station of Xi'an Railway Bureau; the vice chairman of the union, the deputy secretary of the Party Committee and the secretary of the Discipline Inspection Committee of Xi'an Railway Bureau; and the deputy secretary of the Party Committee, the secretary of the Discipline Inspection Committee and a director of China Railway Xi'an Bureau Group Co., Ltd. He is currently the secretary of the Discipline Inspection Committee of GRGC.</p>

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Name	Biography
Chen Shaohong	Mr. Chen, male, born in January 1967, is a Shareholder Representative Supervisor of the Company. Mr. Chen holds a bachelor's degree and is a certified senior economist. He had served successively in GRGC as the vice-director of the corporate management office and the vice-director and director of the corporate management and legal affairs department of GRGC, the vice-chief economist and the director of the corporate and legal affairs department of GRGC, the chief legal advisor and the chief of the corporate management and legal affairs department of GRGC, and the chief legal advisor and the director of the corporate management and legal affairs department of GRGC. He is currently the chief legal advisor of GRGC.
Xiang Lihua	Mr. Xiang, male, born in September 1973, is a Shareholder Representative Supervisor of the Company. Mr. Xiang holds a bachelor's degree and is a senior political engineer. He had previously served as the secretary of the Board and the director of the general department of GZR, the deputy office director of GRGC, the Vice Secretary of the Party Committee and the Secretary of Committee for Discipline Inspection of the Company's Communication and Signaling Section in Guangzhou, and the head of the marketing department of GRGC. He is currently the director (chief) of the human resources department (party committee organization) of GRGC.
Meng Yong	Mr. Meng, male, born in September 1967, is a Shareholder Representative Supervisor of the Company. Mr. Meng holds a bachelor's degree and is an accountant. He had previously served as the head of the Finance Planning Division of the Finance Section and the deputy director of the Finance Section, the deputy director of the Finance Department (Revenue Division) of GRGC and the director of the Audit Department of GRGC. He is currently the director of the Finance Department (Income Department) of GRGC.
Huang Songli	Mr. Huang, male, born in September 1975, is currently an Employee Representative Supervisor, chairman of labor union and deputy general manager of the Company. Mr. Huang holds a bachelor's degree and is an assistant engineer. Mr. Huang had previously served as the deputy head of the Guangzhou South Railway Station, the head and deputy secretary of the Party Committee of the Tangxi Railway Station of Yang Cheng Railway Company under GRGC; the deputy head of the Guangzhou Railway Depot and the head of the Tangxi Railway Station of GRGC; the deputy head of the Guangzhou Railway Depot of the Company; the deputy general manager of Guangmeishan Railway Co., Ltd.; the head of the Preparation Group of the Guangzhou Junction Northeastern Truck Outer Ring Railway Construction of GRGC; and the deputy head of the Command Department of Guangzhou Project Construction and the deputy head of the Command Department of the Foshan West Railway Station Project Construction of GRGC. He is currently the chairman of labor union and the deputy general manager of the Company.
Lin Wensheng	Mr. Lin, male, born in December 1964, is an Employee Representative Supervisor of the Company. Mr. Lin holds a bachelor's degree and is a senior accountant. Mr. Lin had previously served as the chief accountant of the Industrial and Electrical Business Department of the Company, the deputy chief economist of the Guangzhou Electricity Section, the head of the Planning and Finance Department and the head of the Audit Department of the Company. He is currently the director of the Audit Department of the Company.



Name	Biography
Gong Yuwen	Mr. Gong, male, born in September 1966, is the Deputy Secretary of the Party Committee, and the Secretary of the Discipline Inspection Commission of the Company. Mr. Gong holds a bachelor's degree and is an economist. He had served successively as the deputy director and the director of the human resources department (party committee organisation) leading the personnel department of GRGC, the deputy director of the human resources department of GRGC and the deputy director of the organizational department of the party committee. He also served in the Company as the Party Deputy Secretary and the deputy station master of Guangzhou East Station, the Secretary of the Party Committee and the deputy station master. He is currently the Deputy Secretary of the Party Committee, and the Secretary of the Discipline Inspection Commission of the Company.
Luo Jiancheng	Mr. Luo, male, born in January 1973, is the Deputy General Manager of the Company. Mr. Luo graduated with a bachelor's degree, a master's degree in engineering from Tsinghua University and is a senior engineer. He served successively as the chief of the Investigation & Inspection Division of the General Office of GRGC, the station master of Shiweitang Station of SR, the deputy chief of the Transportation Department of GRGC, the assistant of the General Manager of the Company, the general manager of Guangzhou Tiecheng Enterprise Company Limited and the deputy general manager of Guangzhou-Meizhou-Shantou Railway Company Limited. He is currently the Deputy General Manager of the Company.
Tang Xiangdong	Mr. Tang, male, born in September 1968, is the Deputy General Manager and the Secretary of the Board of the Company. Mr. Tang graduated with a bachelor's degree and holds an MBA degree, and is a senior accountant. He had served as the Office Supervisor of the Revenue Settlement Center, the Director of the Finance Department and the Chief Accountant of the Company. He is currently the Deputy General Manager and the Secretary of the Board of the Company.
Luo Xinpeng	Mr. Luo, male, born in October 1965, is the Chief Accountant of the Company. Mr. Luo completed a part-time master's degree and is a senior accountant. He had previously served as the vice director of the finance department of the Guangzhou Railway Works of the Ministry of Railways, the director of the finance department, the chief accountant and the director of the finance department of the Guangzhou Railway Rolling Stock Works of China National Railway Locomotive & Rolling Stock Industry Corporation, the chief accountant of GRGC's Guangzhou railway rolling stock works, the chief accountant of Yuehai Railway Company Limited, and the chief accountant of Hainan Railway Company Limited. He is currently the Chief Accountant of the Company.

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(2) Engagements of directors, supervisors and senior management (current and resigned during the reporting period)

1. Engagements in shareholders

Name of personnel	Name of shareholder	Position at shareholder	Beginning of engagement	End of engagement
Wu Yong	GRGC	Chairman of the Board	August 2014	
		Secretary of the Party Committee	November 2017	
Guo Jiming	GRGC	Chief Accountant	June 2019	
Hu Dan	GRGC	Director of the Transportation Department	July 2020	
Zhang Zhe	GRGC	Chief of the Passenger Transport Department	April 2019	
Lei Chunliang	GRGC	Secretary of the Committee for Discipline Inspection	September 2020	
Chen Shaohong	GRGC	Chief Legal Adviser	December 2017	
Xiang Lihua	GRGC	人Director (Chief) of Human Resources Department (Party committee organization)	September 2018	
Meng Yong	GRGC	Chief of the Finance Department (Income Department)	April 2020	



2. Engagements in other companies

Name of personnel	Name of company	Position at company
Wu Yong	Qian Zhang Chang Railway Company Limited, Huai Shao Heng Railway Co., Ltd.	Chairman of the Board
Guo Jiming	GDR, Shichang Railway Company Limited WGPR	Chairman of the Board Vice Chairman of the Board
	Hukun Passenger Railway Line (Hunan) Company Limited GZIR, PRDIR and Hainan Railway Company Limited	Director Chairman of the Supervisory Committee
Hu Dan	Shenzhen Pingnan Railway Company Limited	Vice Chairman of the Board
	Shichang Railway Company Limited	Director
Zhang Zhe	Hunan Intercity Railway Company Limited, PRDIR	Supervisor
Frederick Ma	Beijing Zhongtie Commemorate Ticket Co., Ltd.	Supervisor
Si-Hang	FWD Group	Chairman
	COSCO SHIPPING Holdings Co., Ltd., HH&L Acquisition Co. and Unicorn II Holdings Limited	Director
Tang Xiaofan	Guangzhou Huizhi Venture Capital Co., Ltd.	Deputy General Manager
Qiu Zilong	Shenzhen Changshang Investment Management Co., Ltd.	General Manager
	Shenzhen Beida Soft Bank Investment Corporation Limited	Director
Chen Shaohong	GDR, Hainan Railway Company Limited, XSR, MSR	Director
	Shichang Railway Company Limited, Hukun Passenger Railway Line (Hunan) Company Limited	Chairman of the Supervisory Committee
Meng Yong	Hong Kong Qiwen Trade Company Limited	Director
	WGPR, GDR	Chairman of the Supervisory Committee
	Hukun Passenger Railway Line (Hunan) Company Limited, Huai Shao Heng Railway Co., Ltd.	Supervisor
Luo Jiancheng	Dongguan Changsheng Enterprise Company Limited, Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited, Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited and Zengcheng Lihua Stock Company Limited	Chairman of the Board
	Guangzhou Tiecheng Enterprise Company Limited	Director
Luo Xinpeng	Guangzhou Tiecheng Enterprise Company Limited	Director
	Zengcheng Lihua Stock Company Limited	Chairman of the Supervisory Committee

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(3) Remuneration of directors, supervisors and senior management

Decision-making procedure of the remuneration of Directors, Supervisors and senior management	Remuneration or allowance standards of the Directors and Supervisors of the Company should be submitted for approval at the general meeting after consideration and discussion by the Board.
Basis for determination of the remuneration of the Directors, Supervisors and senior management	Determined with reference to the level of remuneration in Shenzhen where the Company is located, the job nature of individual staff, as well as the annual objectives of the Company, the completion status of work targets and the operating results of the Company.
Actual payment of remuneration of Directors, Supervisors and senior management	During the reporting period, none of the following Directors, namely Wu Yong, Guo Jiming, Hu Dan, Zhang Zhe, and the following Supervisors, namely Lei Chunliang, Chen Shaohong, Xiang Lihua and Meng Yong, received any remuneration from the Company. As far as the Company is aware, as at the date of publication of this report, the Company had no arrangements under which the Directors, Supervisors and senior management had waived or agreed to waive any remuneration. For details of the actual payment of remuneration to the Directors, Supervisors and senior management during the reporting period, please see the section headed "Changes in shareholdings and remunerations of Directors, Supervisors and senior management (current and resigned during the reporting period)" in this chapter.
Total actual amount of remuneration received by all of the Directors, Supervisors and senior management at the end of the reporting period	During the reporting period, the Directors, Supervisors and senior management received a total remuneration of RMB4.244 million.

(4) Changes in directors, supervisors and senior management

Applicable Not applicable

(5) Explanation of punishment by securities regulatory bodies for the past three years

Applicable Not applicable

(6) Other information on directors, supervisors and senior management



1. Equity interests of Directors, Supervisors or Chief Executives

As of the end of the reporting period, there was no record of interests or short positions (including the interests and short positions which were taken or deemed to have under the provisions of the SFO) of the Directors, Supervisors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) in the register required to be kept under section 352 of the SFO. The Company did not receive any notification of such interests or short positions from any Directors, Supervisors or chief executives of the Company as required to be made to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules of SEHK.

During the reporting period, none of the Company or its subsidiaries had entered into any arrangement such that the Company's Directors, Supervisors or chief executives or their respective spouses or children under the age of 18 could obtain any right to subscribe for any shares or debentures of the Company or any other legal entities.

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

2. Service contracts of Directors and Supervisors

Each of the Directors and Supervisors of the Company has entered into a service contract with the Company. The Company and its subsidiaries did not enter into any director's or supervisor's service contract prior to 31 January 2004 and were exempt from complying with the shareholders' approval requirement under Rule 13.68 of the Listing Rules of SEHK. None of the Directors or Supervisors has entered into any service contract with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

3. Interests of Directors and Supervisors in contracts

None of the Directors or Supervisors of the Company had any direct or indirect interests in any transaction, contract or arrangement of significance subsisting during the year to which the Company or any of its subsidiaries was a party.

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V. BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Session of meeting	Date	Resolutions
The eleventh meeting of the ninth session of the Board	30 March 2022	A total of 13 resolutions were considered and passed at the meeting with no objection.
The twelfth meeting of the ninth session of the Board	28 April 2022	A total of 4 resolutions were considered and passed at the meeting with no objection.
The thirteenth meeting of the ninth session of the Board	30 August 2022	A total of 3 resolutions were considered and passed at the meeting with no objection.
The fourteenth meeting of the ninth session of the Board	28 September 2022	A total of 2 resolutions were considered and passed at the meeting with no objection.
The fifteenth meeting of the ninth session of the Board	27 October 2022	A total of 1 resolution was considered and passed at the meeting with no objection.



VI. PERFORMANCE OF DUTIES BY DIRECTORS

(1) Attendance at Board meetings and general meetings by Directors

Name of Director	Whether the Director is an Independent Director	Number of Board meetings to be attended this year	Number of meetings attended in person	Attendance at Board meetings			Whether two consecutive Board meetings were not attended in person	Attendance at general meetings
				Number of meetings attended by way of telecommunication	Number of meetings attended by proxy	Number of absences		Number of general meetings attended
Wu Yong	No	5	5	5	0	0	No	0
Hu Lingling	No	5	5	5	0	0	No	2
Guo Jiming	No	5	5	5	0	0	No	1
Hu Dan	No	5	5	5	0	0	No	1
Zhang Zhe	No	5	5	5	0	0	No	2
Zhou Shangde	No	5	5	5	0	0	No	2
Frederick Ma Si-Hang	Yes	5	5	5	0	0	No	0
Tang Xiaofan	Yes	5	5	5	0	0	No	2
Qiu Zilong	Yes	5	5	5	0	0	No	2

Explanation on the failure to attend two consecutive Board meetings in person

Applicable Not applicable

Number of Board meetings held during the year	5
Including: Number of on-site meetings	0
Number of meetings held by way of telecommunication	5
Number of meetings held on-site combined with telecommunication	0

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(2) Report on the performance of duties by Independent Directors

1. Attendance at meetings

During the reporting period, the Company held 2 general meetings, 5 Board meetings, 7 Audit Committee meetings and 1 Remuneration Committee meeting. The Company did not hold any Nomination Committee meeting. All Independent Directors attended all the meetings either in person or by proxy. Please see the relevant part of "Attendance at Board meetings and general meetings by Directors", "Audit Committee" and "Remuneration Committee" of this chapter for details.

2. Objection to related matters of the Company

Applicable Not applicable

3. Recommendations for the Company and approval

During the reporting period, all Independent Directors of the Company faithfully performed their responsibilities and obligations stipulated by laws, regulations, the Articles and the Work Rules of Independent Directors (《獨立董事工作條例》) with an attitude of responsibility towards all of the shareholders of the Company. They showed solicitude for the Company's operation and compliance with laws, actively participated in Board meetings and related meetings, and carefully reviewed each of the resolutions proposed at the meetings. They also raised independent opinions according to relevant rules and facts according to their knowledge of the material affairs of the Company, such as the appointment of auditors, external guarantees, profit distribution and connected transactions. During the process of preparation and disclosure of the annual report, the Independent Directors fulfilled the duties required by the securities regulatory authorities and the Annual Report Working Rules of the Audit Committee and Independent Directors (《審核委員會及獨立董事年報工作制度》). They performed their duties in a proactive manner, and communicated with the Company and finance and auditing firms adequately and carefully raised practical suggestions. The Independent Directors exerted their independent functions adequately and ensured the legitimate rights and interests of the shareholders, especially minority shareholders, of the Company.

Firstly, the Independent Directors recommended the Company to cooperate with the external auditor in relation to the auditing of the 2021 Annual Report in accordance with the agreed audit arrangements. The Company promptly provided the accounting information and other relevant information required for the audit to ensure the audit quality of the 2021 Annual Report.

Secondly, they recommended the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor and PricewaterhouseCoopers as the international auditor of the Company for 2022. The above resolutions for the re-appointment of domestic and international auditors were passed upon consideration at the eleventh meeting of the ninth session of the Board and the 2021 Annual General Meeting of the Company.



4. On-site working and inspection

During the reporting period, the Independent Directors of the Company mainly participated in on-site meetings to gain knowledge of the Company's daily operations. They also communicated with other Directors, senior management and related staff of the Company through telephone and emails as detailed below:

Time	Matter	Venue	Participant
16 June 2022	Attendance at the Company's 2021 Annual General Meeting and on-site inspection at the headquarters of the Company	Headquarters of the Company	Tang Xiaofan, Qiu Zilong
6 December 2022	Attendance at the Company's First 2022 Extraordinary General Meeting	Headquarters of the Company	Tang Xiaofan, Qiu Zilong

5. Expression of independent opinions

During the reporting period, the Independent Directors of the Company expressed independent opinions as follows:

Time	Meeting	Matter	Type of opinion
29 March 2022	Third meeting of Audit Committee meeting in 2022	Independent opinion on the Company's appointment of auditor for 2022	Recommending the Company to re-appoint PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor and PricewaterhouseCoopers as the international auditor of the Company for 2022, and agreeing to submit the relevant proposal to the Board and the general meeting for consideration.
30 March 2022	Eleventh meeting of the ninth session of the Board	Special explanation and independent opinion on the Company's external guarantees in 2021	The Company had no external guarantee during the reporting period.

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Time	Meeting	Matter	Type of opinion
		Independent opinion on the Company's profit distribution proposal for 2021	This proposal is in compliance with the relevant regulatory rules and the Articles of Association, and in line with the Company's actual situation at present, is conducive to the Company's sustainable and stable development, and does not harm the interests of minority shareholders. Thus, it agreed to submit the proposal to the general meeting for consideration.
28 April 2022	Twelfth meeting of the ninth session of the Board	Independent opinions on the two connected transactions of the Company's waiver of the right of first refusal for the equity transfer of Guangzhou Tiecheng Industrial Co., Ltd., and the Company's signing of the entrusted service agreement for the preliminary work of the Guangzhou Xintang Station plot	The voting procedures for the connected transactions are in compliance with the relevant laws and regulations such as the Company Law and the Articles of Association of the Company. The transactions are entered into on normal commercial terms, which are fair and reasonable to independent shareholders and in line with the interests of the Company and shareholders as a whole. The relevant proposals were agreed.
28 September 2022	Fourteenth meeting of the ninth session of the Board	Independent opinions on the two connected transactions of the Company signing the Comprehensive Service Framework Agreement with CSRG and the Company's disposal of part of the land use rights located in Longgang District, Shenzhen	The voting procedures for the connected transactions are in compliance with the relevant laws and regulations such as the Company Law and the Articles of Association of the Company. The transactions are entered into on normal commercial terms, which are fair and reasonable to independent shareholders and in line with the interests of the Company and shareholders as a whole. The relevant proposals were agreed.



VII. SPECIAL COMMITTEES UNDER THE BOARD

(1) Members of the special committees under the Board

Type of special committee	Name of member
Audit Committee	Frederick Ma Si-Hang (Chairman), Tang Xiaofan, Qiu Zilong
Nomination Committee	Qiu Zilong (Chairman), Wu Yong, Hu Lingling, Frederick Ma Si-Hang, Tang Xiaofan
Remuneration Committee	Frederick Ma Si-Hang (Chairman), Wu Yong, Hu Lingling, Tang Xiaofan, Qiu Zilong

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(2) The Audit Committee held 7 meetings during the reporting period

Date	Matters	Key opinions and suggestions
8 March 2022	Getting to know the Company's audit work arrangements for 2021, initially reviewing the Company's annual financial statements for 2021, and communicating with the Company's auditors before the audit.	Suggesting the Company to provide information to the auditors in a timely manner according to the audit plan, and cooperate for the completion of the audit work.
16 March 2022	Reviewing the Company's annual financial statements for 2021 for the second time, communicating with the Company's auditors, and issuing the Audit Supervision Letter to the auditors.	Requesting auditors to complete the audit work in accordance with the audit plan to ensure that the Company's annual report is disclosed on time.
29 March 2022	Reviewing the Company's annual report for 2021, evaluating the auditors' audit work in 2021, recommending to the Board on the appointment of auditors for 2022, reviewing the independent directors' work report for 2021 and the audit committee's performance report, getting to know the Company's internal audit and internal control work report for 2021 and the internal audit plan for 2022.	Suggesting the Company to re-engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's domestic and foreign auditors in 2022.
27 April 2022	Reviewing the Form 20F for 2021 and the financial report for the first quarter of 2022 and listing to the report of the Company's management on the business operation in the first quarter of 2022.	None.
29 August 2022	Reviewing the interim financial statements and interim report for 2022, and listing to the report of the Company's management on the business operation in the first half of 2022.	None.
28 September 2022	Reviewing the Comprehensive Service Framework Agreement proposed to be entered into by the Company and CSRG for daily connected transactions	Agreeing to submit the daily connected transactions and agreement to the Board for consideration.
26 October 2022	Reviewing the financial report for the third quarter of 2022.	None.



(3) The Remuneration Committee held 1 meeting during the reporting period

Date	Matters
4 July 2022	Reviewing the assessment results for the Company's operating performance in 2021.

(4) Explanation on the matters with objection

Applicable Not applicable

VIII. RISKS IDENTIFIED BY THE SUPERVISORY COMMITTEE IN THE COMPANY

The Supervisory Committee had no objection to the supervisory matters during the reporting period.

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IX. EMPLOYEES OF PARENT COMPANY AND MAJOR SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

(1) Information of employees

Total number of current employees	39,396
Number of disengaged and retired employees for whom the parent company and major subsidiaries shall be liable to expenses	27
Professional constitution	
Category of professional constitution	Number of professionals
Passenger, freight transportation and transit operation personnel	18,019
Engineering personnel	5,270
Driving personnel	3,283
Public works personnel	3,417
Electricity personnel	1,796
Electricity and water supplies personnel	2,225
Building construction personnel	1,200
Various operations and other employees of subsidiaries	96
Technical and administrative personnel	4,090
Total	39,396
Level of education	
Category of education level	Number of persons
Postgraduate or above	162
University graduate	5,285
College for professional training	16,865
Other (secondary vocational school, high school and vocational technical school, etc.)	17,084
Total	39,396



(2) Remuneration policy

Salary for the Company's staff mainly comprises basic salary, performance-based salary and benefit plans. The basic salary includes salary in respect of the position, salary in respect of skills and various allowances and subsidies accounted for under salary payable in accordance with regulations. Performance-based salary refers to salary calculated on the basis of economic benefits and social benefits, or piece-rate pay calculated on the basis of workload, or performance-based salary calculated on the basis of job performance. Benefit plans include various social insurance and housing funds paid as required by relevant policies. Please refer to Note 31 to the financial statements for the total wages and benefits paid by the Company to its employees during the reporting period.

The Company implements a salary distribution policy in which labor remuneration is closely linked to economic benefits, labor efficiency and personal performance, and the total amount of employees' remunerations is closely linked to the Company's operating efficiency. The salary distribution of employees is based on the post labor evaluation and the employee performance appraisal. That is, in the salary distribution, the basic labor factors such as labor skills, labor responsibilities, labor intensity and labor conditions of different positions are evaluated as the basis to determine the basic salary standards of employees, and to determine the actual remunerations of employees based on the technical and professional level of employees and the actual labor quantity and quality evaluation, thereby giving full play to the important role of the distribution system in the Company's incentive mechanism, and mobilizing the enthusiasm of the employees.

(3) Retirement plan

The employees of the Company have participated in the basic pension insurance organized and implemented by the local labor and social security authorities, determines the base based on the average monthly income of the employees in the previous year within the upper and lower limits of the basic pension insurance payment bases stipulated by the local authorities, and pays monthly pension insurance premiums to the local basic pension insurance agencies according to the specified proportions. Except for the above-mentioned contributions, the Company will no longer undertake any further payment obligations, and the corresponding expenses shall be included in the current profit or loss when incurred. There are no forfeited contributions for basic pension insurance, as all contributions are fully vested in the employees upon payment.

The employees of the Company also participate in the supplementary pension insurance organized and implemented by GRGC. The Company pays the supplementary pension insurance premiums to the GRGC on a monthly basis based on the payment bases and standards of the supplementary pension insurance stipulated by GRGC. The contributions from entities and the investment income therefrom in the individual account of the employee supplementary pension insurance shall be attributed to the individual employee according to the relevant rules. The part of the contributions of the supplementary pension insurance that is not attributed to the individual employee due to the employee's resignation will not be used to offset the existing contributions, but will be transferred to the public account of the supplementary pension insurance fund, and then assigned to the members of the supplementary pension insurance fund after performing the approval procedures as required

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(4) Training plan

During the reporting period, the Company had a total of 107 occupational education management personnel and a total of 879,062 people participating in various vocational trainings, which mainly include training on job standardization, adaptability, qualification and continuing education. The annual training plan of the Company for the year was 100% completed and the training expenses amounted to approximately RMB39.4484 million.

(5) Labor outsourcing

Applicable Not applicable

X. PLANS FOR PROFIT DISTRIBUTION OR COMMON RESERVE CAPITALIZATION

(1) Formulation, implementation and adjustment of cash dividend distribution policy

Pursuant to the related requirements of the “Notice on Further Implementing Issues concerning Cash Dividends Distribution of Listed Companies” (《關於進一步落實上市公司現金分紅有關事項的通知》) by CSRC and SSRB, the Company amended provisions related to profit distribution in the Articles in 2012. The amended Articles clearly stipulate the standards, percentages and related decision-making procedures for cash dividend distribution by the Company, and the detailed conditions, decision-making procedures and mechanisms for adjustments to the profit distribution policy by the Company, which will provide systematic guarantee for the due diligence of the Independent Directors, the full expression of the minority shareholders’ requests, and full protection of the legal interests of minority shareholders.

The principal requirements of cash dividends under the profit distribution policy of the Company are: where the conditions for cash dividend distribution are met, the Company, principally, shall distribute dividends in cash once a year, with the annual dividend distribution ratio being not less than 30%. Within three consecutive years, the accumulated profits distributed in cash of the Company shall not be less than 30% of the three-year annual average distributable profits. Unless otherwise stipulated by laws or administrative regulations, the amount of interim dividends distributed shall not exceed 50% of the distributable profits as stated in the interim profits statement of the Company. The Company may distribute interim dividends in the form of cash.

The Company has consistently adhered to a sustained and stable profit distribution policy, emphasized reasonable returns to investors and strived for the sustainable development of the Company. The Company had distributed annual cash dividends for 24 consecutive years from 1996 to 2019, with an aggregate cash dividend amount of approximately RMB12.3 billion. However, since 2020, due to the continuous impact of the external environment, the Company has faced great operating pressure, and with comprehensive consideration of the Company’s profitability and the capital needs to maintain the Company’s normal operation, the Company did not distribute any cash dividend in 2020 and 2021.



(2) Specific explanation on cash dividend policy

Whether it complies with the provisions of the Articles of Association or the requirements of the resolutions at general meetings	✓Yes <input type="checkbox"/> No
Whether the dividend standards and ratios are definite and clear	✓Yes <input type="checkbox"/> No
Whether the relevant decision-making procedures and mechanisms are sound	✓Yes <input type="checkbox"/> No
Whether the independent directors performed their duties and played their roles	✓Yes <input type="checkbox"/> No
Whether minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests have been fully protected	✓Yes <input type="checkbox"/> No

(3) If profit was made during the reporting period and the parent company's profit available to shareholders for distribution was positive, but no cash profit distribution plan or proposal has been made, the Company shall disclose the reasons in detail and the purpose and use plan of the undistributed profits

Applicable ✓ Not applicable

(4) Profit distribution and transfer of capital reserve to share capital for the reporting period

In consideration of both the Company's profitability in recent years and the capital requirements for maintaining the normal operation of the Company, the Board of the Company proposed not to make profit distribution or capitalize capital reserve into share capital for 2022. This proposal has been considered and approved at the sixteenth meeting of the ninth session of Board of the Company, and is subject to consideration and approval at the 2022 Annual General Meeting of the Company.

Regarding the above profit distribution proposal, the independent directors of the Company agreed that: the proposal is in compliance with the relevant regulatory rules and the Articles of Association, and in line with the Company's actual situation at present, is conducive to the Company's sustainable and stable development, and does not harm the interests of minority shareholders. Thus, it agreed to submit the proposal to the Company's 2022 annual general meeting for consideration.

To the knowledge of the Company, there is no arrangement under which the Company's shareholders have waived or agreed to waive any dividends.

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XI. THE COMPANY'S SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEES' INCENTIVE MEASURES AND THEIR IMPACT

(1) Relevant incentives have been disclosed in temporary announcements and there has been no progress or change in subsequent implementation

Applicable Not applicable

(2) Incentives not disclosed in temporary announcements or with follow-up progress

Applicable Not applicable

(3) Share incentives granted to directors and senior executives during the reporting period

Applicable Not applicable

(4) Establishment and implementation of the Company's appraisal mechanism and incentive mechanism for senior management during the reporting period

In order to strengthen the incentives to and restrictions on senior management, motivate the senior management to enhance their management capabilities and level, and review and evaluate the work and performance of the individual members of senior management, the Company implements an objective responsibility assessment mechanism for senior management, under which the Board and the senior management of the Company and its subsidiaries signed target assessment responsibility letters at the beginning of every year, and the indicators for such assessment include passenger and freight transportation volume, revenue from transportation, safety, costs, profit and management. After the assessment period, the Company provides incentive awards on an individual basis based on the completion of targets and tasks by individual members of senior management and the assessment results.



XII. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

The Company has been striving to establish an internal control system in compliance with international standards and regulatory requirements. Since 2006, the Company has started to establish and assess the efficacy of internal control related to financial reporting in accordance with relevant requirements. Since 2011, the Company has started to consistently apply the Basic Regulations on Enterprise Internal Control (《企業內部控制基本規範》) and Implementation Guidelines for Enterprise Internal Control (《企業內部控制配套指引》) jointly promulgated by five ministries and commissions of the PRC, and has formed an internal control system that centers on the different departments and units under the group companies, encompassing finance management, information disclosure, budget management, fund management, contract management, project management, procurement and payment, sales and payment collection, costs and expenses, personnel management and preparation of financial reports. The Company has basically built up an internal control system that strings up decision-making, implementation and supervision, an equalizing system that separates different positions, and a management regulation and workflow that adapts to the operation characteristics of the Company to form a relatively comprehensive assessment system for internal control.

During the reporting period, in accordance with national laws and regulations and the requirements of various regulatory agencies, and in light of the Company's own management needs, the Company continued to implement the work division and collaboration among the three lines of defense of "self-inspection of the effectiveness of internal control by business and functional departments, independent evaluation by the internal audit department, and engagement of accounting firms to conduct internal control audits.", while organizing training and testing on risk management and internal control systems for all staff to consolidate their risk management awareness, strengthening the ability of business departments to directly undertake risk management and control, thereby realizing the daily operation mechanism of risk management internal control of "risk management awareness of all staff, everyone participating in the internal control and the responsibility of everyone to enforce compliance", and promoting the overall sound operation of the internal control mechanism.

During the reporting period, the Board of the Company continued to comply with the relevant domestic and overseas requirements, and carried out a self-assessment of the effectiveness of its internal control. For details of the assessment report, please refer to the Report on Internal Control 2022 disclosed on the website of SSE (<http://www.sse.com.cn>), the HKExnews website of SEHK (<http://www.hkexnews.hk>) and the website of the Company (<http://www.gsrc.com>).

Explanation on significant deficiencies in internal control during the reporting period

Applicable Not applicable

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XIII. MANAGEMENT AND CONTROL OVER THE SUBSIDIARIES DURING THE REPORTING PERIOD

Applicable Not applicable

XIV. INFORMATION ON THE AUDIT REPORT ON INTERNAL CONTROL

PricewaterhouseCoopers Zhong Tian LLP has assessed the efficacy of the internal control system related to the financial reporting by the Board, and has issued an unqualified audit report. For details of the audit report, please refer to the 2022 Audit Report of Internal Control disclosed on the website of SSE (<http://www.sse.com.cn>), the HKExnews website of SEHK (<http://www.hkexnews.hk>) and the website of the Company (<http://www.gsrc.com>).

Will the Company disclose the audit report on internal control? Yes

Type of opinion on the Audit Report of Internal Control: Standard unqualified opinion

XV. RECTIFICATION OF PROBLEMS IDENTIFIED DURING THE SELF-EXAMINATION UNDER THE SPECIAL ACTION ON THE CORPORATE GOVERNANCE OF LISTED COMPANIES

In 2021, in accordance with the requirements of the Notice of the CSRC on Carrying out Special Actions on the Corporate Governance of Listed Companies (Zheng Jian Ban Fa [2020] No. 69) (《中國證監會關於開展上市公司治理專項行動的通知》(證監辦發[2020]69號)), the Company carried out comprehensive self-examination on its corporate governance performance in 2018, 2019 and 2020, and no problems in corporate governance were found in the Company. The relevant self-examination checklist had been filled out on 29 March 2021 through the government service platform of the CSRC (<http://neris.csrc.gov.cn/portal>).

XVI. CORPORATE GOVERNANCE REPORT

As far as the Company and its Directors are aware, during the reporting period, the Company has complied with the relevant code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules of SEHK with no material deviation or breach of the code provisions occurred. Meanwhile, the Company has applied the principles set out in the Corporate Governance Code to corporate governance structure and practices.



(1) Corporate goal, strategy and governance

1. Corporate strategy, business model and culture

The Company has set up a multi-tier corporate governance structure with the Board as the core. The Board of the Company exercises management and decision-making powers according to the authorisations granted at the general meeting in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth. The Board is responsible for leading the Company's development, ensuring the availability of necessary resources for the Company to achieve preset development goals and supervising and inspecting the Company's development and operation.

The governance rules of the Company is based on the "Articles of Association", which covered overall policies, principles and standards on corporate governance, compliance and code of conduct, aiming to clearly define the duties, scope of authority and code of conduct of various parties, including the fiduciary and diligence duties of the Directors of the Company.

The Company has discussed and analyzed the performance of the Company in its annual report every year, including the impact of internal and external environment on the operation of the Company and its movement trend, the actual operating results and its influencing factors for the year, the completion of business plan and the plan for next year etc., in order to ensure the achievement of the development goals of the Company.

2. Corporate governance function

The Board is responsible for performing corporate governance responsibilities, including but not limited to:

- (i) establishing and reviewing the Company's policies and practices on corporate governance;
 - (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
 - (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
 - (iv) establishing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;
 - (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.
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The Board has also established 3 specialised committees, namely Audit Committee, Remuneration Committee and Nomination Committee. The “Articles of Association” of the Company and “Rules of Procedures for the Board of Directors” have clearly defined the powers of the Board in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth as well as the supervision and inspection of the Company’s development and operation. Each specialised committee has its terms of reference, which explicitly explains and defines its duties and powers, and has been approved by the Board or the general meeting. The committees shall be authorised by the Board to exercise their powers under the terms of reference. The committees shall be accountable to the Board but shall not enjoy exclusive powers. They shall not replace the Board in exercising their decision and management powers unless duly authorised.

(2) Composition and Nomination of the Board

1. Composition, succession and appraisal of the Board

According to the requirements of the “Articles of Association”, the Board of the Company comprises 9 Directors. The Board regularly evaluates its structure, number of members and composition (including their skills, knowledge, experience, etc.) through the Nomination Committee.

As at the end of the reporting period, the Board of the company comprised Wu Yong, Hu Lingling and Zhou Shangde as executive Directors, Guo Jiming, Hu Dan and Zhang Zhe as non-executive Directors, and Frederick Ma Si-Hang, Tang Xiaofan and Qiu Zilong as independent Directors. The members of the Board have various industry backgrounds and maintain diversity in terms of various aspects including experience, skills and judgment, allowing the Board to analyse and discuss issues from different perspectives and make decisions in a more cautious and careful manner.

The Company has published the latest list of Board members in a timely manner, which stated their roles and functions, including their respective roles in each specialized committee, and indicated whether they are independent Directors. The capacity of each Director (Executive Directors, non-executive Directors or independent Non-executive Directors) is identified in all corporate communications that disclose the names of the Directors.

The Board reviews and concludes the performance of the Board annually in terms of its major tasks, operation and financial information, as well as the actual implementation of corporate governance during the year, and ultimately formulates the Work Report of the Directors to report to shareholders at the general meetings. The independent Directors report their duties at the general meetings annually. The Work Report of the Directors is reviewed at the annual general meeting of the Company annually so as to evaluate the Board’s performance of duties.



During the reporting period, the Board of the Company comprises 3 independent Directors, representing no less than one-third of the number of members of the Board, which complies with the relevant requirements. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of SEHK. The Company believes that all Independent Directors have complied with the relevant guidelines as stipulated in such rule and are regarded as independent parties during the reporting period.

2. Appointment, re-election and removal

In accordance with the Articles of Association, Directors are elected or replaced by general meetings. Directors serve for a term of 3 years, and upon expiry of the term, their appointments are subject to re-submission for consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years. A cumulative voting system is adopted for the election of the Directors of the Company, and the Independent Directors and Non-independent Directors vote separately. The requirements of the Company on the qualifications and basic qualities of the Directors, the ways of nomination and the proposing procedures are set out in the Articles of Association of the Company. The Nomination Committee is responsible for qualification inspections and quality assessments on the candidates for directorship, as well as making proposals to the Board and providing explanations at the general meetings.

3. Nomination Committee

The Board has established the Nomination Committee, whose members are appointed by the Board and the majority of which are independent Directors. It currently consists of three independent non-executive Directors and two executive Directors. The chairman of the committee is an independent Director. Mr. Tang Xiangdong, secretary to the Board of the Company, serves as the secretary to the Nomination Committee. For the composition of the Nomination Committee during the reporting period, please refer to the section headed "Special Committees under the Board" in this chapter.

The Work Rules of Nomination Committee approved by the general meeting has been published on the websites of the SEHK and the Company. According to the Work Rules of Nomination Committee, the main duties of the Nomination Committee are to discuss and make recommendations on the candidates, selection criteria and procedures for Directors, general managers and other senior management of the company. The Nomination Committee has obtained sufficient resources from the Company to perform its duties. During the reporting period, there was no circumstance where the Nomination Committee asked to seek professional independent advice for the purpose of performing duties.

During the reporting period, the Nomination Committee did not hold any meeting.

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4. Diversity

(1) Board diversity policy

The Company has established the Board diversity policy. According to the policy, when the Board selects, evaluates and nominates Director candidates, it must consider, under the principle of meritocracy, a series of diversified factors, including but not limited to gender, cultural and educational background, region, industry and professional experience, knowledge reserve and service seniority, and take full consideration of the actual situation and development needs of the Company and follow the diversity principle when forming the Board.

The Board authorizes the Nomination Committee to monitor the implementation of the policy and to review the policy, expand and review the measurable objectives when appropriate. As at the end of the reporting period, the diversity analysis of the nine members of the Board based on measurable objectives is set out as follows:

Gender	Male: 9 Female: 0
Age	41–50: 1 51–60: 7 71–80: 1
Position	Executive Directors: 3 Non-executive Directors: 3 Independent non-executive Directors: 3
Region	Mainland China: 8 Hong Kong: 1
Cultural and educational background	Doctors: 1 Masters: 3 Undergraduates: 5
Industry and professional experience	Accounting and finance: 3 Corporate management: 1 With experience related to the Company's business: 5

After review, during the reporting period, the Company's Board has demonstrated the principle of diversity relatively well in terms of professional experience and background, service term, age, cultural background and independence of the members, but has not yet met the requirement for gender diversity. The Company plans to appoint at least one female Board member during the election of the next session of the Board in June 2023 to achieve the Company's goal for Board diversity.



(2) Gender diversity of staff

The Company has been committed to the gender diversity of all staff (including senior management), and strives to achieve gender diversity and gender equality among the staff. As at the end of the reporting period, the total number of staff (including senior management) in the Company was 39,396, of which 76.6% (30,187) were male and 23.4% (9,209) were female. With consideration of the Company's industry characteristics, after review, the Company had achieved gender diversity of the staff during the reporting period.

(3) Responsibilities of Directors, delegation of powers and procedures of the Board

1. Appointment of Directors

The Rules of Procedure of the Board Meetings, the work rules of each specialised committee and the Work Rules of Independent Directors prepared by the Company have clearly stated the responsibilities of the Directors to ensure their complete understanding on their roles and responsibilities.

Please refer to "Performance of Duties by Directors" in this chapter for the details of the attendance of Directors and the annual overview of the performance of duties of the independent Directors during the reporting period.

During the reporting period, the Company's Directors attended Board meetings and specialised committee meetings in a prudent, responsible, proactive and serious manner. After gaining an understanding of the Company's operation and operating development, they capitalised on their respective professional experience and expertise and provided independent judgments, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work in the best interest of the Company as its objective.

Upon the acceptance of the appointment and after the appointment, each Director and Supervisor of the Company has to provide the information about their services in other companies in time. The relevant information has been disclosed in the announcements and the shareholder documents relating to the nomination and election of the Directors/Supervisors, and is available in the "Directors, Supervisors, Senior Management" in this chapter.

In accordance with Appendix 10 to the Listing Rules of SEHK titled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant requirements of domestic securities regulatory authorities, the Board formulated the "Securities Transaction Code" of the Company as a written guideline for securities transactions of the Company by the Directors, the Supervisors and relevant staff members. After making specific inquiry to all of the Directors, Supervisors and senior management, the Company confirms that all of them have complied with the standards on securities transactions as stipulated in the aforementioned code during the reporting period.

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The Company places high importance on the continuing training of the Directors. Upon joining the Board, each Director receives materials on training of directors which contains guidance on conduct and other important matters related to governance. Apart from this, the Company provides the latest Directors' responsibilities handbook to all Directors to inform them of the latest requirements and amendments of the Listing Rules, and encourages all Directors to participate in related training courses and documents the training record of the Directors. During the reporting period, the Company's executive Directors Hu Lingling and Zhou Shangde participated in the "2022 Special Training for Directors, Supervisors and Senior Management" organized by the Shenzhen Association of Listed Companies, and the Company's independent Directors Frederick Ma Si-Hang, Tang Xiaofan and Qiu Zilong participated in the "2022 5th Session of Follow-up Training for Independent Directors of Listed Companies on Main Board" organized by the SSE.

2. Chairman and Chief Executive Officer

The Company does not establish the position of chief executive officer, and the duties of chief executive officer are in charge by the general manager of the Company. The Company clearly defines the duties between the Chairman and the general manager, so that the functions of the Board and management are separated to ensure the balance of power and authority. During the reporting period, the Chairman of the Company is Mr. Wu Yong, and the general manager of the Company is Mr. Hu Lingling. There is no affiliation or interest relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Company's overall development strategies and directions and to achieve the Company's goals, ensuring effective operation of the Board and assuring good corporate governance practices and procedures for the Company. The general manager, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Company's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Board has established information reporting and delivery mechanism to ensure that the Directors can obtain various information and messages required for their performance of duties on a timely basis. Please refer to "Procedures of Board meetings and provision of and access to data" in this chapter for details.

The Board encourages the Directors to maintain a prudent and doubtful attitude as expected, to create an open-minded discussion atmosphere to encourage any dissenting Directors to fully express their point of views, and to motivate the Directors, especially Non-executive Directors to have effective contributions to the Board.

The Company has set up a well-established governance structure and formulated multi-tier governance rules. Please refer to "Corporate Governance" in this chapter for details.



3. Management function

The functions of the Board and senior management of the Company are separated (details are set out in the Articles of Association, the Rules of Procedure of the Board Meetings and the Work Rules of General Manager) to protect the relative independence of the decision-making of the Board and operating and management activities of the Company.

The Board is responsible for leading the Company's development, determining the strategic goals of the Company and ensuring the availability of necessary financial and other resources for the Company to achieve pre-set strategic goals. The Articles of Association of and the Rules of Procedure of the Board Meetings have clearly defined the powers of the Board in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth as well as the supervision and inspection of the Company's development and operation.

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors and the management certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. Specific information and management procedures relating to the authorisation have been clearly set out in the Articles of Association and the Rules of Procedure of the Board Meetings.

4. Committees under the Board

Three specialised committees have been set up under the Board, namely the Audit Committee, Remuneration Committee and Nomination Committee, and each committee has its terms of reference, which explicitly explain and define their duties and powers, and they have been approved by the Board or general meeting. These committees are responsible for reviewing and monitoring specific matters of the Company, such as the financial reports, accounting policies, and the nomination, assessment and remuneration of the management, and making corresponding recommendations to the Board. Each specialised committee has appointed a designated member of the management to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the rules of procedures for the Board. The meeting minutes of the committees contain the details of the matters discussed in the meetings and are maintained properly according to the file management system of the Company upon the confirmation of all members.

Please refer to the "Special Committees under the Board" in this chapter for the composition of the special committees of the Company's Board as at the end of the reporting period and the performance of their duties during the year.

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5. Procedures of Board meetings and provision of and access to data

The Board holds one regular meeting each quarter and convenes extraordinary meetings when necessary. Every regular Board meeting is convened with the active participation of a majority of Directors who are entitled to attend the meeting either in person or through electronic means of communication. Before a regular meeting is held, the Company sends out the date of the meeting and a list of matters to be submitted for consideration to all Directors to ensure that they have the opportunity to propose matters for discussion and include them in the meeting agenda. Formal notice of all regular meetings is sent to all Directors 14 days before the meeting and notice of extraordinary meetings is given within a reasonable time in advance. If substantial shareholders or Directors have material conflicts of interest in the matters discussed, the Company will hold a Board meeting for deliberation, and resolutions cannot be reached in the form of written resolutions. When deliberating related matters, Directors who are connected or have interests shall abstain from voting.

The meeting minutes of the Board and Board committees contain the details of the matters discussed in the meeting, which include the factors taken into consideration, the questions proposed or the objection and the decision made by each Director. The draft of the meeting minutes should be delivered to all Directors for review within reasonable time after each meeting. The final version should be maintained properly according to the file management system of the Company and the copy of which should be delivered to all Directors for filing. The meeting minutes are also available for Directors' access at any time through the secretary of the Board.

According to the consideration and decision making needs, the Company may engage the professional institutions including the accountants firms, lawyers and assessment institutions based on the actual situation to issue written report for Directors' review. In addition, in accordance with the Rules of Procedure of the Board Meeting and the relevant requirements, the Directors and the specialised committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. To ensure the independence of the professional institutions, the specific selection and employment work is conducted by the independent Directors or Audit Committee for the engagement of independent financial advisor for the connected transactions. The selection and employment shall be determined by a majority of votes of the members and the members with connected relationship or conflict of interest shall avoid from voting and shall not constitute a quorum.

The management of the Company has provided the Board, the specialised committees of the Board and the Supervisory Committee with the materials and information necessary for the consideration of each resolution within a reasonable period. After the Directors or Supervisors have raised reasonable inquiries, the management shall make appropriate response or provide further information as soon as possible. Under normal circumstances, the relevant documents containing the matters to be proposed for consideration and discussion on the Board shall be delivered to all Directors and Supervisors at least 3 days before the meetings. In addition, each Director and Supervisor is provided with channels to independently contact and communicate with the Company's senior management and secretaries of the specialised committees when necessary.



6. Company Secretary

The Secretary to the Board of the Company, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific matters. During the reporting period, the Secretary to the Board of the Company is Mr. Tang Xiangdong. During the reporting period, Mr. Tang Xiangdong had completed a total of not less than 15 hours of related training sessions so as to keep his professional knowledge and skills up-to-date and better support the operation of the Board.

During their respective terms of office, all Directors of the Company are able to obtain from the Secretary to the Board the relevant information and updates on the statutory, regulatory and other continuing obligations of directors of listed companies on a timely manner, and directly contact the Secretary to the Board individually and independently when necessary to obtain more detailed information and opinions.

(4) Audit, internal control and risk management

1. Financial reporting

In the regular financial reporting over the years, the Board made efforts to comply with the requirements of the relevant laws and the Listing Rules and prepared documents and disclosed information under the principle of more and stricter as possible so as to fit the regulatory requirements of both Shanghai and Hong Kong markets. Apart from an in-depth analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information in relation to the risks that faced in operating activities, responsive measures, development strategies and plans, etc. in annual reports to enhance investors' understanding on the Company's business, management and development trends. The Company has also prepared and published reports on quarterly results within 1 month upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The Board shall be able to assess the Company's performance and make decisions on the basis of fully understanding the required information.

The Directors of the Company acknowledge their responsibility for preparing the accounts and supervising the preparation of the accounts for each financial period, so that the accounts can accurately and fairly reflect the business position, results and cash flow of the Company during the period. In the course of preparing the accounts for the year ended at the end of the reporting period, the Directors adopted and consistently applied appropriate accounting policies, made scrupulous judgments and estimates, and prepared the accounts on a going concern basis.

The responsibility statements of the Directors and the auditors in respect of the preparation of the financial statements of the Company are set out in the "Audit Report" in Chapter 10 "Financial Statements" in this annual report.

Chapter 4

Corporate Governance

2. Risk management and internal controls

A sound and operable internal control system is the foundation of good corporate governance. The Board is responsible for the establishment and maintenance of the Company's internal control system to review the effectiveness of all important control measures for finance, operation, compliance and risk management, and safeguard the rights and interests of shareholders and the Company's assets. In accordance with the requirements of laws and regulations such as the Company Law, Securities Law, the Basic Regulations on Enterprise Internal Control (《企業內部控制基本規範》) and its related guidelines, and the Guidelines for Internal Control of Listed Companies (《上市公司內部控制指引》), the Board established and enhanced risk control measures of each part of the operation and management of the Company based on a risk-oriented approach, i.e. the internal control management system of risk management. Such system aims at managing instead of eliminating the risk of failure to achieve business objectives, and the Board shall only give reasonable but not absolute assurance against material misstatements or loss.

The Board is responsible for continuous supervision of the Company's risk management and internal control system, and reviews the efficiency of the internal control systems of the Company and its subsidiaries at least once a year. During the reporting period, the Board reviewed the soundness and effectiveness of the Company's internal control system and issued a self-evaluation report on internal control. The content of the review included but was not limited to the relevant code provisions set out in the Corporate Governance Code, Appendix 14 to the Listing Rules of the SEHK. In addition, the Company also engaged auditors to audit the effectiveness of internal control related to the Company's financial reports, and provide independent and objective evaluations and suggestions in the form of audit reports. For the construction of the Company's internal control and risk management system, the responsibility statement of the Board, self-evaluation, major defects (if any) and audit status, please refer to the relevant content of internal control in this chapter and the 2022 Evaluation Report on Internal Control and the Audit Report on Internal Control disclosed by the Company.

The Audit Department was established by the Company to operate an independent internal audit system. Under the leadership of the Board and the supervision of the Audit Committee, the Audit Department of the Company is responsible for supervision, examination, evaluation and implementation of internal controls for risk management by the Company and its controlling subsidiaries, coordination of internal control and audit, and conducting independent audits on the adequacy and effectiveness of the Company's operating and managing activities and internal control system. Audit plans for each year shall be discussed and determined by the Audit Committee, and key auditing results shall be discussed with the Audit Committee each time. The Audit Department must principally report to the General Manager and may report to the Chairman of the Audit Committee directly. All internal audit reports shall be submitted to the Chairman of the Board, General Manager, Chief Financial Officer, audited departments and related management of such departments. The Board and the Audit Committee of the Company will actively monitor the quantity and significance of inspection results submitted by internal audit department, and remedial actions adopted by relative departments.



The Company established an internal control system of material information, process and internal control measures for addressing and disseminating price identification-sensitive information. The Company has established systems relating to information disclosure, registration and management of insiders and prevention of misuse and dissemination of sensitive information. The Company has established comprehensive procedures and internal control measures ranging from reporting, identification, auditing and disclosures to the final announcement of inside information, for the purpose of inside information processing and dissemination. The Secretary of the Board assists the Board in managing information in relation to inside information. Meanwhile, the Company carries out information disclosure in a true, accurate, complete, and timely manner pursuant to the laws and regulations and requirements under the Listing Rules, the Articles of Association, and Administrative Measures for the Disclosure of Information (《信息披露管理辦法》) of the Company, so as to ensure equal opportunities of all investors to promptly access relevant Company information.

The Company has established the Anti-fraudulent Work Regulation (《反欺詐舞弊工作條例》) and specified the key areas of anti-fraudulent work and the matters including the division of roles, fraud prevention and control, procedures for accusing, investigating, handling and reporting on fraud cases. The Company has set up independent hotlines and email boxes for reporting any suspected cases which are posted on the internal and external websites of the Company as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues or suspected fraud cases in connection to the Company or its staff.

During the reporting period, the Board confirmed that the Company has developed sufficient and adequate identification, management and reporting systems and procedures for the material risks it is subject to in achieving its strategic objectives. The Board continued to monitor risks and receive support from various professional committee and senior management.

3. Audit Committee

The Board has established the Audit Committee, whose members are appointed by the Board, currently consisting of three independent non-executive Directors. All members of the Audit Committee have appropriate academic and professional qualifications or relevant financial management skills. Mr. Tang Xiangdong, secretary to the Company's Board, is the secretary to the Audit Committee.

Chapter 4

Corporate Governance

The Working Rules of the Audit Committee (《審核委員會工作條例》) approved by the Board of Directors has been published on the websites of the SEHK and the Company. According to the requirements of the Working Rules of the Audit Committee of the Company, the principal duties of the Audit Committee include but are not limited to reviewing the financial performance of the Company and its subsidiaries and confirming the nature and scope of audit, as well as supervising the establishment of the internal control and compliance of the Company with the relevant laws and regulations. The Audit Committee shall also discuss matters raised by the internal auditors and external auditors of the Company and regulatory authorities to ensure that all appropriate recommendations are implemented. The Audit Committee has been provided with adequate resources to perform its duties. The Board has no disagreement in relation to the Audit Committee's advice on the selection, appointment, resignation or removal of auditors of the Company. During the reporting period, there was no circumstance where the Audit Committee asked to seek professional independent advice for the purpose of performing duties.

During the reporting period, the Audit Committee held 7 meetings, where all members attended in person, to examine, review and supervise the Company's internal control performance related to financial reporting, review the Company's financial statements and auditing results of the auditors, and recommend the appointment of external auditors to the Board.

For the composition of the Audit Committee during the reporting period and the performance of duties during the year, please refer to the "Special Committees under the Board" in this chapter.

4. Auditor's remuneration and auditor-related matters

During the reporting period, the Company appointed PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its international auditor. As of the end of the reporting period, the Company's domestic auditor has served a term of 15 consecutive years and its international auditor has served a term of 20 consecutive years. The rotation of people in charge of auditing affairs and endorsing certified public accountant is in compliance with the Requirements on the Regular Rotation of the Endorsing Accountants for Securities and Futures Auditing Services (《關於證券期貨審計業務簽字註冊會計師定期輪換的規定》) of the CSRC and the Ministry of Finance of the PRC.

During the reporting period, the Company paid a remuneration of RMB5.25 million (including an internal control audit fee of RMB0.30 million) to PricewaterhouseCoopers Zhong Tian LLP and RMB2.00 million to PricewaterhouseCoopers for their annual auditing services. In addition, the fee that the Company had paid PricewaterhouseCoopers Zhong Tian LLP for non-audit services in relation to the issuance of a special verification report on the deduction matters of operating revenue in 2022 amounted to RMB0.06 million.



(5) Remuneration

The Board has established the Remuneration Committee, whose members are appointed by the Board and the majority of which are independent Directors, currently consisting of three independent non-executive Directors and two executive Directors, with an independent Director serving as the chairman. Mr. Tang Xiangdong, secretary to the Company's Board, is the secretary to the Remuneration Committee.

The Working Rules of the Remuneration Committee (《薪酬委員會工作條例》) approved by the Board of Directors has been published on the websites of the SEHK and the Company. According to the requirements of the Working Rules of the Remuneration Committee of the Company, the principal duties of the Remuneration Committee include reviewing and making recommendations to the Board in respect of the remuneration packages for the Directors and the Supervisors of the Company, as well as approving the terms and conditions of the Executive Directors' service contracts. The remuneration policy of the Company seeks to provide, in accordance with the Company's business development strategies, reasonable remuneration to attract and retain high caliber executives. The Remuneration Committee shall obtain benchmark information from internal and external sources in relation to the market standard for remuneration and packages offered in the industry, and consider the overall performance of the Company when determining the Directors' and the Supervisors' emoluments and recommending the Directors' and the Supervisors' emoluments to the Board. The Remuneration Committee is provided with adequate resources from the Company to perform its duties. During the reporting period, there was no circumstance where the Remuneration Committee asked to seek professional independent advice for the purpose of performing duties.

During the reporting period, the Remuneration Committee held 1 meeting, where all members attended in person, to examine the assessment results of the Company's operating performance for 2021.

For the composition of the Remuneration Committee during the reporting period and the performance of duties during the year, please refer to the "Special Committees under the Board" in this chapter.

The Company discloses the remunerations of Directors, supervisors and senior management by name. For details, please refer to the "Directors, Supervisors and Senior Management" in this chapter.

(6) Shareholder engagement

1. Effective communication

The Secretary to the Board of the Company is in charge of the Company's information disclosure and investor relations. The Company has formulated Working Rules of Secretary to the Board (《董事會秘書工作條例》), Administrative Measures for the Disclosure of Information (《信息披露管理辦法》) and the Management System for Investor Relations (《投資者關係管理制度》). The Company has strictly fulfilled its disclosure obligations and commenced management of investor relations in accordance with the relevant requirements.

Chapter 4

Corporate Governance

The Company advocates a corporate culture that respects investors and holds itself accountable to investors. The Company has established a smooth communication channel with investors and has enhanced mutual trust and interaction by disclosing sufficient information to investors, initiating various investor relations activities, and maintaining respect for investors' right to knowledge and freedom of choice, and rewarding its shareholders.

(1) Information disclosure

Credible information disclosure can effectively build a bridge of communication and understanding between investors, regulatory authorities, the public and the Company. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the basic principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and the Listing Rules, and fulfilling its information disclosure obligations in a timely and accurate manner. The Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns so as to increase its transparency.

During the reporting period, the Company promptly completed the preparation and disclosure of its annual, interim and quarterly reports and released various announcements and other shareholders' documents and information, disclosing in detail of the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, operating conditions, investments, dividends and distribution, corporate governance, and so forth. Moreover, the Company consistently provided in-depth and comprehensive analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports and interim reports with a view to strengthening investors' understanding on the operation, management, and development trends of the Company.

(2) Shareholder communication policy

On the basis of competent disclosure of information, the Company maintains effective two-way communication with investors through various channels and conveys information that investors are concerned with, so as to boost their confidence in the Company's future development. Meanwhile, the Company extensively collects feedback from the market to elevate the standards of the Company's governance and operations management.

- A. Making the investor hotline, investor relations e-mail box, and the Investors' Message section on the Company's website publicly known, and promptly responding to investors' enquiries.
- B. Holding performance briefings on a regular basis to actively conduct positive interactions with investors, and earnestly responding to investors' general concerns and the questions raised on site.
- C. Allowing investors and the public to check information such as the Company's basic information, rules for corporate governance, information disclosure documents, and profiles of Directors, Supervisors and the senior management at any time on the Company's website.



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- D. Promptly handling and replying to investors' messages through the "e-interaction" platform developed by SSE for listed companies and investors.

The Board of the Company has reviewed the implementation of the Company's shareholder communication policy during the reporting period. Considering the aforesaid communication channels with investors, the steps taken and the activities held by the Company, the Company believes that the shareholder communication policy of the Company has been effectively implemented during the reporting period.C

(3) Shareholders' returns

Since its listing, the Company has always insisted on rendering returns to shareholders. Save for 2020 and 2021 when no cash dividend was declared due to the continuous impact of the external environment, the Company has distributed annual cash dividends for 24 consecutive years from 1996 to 2019, with an aggregate cash dividend amount of approximately RMB12.3 billion.

For details of the Company's cash dividend policy, please refer to the "Profit Distribution or Common Reserve Capitalization" in this chapter.

(4) Changes in the Articles of Association

During the reporting period, there was no change in the Articles of Association of the Company.

2. General meetings

The Company encourages all shareholders to attend the general meetings. During the reporting period, a total of 2 general meetings were held by the Company. For details, please refer to the "Summary of General Meetings" in this chapter.

The Company serves a notice of at least 45 days prior to the date of the general meeting, and provides the shareholders with any information necessary for them to attend and make decision at the meeting. Each separate matter in substance submitted to the general meeting for consideration is put forth respectively as a separate resolution. In accordance with the requirements of the Articles, two or more shareholders holding, in aggregate, 10% or more of the shares of the Company carrying the right to vote at the meeting sought shall have the right, by delivery of one or more written requests signed in counterparts through mail or electronic mail to the Board or the company secretary, to require an extraordinary general meeting or a class meeting to be called by the Board for the business specified in such request. The Board shall proceed as soon as possible to convene an extraordinary general meeting or a class meeting after receiving such request. Shareholders individually or collectively holding 3% or more of the shares of the Company carrying the right to vote at the meeting sought shall have the right, by delivery of one or more written requests signed in counterparts through mail or electronic mail to the Board or the company secretary, to require the proposal set forth in the written request to be considered at the meeting sought.

Chapter 4

Corporate Governance

Shareholders shall attend general meetings to raise questions or opinions in relation to the results, operation, strategies and/or management of the Company. The Chairman of the Board or authorized representatives, appropriate management and administrative personnel and the external auditors of the Company shall attend general meetings to answer questions from the shareholders. Each general meeting shall make reasonable arrangements for a questioning session for the shareholders. At any other time other than at the general meeting, the shareholders may make their inquiries and express their opinions to the Board by calling the investor hotline of the Company or in writing (including facsimile, letter, e-mail, online message, etc.). The Company has published detailed methods of contact through its website, notices of the general meeting, circulars to the shareholders and annual reports for the shareholders to express their opinions or make any inquiries.

The Company provides detailed explanations on the documents for convening a general meeting on such matters as the way of filling in voting forms, rights of the shareholders, voting procedures and method of vote counting to ensure that the shareholders are familiar with the voting procedures by way of poll. A shareholder who is unable to attend the general meeting in person may appoint his or her proxy (the proxy needs not to be a shareholder of the Company) to attend and vote at the general meeting.



Chapter 5

Environmental and Social Responsibilities

I. Explanation of environmental protection efforts

Whether relevant mechanism has been established for environmental protection	Yes
Fund invested in environmental protection during the reporting period (unit: RMB ten thousand)	936.66

(1) Explanation of environmental protection efforts taken by companies and their substantial subsidiaries which are the key discharging units announced by the environmental protection department

The Company's locomotive maintenance depot in Guangzhou is a key waste discharging unit for water environment and the key unit under supervision for soil pollution of Guangzhou for the year of 2022 as announced by the Bureau of Environmental Protection of Guangzhou Municipality. The locomotive maintenance depot in Guangzhou will strictly follow the requirements of relevant laws and regulations, fully implement the ecological environment protection measures and requirements, earnestly fulfill the main responsibility of ecological environment protection, and actively disclose environmental information through the "Special Column for the Corporate Disclosure of Environmental Information" of the Guangdong Provincial Department of Ecology and Environment, and consciously accept the supervision from the society, the website of which is: <https://www-app.gdeei.cn/gdeepub/front/dal/report/list>.

During the reporting period, the Company and its substantial subsidiaries were not subject to administrative penalties due to environmental issues.

(2) Explanation on the environmental protection efforts by the companies other than the key discharging units

Applicable ✓ Not applicable

(3) Relevant information conducive to protecting ecology, preventing pollution, and fulfilling environmental responsibilities

Applicable ✓ Not applicable

Chapter 5

Environmental and Social Responsibilities

(4) Measures taken to reduce carbon emissions during the reporting period and their effects

Whether carbon reduction measures are taken	Yes
Emission reduction in carbon dioxide equivalent (unit: tonne)	54,000
Types of carbon reduction measures (such as using clean energy to generate electricity, using carbon reduction technologies in the production process, developing and producing new products that help reduce carbon emissions, etc.)	Prioritize the use of electric locomotives during transportation, and minimize the use of diesel locomotives; replace more environmentally friendly facilities and equipment on trains and production sites, exert great efforts on the treatment of dirt, sewage, waste gas and noise; continue the greening and planting of trees along railway lines to increase carbon absorption through natural ecosystems; promote paperless office and paperless communication, advocate the use of double-sided printing paper to reduce paper consumption; continue saving electricity, strengthen the use of natural light in production and living places, install energy-saving lighting equipment, and advocate turning off lights at will to avoid unnecessary use of lights and effectively reduce electricity consumption; and advocate green travel, etc.

II. INFORMATION ON THE WORK TO FULFILL SOCIAL RESPONSIBILITIES

(1) Whether to separately disclose social responsibility report, sustainable development report or ESG report

During the reporting period, the Company had no major environmental protection or other major social security issues. For the performance of the Company's social responsibilities in transportation safety, environmental protection, social welfare and other aspects during the reporting period, please refer to the Social Responsibility Report 2022 disclosed by the Company on the website of SSE (<http://www.sse.com.cn>) and the HKExnews website of SEHK (<http://www.hkexnews.hk>) and the website of the Company (<http://www.gsfc.com>).

(2) Social responsibility work

Applicable Not applicable



III. PARTICULAR EFFORTS IN CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

Applicable Not applicable

Chapter 6

Matters of Importance

I. FULFILLMENT OF COMMITMENTS

(1) Commitments made by related parties, including de facto controllers of the Company, shareholders, related parties, purchasers and the Company during or continued into the reporting period

Background	Type	Party	Contents of the commitment	Date and term of commitment	Execution time limit	Strict compliance in time
Commitment related to initial public offering	Resolve industry competition	GRGC	GRGC and any of its subsidiaries will not engage, directly or indirectly, by any means, in any business activities that may compete with the railway transportation and related businesses of the Company within the service territory of the Company. After the acquisition of the transportation operational assets and businesses of Guangzhou-Pingshi section, GRGC and any of its subsidiaries will not compete with the Company either.	—	No	Yes
	Resolve connected transactions	GRGC	GRGC will reduce the number of connected transactions as much as practicable in its operation relations with the Company. For necessary connected transactions, GRGC will perform these connected transactions on the basis of openness, justice and fairness without abusing its position as the largest shareholder of the Company and behaving in a manner that is detrimental to the interests of the Company.	—	No	Yes
Other commitments	Other	GRGC	GRGC leased the occupied land in the Guangzhou-Pingshi section to the Company after acquiring such land by means of authorized operation. The leasing agreement entered into by the Company and GRGC became officially effective on 1 January 2007, pursuant to which the land use right for the Guangzhou-Pingshi Railway line was leased to the Company by GRGC for a term of 20 years. It has been agreed by the two parties that the annual land rent should not exceed RMB74 million.	20 years	Yes	Yes
	Other	GRGC	GRGC has issued a letter of commitment to the Company in October 2007, in relation to the enhancement of the management of undisclosed information.	October 2007	No	Yes



(2) The Company's explanation of whether the original profit forecast has been met with respect to the assets or projects and the related reasons for such in the event that any profit forecast exists for the Company's assets or projects and the reporting period is still within the profit forecast period

Achieved Not achieved Not applicable

(3) Fulfillment of performance commitment and its impact on goodwill impairment test

Applicable Not applicable

II. NON-REGULAR APPROPRIATION OF FUND BY CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD

Applicable Not applicable

III. ILLEGAL GUARANTEE

Applicable Not applicable

IV. EXPLANATION OF ACCOUNTANT'S "NON-STANDARD AUDIT REPORT" BY THE BOARD OF THE COMPANY

Applicable Not applicable

V. THE COMPANY'S ANALYSIS AND EXPLANATION OF THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR RECTIFICATION OF SIGNIFICANT ACCOUNTING ERRORS

Applicable Not applicable

Chapter 6

Matters of Importance

VI. ENGAGEMENT AND DISMISSAL OF ACCOUNTING FIRM

(Unit: RMB ten thousand)

		Currently engaged
Name of domestic auditor	PricewaterhouseCoopers Zhong Tian LLP	
Remuneration of domestic auditor		325
Term of engagement of domestic auditor (years)		15
Names of certified public accountants in domestic auditor	Yao Wenping, Liu Jingping	
Number of consecutive years for providing audit services by the certified public accountants in domestic auditor	Yao Wenping (5 years), Liu Jingping (5 years)	
Name of international auditor	PricewaterhouseCoopers	
Remuneration of international auditor		200
Term of engagement of international auditor (years)		20

	Name	Remuneration
Auditor for internal control	PricewaterhouseCoopers Zhong Tian LLP	30
Financial advisor	Deloitte Touche Tohmatsu	96

VII. RISK OF DELISTING

Applicable Not applicable

VIII. BANKRUPTCY AND RESTRUCTURING

Applicable Not applicable



IX. MATERIAL LITIGATION AND ARBITRATION

- The Company had material litigation and arbitration during this year
- The Company did not have any material litigation and arbitration during this year

X. PENALTIES IMPOSED ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, AND DE FACTO CONTROLLER, AND THE RECTIFICATION THEREOF

- Applicable Not applicable

XI. EXPLANATION OF THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

- Applicable Not applicable

XII. MATERIAL RELATED PARTY TRANSACTIONS

(1) Related party transactions related to daily operations

To facilitate the operations of the Company, on 30 October 2019, the Company and CSRG (including GRGC and its subsidiaries) entered into a comprehensive services framework agreement for a term of three years. The agreement was approved by the independent shareholders at the extraordinary general meeting of the Company on 23 December 2019, and expired on 31 December 2022. In order to ensure the daily and normal operation of the Company's business, the Company has entered into a comprehensive service framework agreement with CSRG on 28 September 2022 for a term of three years from 2023 to 2025, which had been approved by independent shareholders at the extraordinary general meeting of the Company on 6 December 2022. As the largest shareholder holding 37.12% shares of the Company, GRGC is the Company's controlling shareholder according to the Listing Rules, and CSRG is the de facto controller of the Company, and is, therefore, a connected person of the Company.

The related party transactions related to daily operations entered into by the Company during the reporting period are set out in Note 41(c) to the financial statements. The Company confirms that these transactions constitute connected transactions (including continuing connected transactions) described under Chapter 14A of the Listing Rules of SEHK, have complied with the rules and requirements of Chapter 14A of the Listing Rules of SEHK, and have been implemented in accordance with the comprehensive service framework agreement entered into between the Company and CSRG and strictly complied with the pricing principles of the relevant transactions.

1. Transactions conducted with associates, GRGC and its subsidiaries

(Unit: RMB thousand)

Chapter 6

Matters of Importance

Parties	Relationship	Type of transaction	Description of transaction	Basis of pricing for the transaction	Amount of transaction
GRGC and its subsidiaries	Controlling shareholder and its subsidiaries	Provision of services	Train services	By consultation according to full cost pricing, or settled according to the prices determined by CSRG	2,421,037
Associate	Associate of the Company	Provision of services	Train services	By consultation according to full cost pricing, or settled according to the prices determined by CSRG	1,685
GRGC and its subsidiaries	Controlling shareholder and its subsidiaries	Provision of services	Railway network settlement services through CSRG	Settled according to the prices determined by CSRG	1,158,823
Subsidiaries of GRGC	Subsidiaries of the controlling shareholder	Provision of services	Railway operation services	Based on agreement according to cost plus pricing	1,904,929
GRGC and its subsidiaries	Controlling shareholder and its subsidiaries	Sales of goods	Sales of materials and supplies	By consultation according to full cost pricing	85,892
Associate	Associate of the Company	Sales of goods	Sales of materials and supplies	By consultation according to full cost pricing	4,796
GRGC and its subsidiaries	Controlling shareholder and its subsidiaries	Receipt of services	Train services	By consultation according to full cost pricing, or settled according to the prices determined by CSRG	590,669
Associate	Associate of the Company	Receipt of services	Train services	By consultation according to full cost pricing, or settled according to the prices determined by CSRG	2,460
GRGC and its subsidiaries	Controlling shareholder and its subsidiaries	Receipt of services	Railway network settlement services through CSRG	Settled according to the prices determined by CSRG	3,093,132
GRGC and its subsidiaries	Controlling shareholder and its subsidiaries	Receipt of services	Repair and maintenance services	By consultation according to full cost pricing	434,708
Associate	Associate of the Company	Receipt of services	Repair and maintenance services	By consultation according to full cost pricing	11,759
GRGC and its subsidiaries	Controlling shareholder and its subsidiaries	Purchase of goods	Purchase of materials and supplies	By consultation according to full cost pricing	516,740
GRGC and its subsidiaries	Controlling shareholder and its subsidiaries	Receipt of services	Construction work services	Based on fixed budget amount approved for national railway works	131,370
Associate	Associate of the Company	Receipt of services	Construction work services	Based on fixed budget amount approved for national railway works	41,789



2. Transactions conducted with CSRG and other railway enterprises

(Unit: RMB thousand)

Parties	Relationship	Type of transaction	Description of transaction	Basis of pricing for the transaction	Amount of transaction
CSRG and other railway enterprises	De facto controller and its subsidiaries	Provision of services	Train services	By consultation according to full cost pricing, or settled according to the prices determined by CSRG	37,528
CSRG and other railway enterprises	De facto controller and its subsidiaries	Provision of services	Railway network settlement services through CSRG	Settled according to the prices determined by CSRG	2,007,393
CSRG and other railway enterprises	De facto controller and its subsidiaries	Provision of services	Railway operation services	Based on agreement according to cost plus pricing	2,165,015
CSRG and other railway enterprises	De facto controller and its subsidiaries	Provision of services	Truck maintenance services	Settled according to the prices determined by CSRG	514,325
CSRG and other railway enterprises	De facto controller and its subsidiaries	Provision of services	Apartment leasing services	By consultation according to full cost pricing	2,762
CSRG and other railway enterprises	De facto controller and its subsidiaries	Provision of services	—	—	1,385
CSRG and other railway enterprises	De facto controller and its subsidiaries	Receipt of services	Train services	By consultation according to full cost pricing, or settled according to the prices determined by CSRG	33,879
CSRG and other railway enterprises	De facto controller and its subsidiaries	Receipt of services	Railway network settlement services through CSRG	Settled according to the prices determined by CSRG	1,481,845
CSRG and other railway enterprises	De facto controller and its subsidiaries	Receipt of services	Repair and maintenance services	By consultation according to full cost pricing	41,394
CSRG and other railway enterprises	De facto controller and its subsidiaries	Purchase of goods	Purchase of materials and supplies	By consultation according to full cost pricing	25,260

Chapter 6

Matters of Importance

3. Confirmation of continuing connected transactions by Independent Directors

The Company instituted its internal control procedures to ensure that continuing connected transactions were conducted in compliance with the relevant connected transaction requirements pursuant to the Listing Rules of SEHK. The internal auditors of the Company also reviewed these transactions and ensured the adequacy and effectiveness of the internal control procedures, and provided its findings to the Independent Non-executive Directors. After making appropriate enquiries with the management, the Independent Non-executive Directors of the Company confirmed that the continuing connected transactions entered into by the Company during the reporting period were entered into in the ordinary and usual course of its business and conducted on normal commercial terms, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole, and did not exceed the caps disclosed in the previous announcements.

4. Confirmation of continuing connected transactions by the auditors

The auditors of the Company have carried out procedures on the connected transactions for the year ended at the end of the reporting period in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and reported that, with respect to the above connected transactions:

- (i) nothing has come to the attention of the Company's auditors that would cause them to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company;
- (ii) for transactions involving the provision of goods or services by the Company, nothing has come to the attention of the Company's auditors that would cause them to believe that such transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (iii) nothing has come to the attention of the Company's auditors that would cause them to believe that such transactions were not entered into, in all material respects, in accordance with the terms of the agreements governing such transactions;
- (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the attention of the Company's auditors that would cause them to believe that the aggregate amounts of such continuing connected transactions have exceeded the maximum aggregate annual caps as disclosed in the previous announcements issued by the Company.



(2) Related party transactions related to acquisitions or disposals of assets or equity

Description	Reference
Disposal of part of land use rights in Longgang District, Shenzhen	Please refer to the relevant announcements disclosed by the Company on the website of the SSE (http://www.sse.com.cn) and the HKExnews website (http://www.hkexnews.hk) on 28 September 2022.

(3) Material related party transactions in relation to joint external investments

Applicable Not applicable

(4) Related claims and debts

Unit: RMB ten thousand

Related parties	Relationship	Fund provided to related parties		
		Opening balance	Amount incurred	Closing balance
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited	Wholly-owned subsidiary	100	(100)	—
Zengcheng Lihua Stock Company Limited	Controlling subsidiary	1,231	—	1,231
Total		1,331	(100)	1,231
Impact of related claims and debts on the Company	No material impact on the financial condition and operating results of the Company.			

(5) Financial business between the Company and any related financial company, any financial company controlled by the Company and any related party

Applicable Not applicable

Chapter 6

Matters of Importance

(6) Other related party transactions

Description	Reference
Waiver of the right of first refusal for equity transfer of Tiecheng Industrial	Please refer to the relevant announcements disclosed by the Company on the website of the SSE (http://www.sse.com.cn) and the HKExnews website (http://www.hkexnews.hk) on 28 April 2022.
Signing of the entrusted service agreement with Guangzhou Railway Real Estate for the preliminary work of the Guangzhou Xintang Station plot	Please refer to the relevant announcements disclosed by the Company on the website of the SSE (http://www.sse.com.cn) and the HKExnews website (http://www.hkexnews.hk) on 28 April 2022.

(7) Contracts entered into with the controlling shareholder and its subsidiaries

During the reporting period, except as disclosed in this annual report, there was no other material contract between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

XIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

(1) Trust, contracted businesses and leasing affairs

Applicable ✓ Not applicable

(2) Guarantees

Applicable ✓ Not applicable

(3) Entrusted cash asset management carried out by other person(s)

Applicable ✓ Not applicable

(4) Pledges

During the reporting period, the controlling shareholder and the de facto controller of the Company had not pledged the interests in all or part of the shares of the Company held as support for the Company's indebtedness, guarantees or other liabilities.



(5) Loan agreements and their performance

During the reporting period, the Company and its subsidiaries did not enter into any loan agreements or violate any terms of any loan agreements which had a significant impact on its operation.

(6) Other material contracts

Applicable ✓ Not applicable

XIV. EXPLANATION OF OTHER MAJOR EVENTS OF SIGNIFICANT IMPORTANCE TO INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS

Applicable ✓ Not applicable

Chapter 7

Changes in Shares and Particulars of Shareholders

I. PARTICULARS OF CHANGES TO ORDINARY SHARE CAPITAL

(1) Changes in ordinary shares

During the reporting period, there was no change in the Company's total number of ordinary shares or to the structure of its share capital.

(2) Changes in shares with selling restrictions

Applicable Not applicable

II. PARTICULARS OF SECURITIES ISSUED AND LISTINGS

Applicable Not applicable

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(1) Total number of shareholders

Total number of ordinary shareholders as of the end of the reporting period	181,259
Total number of ordinary shareholders as of the end of the previous month before the date of disclosure of the annual report	180,900



(2) Shareholdings of the top ten shareholders and top ten holders of tradable shares (or holders of shares without selling restrictions) as of the end of the reporting period

Unit: shares

Name of shareholder (in full)	Number of shares held at the end of the period	Particulars of the shareholding of the top ten shareholders			Status	Number	Nature of shareholder
		Percentage (%)	Number of shares held with selling restrictions	Shares in pledge or frozen			
China Railway Guangzhou Group Co., Ltd.	2,629,451,300	37.12	—	Nil	—	State-owned legal person	
HKSCC NOMINEES LIMITED (Note)	1,502,520,756	21.21	—	Nil	—	Foreign legal person	
Lin Naigang	124,000,000	1.75	—	Nil	—	Domestic natural person	
Li Wei	85,284,457	1.20	—	Nil	—	Domestic natural person	
Agricultural Bank of China Co., Ltd. — China Securities 500 Trading Open-end Index Securities Investment Fund	72,890,004	1.03	—	Nil	—	Other	
Li Shengxi	29,194,805	0.41	—	Nil	—	Domestic natural person	
Southern Fund — Agricultural Bank of China — Southern CSI Financial Asset Management Plan	27,620,900	0.39	—	Nil	—	Other	
Zhang Yanxia	24,907,300	0.35	—	Nil	—	Domestic natural person	
Dacheng Fund — Agricultural Bank of China — Dacheng CSI Financial Assets Management Scheme	24,200,000	0.34	—	Nil	—	Other	
CITIC Securities Co., Ltd.	21,821,500	0.31	—	Nil	—	State-owned legal person	

Chapter 7

Changes in Shares and Particulars of Shareholders

Name of shareholder	Top ten holders of shares without selling restrictions		
	Number of shares held without selling restrictions	Class and number of shares	Number
China Railway Guangzhou Group Co., Ltd.	2,629,451,300	RMB ordinary shares	2,629,451,300
HKSCC NOMINEES LIMITED (Note)	1,502,520,756	RMB ordinary shares	85,284,457
		Overseas listed foreign shares	1,417,236,299
Lin Naigang	124,000,000	RMB ordinary shares	124,000,000
Li Wei	85,284,457	RMB ordinary shares	85,284,457
Agricultural Bank of China Co., Ltd. — China Securities 500 Trading Open-end Index Securities Investment Fund	72,890,004	RMB ordinary shares	72,890,004
Li Shengxi	29,194,805	RMB ordinary shares	29,194,805
Southern Fund — Agricultural Bank of China — Southern CSI Financial Asset Management Plan	27,620,900	RMB ordinary shares	27,620,900
Zhang Yanxia	24,907,300	RMB ordinary shares	24,907,300
Dacheng Fund — Agricultural Bank of China — Dacheng CSI Financial Assets Management Scheme	24,200,000	RMB ordinary shares	24,200,000
CITIC Securities Co., Ltd.	21,821,500	RMB ordinary shares	21,821,500
Explanation of designated repurchase account among the top ten shareholders	Nil.		
Explanation on the above-mentioned shareholders' voting rights by and on behalf of others, and abstention from voting rights	Nil.		
Statement regarding the connected relationship or acting in concert arrangements of the above shareholders	The Company is not aware of any of the above shareholders being connected or acting in concert as defined in the "Administrative Measures on Acquisitions of Listed Companies (《上市公司收購管理辦法》)".		

Note: HKSCC NOMINEES LIMITED represents 香港中央結算(代理人)有限公司, holding 85,284,457 A Shares and 1,417,236,299 H Shares of the Company. These shares were held on behalf of various clients respectively.

The shareholdings and selling restrictions of the top ten shareholders with selling restrictions

Applicable Not applicable



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

Unit: shares

Name of shareholder	Class of shares	Number of shares held	Capacity	Percentage of share capital of the same class (%)	Percentage of total share capital (%)
China Railway Guangzhou Group Co., Ltd.	A Shares	2,629,451,300 (L)	Beneficial owner	46.52 (L)	37.12 (L)
Kopernik Global Investors LLC	H Shares	128,977,054 (L)	Investment manager	9.01 (L)	1.82 (L)
Pacific Asset Management Co., Ltd.	H Shares	127,008,000 (L)	Manager	8.87 (L)	1.79 (L)

Note: The letter 'L' denotes a long position.

(4) Strategic investors or ordinary legal person becoming top 10 shareholders by way of placing of new shares

Applicable Not applicable

Chapter 7

Changes in Shares and Particulars of Shareholders

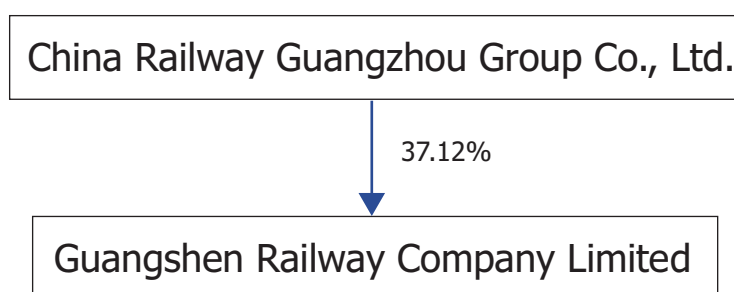
IV. INFORMATION OF THE CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(1) Information on the controlling shareholder

1. Legal person

Name	China Railway Guangzhou Group Co., Ltd.
Person in charge or legal representative	Wu Yong
Date of incorporation	5 December 1992
Principal operations	Organization and management of railway passenger and freight transportation, technologies and other industrial development etc.
Equity interests in other domestic and overseas listed controlling and invested companies during the reporting period	Nil

2. Chart on the property rights and controlling relationship between the Company and the controlling shareholder



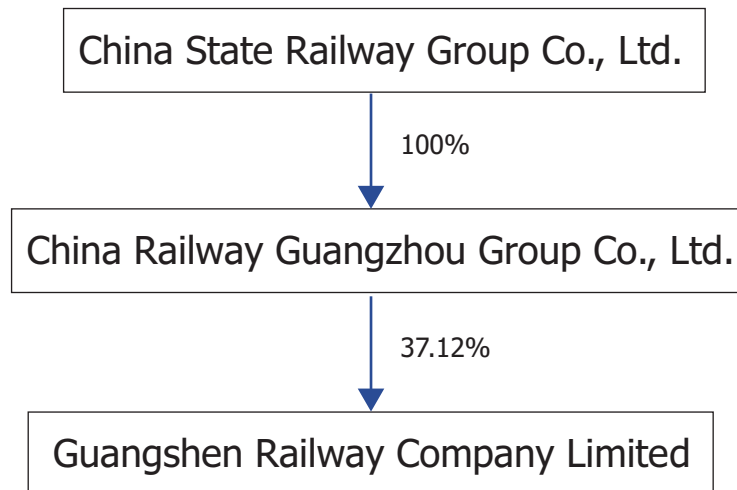


(2) Information on the de facto controller

1. Legal person

Name	China State Railway Group Co., Ltd.
Person in charge or legal representative	Liu Zhenfang
Date of incorporation	14 March 2013
Principal operations	Diversified operations with railway transportation services of passengers and freights as its main business.
Equity interests in other domestic and overseas listed controlling and invested companies during the reporting period	China Railway Tielong Container Logistics Co. Ltd. (600125), Daqin Railway Co. Ltd. (601006), Beijing-Shanghai High Speed Railway Co., Ltd. (601816), Beijing Tieke Shougang Railway-Tech Co., Ltd. (688569), Gemac Engineering Machinery Co., Ltd. (301048), China Railway Special Cargo Logistics Co., Ltd. (001213) and Harbin National Railway Technology Group Co., Ltd. (688459).

2. Chart on the property rights and controlling relationship between the Company and the de facto controller



(3) Other information on controlling shareholder and de facto controller

Applicable Not applicable

Chapter 7

Changes in Shares and Particulars of Shareholders

V. CIRCUMSTANCES WHERE THE ACCUMULATIVE NUMBER OF PLEDGED SHARES OF THE COMPANY'S CONTROLLING SHAREHOLDER OR LARGEST SHAREHOLDER AND THE PERSONS ACTING IN CONCERT WITH IT ACCOUNTS FOR MORE THAN 80% OF THE SHARES HELD BY THEM IN THE COMPANY

Applicable Not applicable

VI. OTHER CORPORATE SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR ABOVE

Applicable Not applicable

VII. EXPLANATION OF REDUCED SHAREHOLDING

Applicable Not applicable

VIII. PARTICULARS OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Applicable Not applicable

IX. PUBLIC FLOAT

As of the end of the reporting period, the public float of the Company was 4,454,085,700 shares, representing 62.88% of the total share capital of the Company. Calculated at HK\$1.44 per Share, which is equal to the closing price of the Company's H Shares as at the end of the reporting period, the market capitalization of the public float was approximately HK\$6.414 billion. The public float of the Company was in compliance with the requirements of the relevant rules on the sufficiency of public float.

X. DUPLICATION

During the reporting period, the Directors, chief executives and such other persons of the Company did not have duplicated interests.



XI. REPURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

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

XII. PRE-EMPTIVE RIGHTS

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

XIII. TRANSACTIONS INVOLVING ITS OWN SECURITIES

As of the end of the reporting period, neither the Company nor its subsidiaries had issued or granted any convertible securities, options, warrants or other similar rights, or had any redeemable securities or share option schemes.

XIV. TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

As of the end of the reporting period, holders of listed securities of the Company were not entitled to obtain any tax relief due to their holding of such securities pursuant to the laws of the PRC.

Chapter 8

Information Regarding Preference Shares

Applicable Not applicable



Chapter 9

Information Regarding Bonds

Applicable Not applicable

Chapter 10

Financial Statements

Independent Auditor's Report

To the Shareholders of Guangshen Railway Company Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Guangshen Railway Company Limited (the "Company") and its subsidiaries (the "Group") which are set out on pages 107 to 208 comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated comprehensive income statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.



BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Chapter 10

Financial Statements

Key audit matters identified in our audit are set out as follows:

- Provision for impairment of trade receivables
- Goodwill impairment assessment

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision for impairment of trade receivables</p> <p>Refer to notes 3.1(b)(ii), 4(a) and 19 to the consolidated financial statements.</p> <p>As at 31 December 2022, the Group had gross balance of trade receivables of RMB4,685,000,000 against which expected credit loss ("ECL") provision of RMB28,436,000 were held.</p> <p>Management categorised the trade receivables portfolio based on credit risk characteristics, and recognised provision for credit losses on the basis of exposure at default and ECL rates which include consideration of historical credit loss experience, current status and forward-looking information.</p> <p>We identified this as a key audit matter due to the significance of the trade receivables balance and the assessment of the ECL provision involves significant accounting estimations and judgements.</p>	<p>The procedures we performed included:</p> <ul style="list-style-type: none">(i) Obtained an understanding of the internal control and assessment process of provision for impairment of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity.(ii) Evaluated and validated key controls over trade receivables portfolio grouping and ECL determination.(iii) Evaluated whether the models and methodologies used by management to determine ECL were in accordance with accounting standards.(iv) Evaluated the reasonableness of the judgement management made in grouping trade receivable portfolios by assessing credit risk characteristics.(v) Evaluated the appropriateness of historical period selection and evaluated the reliability of the key data input to calculate historical default rate, including historical credit loss experience and current status of each portfolio, trade receivables lifetime recovery information and other relevant data.(vi) Understood and evaluated the reasonableness of the factors used in making forward-looking estimation, including the risk of economy downturn, external market environment, technical environment and changes in, customer's condition.(vii) Obtained ECL determination documents of each portfolio of trade receivables and examined their mathematical accuracy. <p>Based on the work performed, management's estimates and judgments assessing ECL provision and result of the assessment are supported by the available evidences.</p>



Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Goodwill impairment assessment</p> <p>Refer to notes 2.8, 4(b) and 9 to the consolidated financial statements.</p> <p>As at 31 December 2022, the Group had a balance of goodwill of RMB281,255,000 arising from the Company’s acquisition of Yangcheng Railway Business in 2007.</p> <p>Goodwill impairment reviews are undertaken by management at least annually or more frequently if events or changes in circumstances indicate a potential impairment. As a result of the impairment test at the year end, management determined that the recoverable amount of the cash generating unit (“CGU”), to which the goodwill was allocated, exceeded its carrying value and therefore no impairment was recorded. The recoverable amount of CGU was determined based on value-in-use using cash flow projections.</p> <p>Management’s impairment assessment involves key assumptions, including revenue growth rate, long-term growth rate, gross margin and pre-tax discount rate.</p> <p>We identified this as a key audit matter due to the degree of the significant accounting estimations and judgements involved in the impairment assessment and the size of the goodwill.</p>	<p>The procedures we performed included:</p> <ul style="list-style-type: none"> (i) Obtained an understanding of the internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity. (ii) Evaluated and tested the key controls over the impairment assessment of goodwill, including controls over the development of model and significant assumptions used in the impairment test. (iii) Evaluated the reliability of the plan and forecast by comparing the forecast used in the prior year model to the actual performance of the business in the current year. (iv) Tested the reasonableness and relevancy of the underlying data used and the mathematical accuracy of the calculations in the cash flow projections. (v) Evaluated the reasonableness of revenue growth rate, long-term growth rate, gross margin based on historical business performance taking into account future business plan, the market developments and whether these assumptions were consistent with evidence obtained in other areas of the audit. (vi) Utilised specialists with specialised skill and knowledge to assist in the evaluation of the appropriateness of the impairment assessment methodology and pre-tax discount rate adopted by the management. <p>Based on the work performed, management’s estimates and judgments in goodwill impairment assessment are supported by the available evidences.</p>

Chapter 10

Financial Statements

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Chapter 10

Financial Statements

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wenping Yao.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 29, 2023

**CONSOLIDATED BALANCE SHEET**

AS AT 31 DECEMBER 2022

(All amounts in Renminbi thousands)

	<i>Notes</i>	As at 31 December 2022	2021
ASSETS			
Non-current assets			
Fixed assets — net	6	23,430,371	24,010,161
Right-of-use assets	8	3,046,599	3,116,382
Construction-in-progress	7	1,112,582	1,588,935
Prepayments for fixed assets and construction-in-progress		64,816	39,380
Goodwill	9	281,255	281,255
Investments in associates	11	274,601	225,338
Deferred tax assets	12	1,284,105	698,396
Long-term prepaid expenses	13	41,796	64,140
Financial assets at fair value through other comprehensive income	15	463,696	463,696
Long-term deposits	16	60,000	160,000
Long-term receivable	17	12,232	20,226
		30,072,053	30,667,909
Current assets			
Materials and supplies	18	262,645	271,583
Trade receivables	19	4,656,294	4,396,174
Prepayments and other receivables	20	578,557	508,294
Short-term deposits	16	—	60,000
Current portion of long-term deposits	16	172,192	—
Cash and cash equivalents	21	1,299,635	1,499,462
		6,969,323	6,735,513
Total assets		37,041,376	37,403,422
EQUITY AND LIABILITIES			
Share capital	22	7,083,537	7,083,537
Share premium		11,562,657	11,562,657
Other reserves	23	3,331,067	3,288,655
Retained earnings		3,312,435	5,307,100

Chapter 10

Financial Statements

	<i>Notes</i>	As at 31 December 2022	2021
Capital and reserves attributable to the Company's equity holders		25,289,696	27,241,949
Non-controlling interests		(36,495)	(37,513)
Total equity		25,253,201	27,204,436
Liabilities			
Non-current liabilities			
Borrowings	26	775,000	—
Lease liabilities	8	1,324,231	1,320,835
Deferred tax liabilities	12	53,927	56,420
Deferred income related to government grants	24	747,585	781,563
		2,900,743	2,158,818
Current liabilities			
Trade and bill payables	27	3,525,291	3,112,710
Contract liabilities	28	172,866	112,442
Borrowings	26	721,268	—
Payables for fixed assets and construction-in-progress		2,053,638	2,776,708
Dividends payable		13,746	13,746
Income tax payable		2,660	2,597
Current portion of lease liabilities	8	64,498	63,249
Accruals and other payables	29	2,323,722	1,955,175
Other current liabilities		9,743	3,541
		8,887,432	8,040,168
Total liabilities		11,788,175	10,198,986
Total equity and liabilities		37,041,376	37,403,422

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 107 to 208 were approved by the Board of Directors on 29 March 2023 and were signed on its behalf.

Wu Yong
Director

Hu Lingling
Director

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in Renminbi thousands, except for earnings per share data)

	<i>Notes</i>	Year ended 31 December 2022	2021
Revenue from Railroad Businesses			
Passenger		6,682,952	6,169,109
Freight		1,617,110	2,035,437
Railway network usage and other transportation related services		10,422,800	10,814,585
		18,722,862	19,019,131
Revenue from Other Businesses			
		1,220,568	1,187,026
Total revenue		19,943,430	20,206,157
Operating Expenses:			
Railroad Businesses			
Business tax and surcharge		(2,007)	(43,289)
Employee benefits	31	(8,269,989)	(8,147,798)
Equipment leases and services		(7,386,515)	(6,749,319)
Materials and supplies		(1,211,606)	(1,190,697)
Repairs and facilities maintenance costs, excluding materials and supplies		(1,119,050)	(1,189,762)
Depreciation of right-of-use assets	8	(57,068)	(57,078)
Depreciation of fixed assets	6	(1,809,415)	(1,755,502)
Cargo logistics and outsourcing service charges		(485,413)	(595,048)
Utility and office expenses		(84,419)	(89,491)
Others	32	(948,130)	(657,303)
		(21,373,612)	(20,475,287)
Other Businesses			
Business tax and surcharge		(8,548)	(12,317)
Employee benefits	31	(615,029)	(541,665)
Materials and supplies		(345,315)	(306,890)
Depreciation of right-of-use assets	8	(11,332)	(11,332)
Depreciation of fixed assets	6	(27,004)	(30,608)
Utility and office expenses		(97,273)	(37,762)
Others	32	(91,641)	(158,781)
		(1,196,142)	(1,099,355)
Total operating expenses		(22,569,754)	(21,574,642)

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	<i>Notes</i>	Year ended 31 December 2022	2021
Derecognition of land use right		18,664	—
Impairment losses/(reversal of impairment) on financial assets, net		(4,093)	40,613
Other gains — net	33	59,718	134,718
Operating Loss		(2,552,035)	(1,193,154)
Finance costs — net	34	(79,925)	(74,576)
Share of results of associates, net of tax	11	52,167	18,144
Loss before income tax		(2,579,793)	(1,249,586)
Income tax credit	35	586,146	275,623
Loss for the year		(1,993,647)	(973,963)
Loss for the year		(1,993,647)	(973,963)
Other comprehensive income		—	—
Total comprehensive income for the year, net of tax		(1,993,647)	(973,963)
Loss attributable to:			
Equity holders of the Company		(1,994,665)	(973,119)
Non-controlling interests		1,018	(844)
		(1,993,647)	(973,963)
Total comprehensive income attributable to:			
Equity holders of the Company		(1,994,665)	(973,119)
Non-controlling interests		1,018	(844)
		(1,993,647)	(973,963)
Loss per share for loss attributable to the equity holders of the Company during the year			
Basic loss per share	36	RMB (0.28)	RMB (0.14)
Diluted loss per share	36	RMB (0.28)	RMB (0.14)

The above consolidated comprehensive income statement should be read in conjunction with the accompanying notes.

Wu Yong
Director

Hu Lingling
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in Renminbi thousands)

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital <i>(Note 23)</i>	Share premium	Statutory surplus reserve <i>(Note 23)</i>	Discretionary surplus reserve <i>(Note 23)</i>	Other reserves <i>(Note 23)</i>	Retained earnings	Total		
Balance at 1 January 2021	7,083,537	11,562,657	2,780,425	304,059	181,941	6,280,219	28,192,838	(36,669)	28,156,169
Total comprehensive income	—	—	—	—	—	(973,119)	(973,119)	(844)	(973,963)
Loss for the year	—	—	—	—	—	(973,119)	(973,119)	(844)	(973,963)
Other comprehensive income <i>(Note 23)</i>	—	—	—	—	—	—	—	—	—
Special reserve — Safety Production Fund <i>(Note 23)</i>	—	—	—	—	11,884	—	11,884	—	11,884
Appropriation	—	—	—	—	126,524	—	126,524	—	126,524
Utilisation	—	—	—	—	(114,640)	—	(114,640)	—	(114,640)
Appropriations from retained earnings <i>(Note 23)</i>	—	—	—	—	—	—	—	—	—
Others <i>(Note 11)</i>	—	—	—	—	10,346	—	10,346	—	10,346
Balance at 31 December 2021	7,083,537	11,562,657	2,780,425	304,059	204,171	5,307,100	27,241,949	(37,513)	27,204,436

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	Attributable to equity holders of the Company						Total	Non-controlling interests	Total equity
	Share capital (Note 23)	Share premium	Statutory surplus reserve (Note 23)	Discretionary surplus reserve (Note 23)	Other reserves (Note 23)	Retained earnings			
Balance at 1 January 2022	7,083,537	11,562,657	2,780,425	304,059	204,171	5,307,100	27,241,949	(37,513)	27,204,436
Total comprehensive income	–	–	–	–	–	(1,994,665)	(1,994,665)	1,018	(1,993,647)
Loss for the year	–	–	–	–	–	(1,994,665)	(1,994,665)	1,018	(1,993,647)
Other comprehensive income (Note 23)	–	–	–	–	–	–	–	–	–
Special reserve – Safety Production Fund (Note 23)	–	–	–	–	38,722	–	38,722	–	38,722
Appropriation Utilisation	–	–	–	–	162,335 (123,613)	–	162,335 (123,613)	–	162,335 (123,613)
Appropriations from retained earnings (Note 23)	–	–	–	–	–	–	–	–	–
Transaction with owners: Others (Note 11)	–	–	–	–	3,690	–	3,690	–	3,690
Balance at 31 December 2022	7,083,537	11,562,657	2,780,425	304,059	246,583	3,312,435	25,289,696	(36,495)	25,253,201

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Wu Yong
Director

Hu Lingling
Director

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in Renminbi thousands)

	<i>Notes</i>	Year ended 31 December	
		2022	2021
Cash flows from operating activities			
Cash generated from operations	38(a)	(191,456)	1,002,880
Income tax paid		(1,993)	(412)
Net cash (used in)/generated from operating activities		(193,449)	1,002,468
Cash flows from investing activities			
Proceeds from disposal of fixed assets	38(b)	114,983	29,196
Advances from disposal of other long-term assets		91,119	—
Proceeds from disposal of other long-term assets		20,047	93,802
Interest received on term deposits with maturities more than three months		683	1,350
Dividends received		19,715	9,802
Decrease in term deposits with maturities more than three months		60,000	60,000
Increase in term deposits with maturities more than three months		(60,000)	(60,000)
Payments for financial assets at fair value through other comprehensive income		(20,000)	—
Payments for acquisition of fixed assets and construction-in-progress; and prepayments for fixed assets and construction-in-progress, net of related payables		(1,652,417)	(1,060,262)
Net cash used in investing activities		(1,425,870)	(926,112)

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Financial Statements

	<i>Notes</i>	Year ended 31 December 2022	2021
Cash flows from financing activities			
Proceeds from borrowings		1,500,000	—
Repayment of borrowings		(5,000)	—
Interest paid		(12,250)	—
Payment of lease liabilities		(63,258)	(62,126)
Net cash generated from/(used in) financing activities		1,419,492	(62,126)
Net (decrease)/increase in cash and cash equivalents		(199,827)	14,230
Cash and cash equivalents at beginning of year		1,499,462	1,485,232
Cash and cash equivalents at end of year	21	1,299,635	1,499,462

The above consolidated cash flows statement should be read in conjunction with the accompanying notes.

Wu Yong
Director

Hu Lingling
Director



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

1 GENERAL INFORMATION

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

The Predecessor was controlled by and was under the administration of the Guangzhou Railway Group. Pursuant to a restructuring agreement entered into between the Guangzhou Railway Group, the Predecessor and the Company in 1996, the Company issued to the Guangzhou Railway Group 100% of its equity interest in the form of 2,904,250,000 ordinary shares (the “State-owned Domestic Shares”) for the exchange of assets and liabilities associated with the operations of the Businesses (the “Restructuring”). After the Restructuring, the Predecessor changed its name to Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company. In 2017, its name was changed to Shenzhen Guangzhou Railway Group Guangshen Railway Industry Development General Company (the “GIDC”).

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

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

On 25 November 2020, the Company’s ADSs were delisted from the New York Stock Exchange. On 25 October 2022, the Company filed a Form 15F with the United States Securities and Exchange Commission to deregister all classes of its registered securities, including its equity securities and all classes of debt securities, and terminate its reporting obligations. Deregistration and termination of the Company’s reporting obligations became effective 90 days after the filing of Form 15F.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

1 GENERAL INFORMATION *(continued)*

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

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

As at 31 December 2022, Guangzhou Railway Group holds 37.12% of the shares of the Company and is the largest shareholder of the Company.

The financial statements were authorised for issue by the board of directors of the Company on March 29, 2023.

The English names of all companies listed in the financial statements are direct translations of their registered names in Chinese if no registered names in English are available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with IFRS and HKCO

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income ("FVOCI") are measured at fair value.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) Going concern basis

As at 31 December 2022, the Group had net current liabilities of RMB1,918,109,000 and capital expenditures contracted for but not recognised as liabilities of RMB47,025,000 (see note 40). Besides, in 2022, the Group incurred a loss for the year of approximately RMB1,993,647,000 and net cash outflow from operating activities was approximately RMB193,449,000. Considering the current financial position, operating plan, operating cash flow forecasts prepared by management, covering a period of twelve months from 31 December 2022, investment plan, financing arrangements and usable bank facilities, the Board of Directors believes that the Group has sufficient liquidity for the following 12 months. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(d) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Annual Improvements to IFRS 2018–2020 (amendments) — Annual Improvements Project
- Narrow-scope amendments (amendments) — IFRS 3, IAS 16 and IAS 37
- Covid-19-Related Rent Concessions beyond 2021 (amendments) — IFRS 16
- Deferred tax related to assets and liabilities arising from a single transaction (amendments) — IAS 12 (the “IAS 12 Amendment”)

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has chosen to early adopt the IAS 12 Amendments since 1 January 2022, except the deferred income tax assets and deferred income tax liabilities related to the lease liabilities and right-of-use assets are presented separately in Note 12, there was no other impacts for the early adoption.

(e) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(e) New standards and interpretations not yet adopted (continued)

		Effective for annual periods beginning on or after
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
IFRS 17	Insurance Contracts (new standard)	1 January 2023
IFRS 17	Amendments to HKFRS 17	1 January 2023
IFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations *(continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates *(continued)*

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

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

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

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

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

2.4 Segment reporting

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



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency transaction

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.6 Fixed assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Fixed assets *(continued)*

- (a) The estimated useful lives of some buildings, tracks, bridges and service roads exceed the initial lease periods of the land use rights from operation lease; and the initial period of certain land use right acquired (note 2.25), on which these assets are located.

The Group will renew the term of land use right upon its expiry in strict compliance with requirements of relevant laws and regulations. There is no substantive impediment for the renewal except for public interests. In addition, based on the provision of the land use right operating lease agreement entered into with Guangzhou Railway Group (note 8), the Company can renew the lease at its own discretion upon expiry of the operating lease term. Based on the above consideration, the management of the Company consider the current estimated useful lives of those assets to be reasonable.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses — net", included in the consolidated comprehensive income statement.

2.7 Construction-in-progress

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

From time to time, certain railway assets of the Group require major modifications and improvements. The carrying amounts are transferred from fixed assets to construction-in-progress. The carrying amounts, including costs of modifications, are transferred back to fixed assets upon completion of the improvement projects.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Goodwill

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

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

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

2.9 Impairment of non-financial assets other than goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost; or
- those to be measured subsequently at FVOCI.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Equity instruments

The Group subsequently measures all equity investments at fair value. For investments in equity instruments that are not held for trading, over which the Group has no control, joint control or significant influence are measured at FVOCI. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

(c) Measurement *(continued)*

Equity instruments (continued)

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group measures all of its debt instruments at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated comprehensive income statement.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost (including trade receivables, other receivables and long-term receivable) and contract assets.

Management recognised provision for credit losses on the basis of exposure at default and ECL rates which include consideration of historical credit loss experience, current status and forward-looking information. For financial assets subject to ECL measurement except trade receivables and contract assets, on each balance sheet day, the Group assesses the significant increase in credit risk since initial recognition or whether an asset is considered to be credit impaired, 'Three-stage' expected credit loss models are established and staging definition are set for each of these financial assets class.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

(d) Impairment (continued)

A financial instrument which are not considered to have significantly increased in credit risk since initial recognition is classified in 'Stage 1'. The impairment provision is measured at an amount equal to the 12-month expected credit losses for these financial assets.

If a significant increase in credit risk since initial recognition is identified but the financial instrument is not yet deemed to be credit-impaired, the financial instrument is moved to 'Stage 2'. The impairment provision is measured based on expected credit losses on a lifetime basis.

If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The impairment provision is measured based on expected credit losses on lifetime basis.

For the financial Instruments in Stage 1 and Stage 2, the Group calculates the interest income based on its gross carrying amount (i.e., amortised cost) before adjusting for impairment provision using the effective interest method. For the financial instruments in Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the expected credit loss for the entire lifetime.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.11 Offsetting financial instruments

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



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Long-term prepaid expenses

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

2.13 Materials and supplies

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

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand; deposits held at call with banks; and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Financial liabilities

The Group's financial liabilities include trade payables, other payables (excluding other tax payables, employee salary and benefits payables and advances), payables for fixed assets and construction-in-progress, dividends payable and lease liabilities.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Outside basis differences (continued)

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

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

2.19 Employee benefits

(a) Defined contribution plan

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

(b) Termination benefits

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



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue of the Group comprise of revenue from railroad and related business and revenue from other business.

(a) Revenue from railroad and related business

The operations of the railway business of the Group form part of the nationwide railway system in the PRC and they are supervised and governed by CSRG. The Group renders the passenger transportation and freight transportation services, and the related service fees and charges are collected from customer or other railway companies by the Group.

The respective fares and charges of the services, and processing of the respective revenue and cost allocation among different railway companies are done centrally by a central clearance system operated by CSRG.

Revenue from passenger transportation

Passenger transportation generally include transportation business of Guangzhou-Shenzhen inter-city express trains, long-distance trains and Guangzhou-Hong Kong city through trains. These services are provided by the Group as the carrier in mainland China and Hong Kong, and the corresponding revenue information is captured and processed by CSRG through the central clearance system.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

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

Revenue from passenger transportation (continued)

Revenues are recognised overtime when the train transportation services are rendered. The revenue is presented net of value-added tax.

Revenue from freight transportation

The Group also provides freight transportation services. Service information and computation of the attributable revenues entitled by the Group are processed by the central clearance system of CSRG.

The revenues are recognised at gross amounts overtime in the accounting period in which the services are rendered.

Revenue from railway network usage and other transportation related services

Revenue from railway network usage and other transportation related services, mainly consist of network usage services (locomotive traction, track usage and electric catenaries service, etc.) and railway operation services and other services, are rendered by the Group together with other railway companies in the PRC. The information relating to network usage service is captured and processed by the central clearance system of CSRG. The revenue from network usage services are recognised overtime in the accounting period in which the services are rendered, and revenue can be reliably measured. Railway operation services and other services are rendered solely by the Group and all proceeds are collected by the Group directly.

When the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(b) Revenue from other businesses

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



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

(c) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.22 Interest income

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

2.23 Dividend income

Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.24 Government grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to fixed assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The Group's right-of-use asset mainly consisted of lease of land and leasehold land payments for self-occupied purpose.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

For the lease of land, 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 a parcel of 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.

The estimated useful lives of some buildings, tracks, bridges and service roads exceed the initial lease periods of the land use rights from operation lease; and the initial period of certain land use right acquired, on which these assets are located. Based on the provision of the land use right operating lease agreement entered into with Guangzhou Railway Group, the Company can renew the lease at its own discretion upon expiry of the operating lease term, and the Company expect to exercise the option to extend the lease within the remaining useful lives of those assets. Therefore the Group is reasonably certain to determine the lease term based on the remaining useful lives of those assets.

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

Land use rights are derecognised when the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in derecognition of land use right.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
 - variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
 - amounts expected to be payable by the Group under residual value guarantees,
 - the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
 - payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

The Group as a lessee accounts for a lease modification when both of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

- The consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group allocate the consideration in the modified contract and determine the lease term of the modified lease, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

For a modification that fully or partially decreases the scope of the lease, the Group decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, the Group recognise the amount of the remeasurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.26 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects on the financial performance of the Group.

(a) Market risk

(i) Foreign currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. RMB is also the functional and presentation currency of the Group. RMB is not freely convertible into other foreign currencies. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government. Any foreign currency denominated monetary assets and liabilities other than in RMB would subject the Group to foreign exchange exposure.

The Group's objective of managing the foreign currency risk is to minimise potential adverse effects arising from foreign transaction movements. Depending on volatility of specific foreign currency being exposed, measures are taken by management to manage the foreign currency positions.

The following table shows the Group's foreign currency denominated monetary assets and liabilities (in RMB thousands equivalent):

Monetary assets	Currency denomination	As at 31 December	
		2022 RMB'000	2021 RMB'000
Cash and cash equivalents	HKD	22,639	23,122
Other receivables	HKD	—	440
		22,639	23,562



3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(i) Foreign currency risk (continued)

The Group may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with monetary assets and liabilities are shown above. The Group has not used any means to hedge the exposure.

As at 31 December 2022, if RMB had strengthened/weakened by 5% against the HKD with all other variables held constant, loss after tax for the year would have been RMB849,000 (2021: RMB884,000) higher/lower.

(ii) Cash flow and fair value interest rate risk

Other than deposits held in banks and long-term receivable, the Group does not have significant interest-bearing assets. The average interest rate of cash and cash equivalents and long-term deposits in the PRC are 1.55% and 3.84% respectively (2021: 1.35% and 4.13% respectively) per annum. Any change in the interest rate promulgated by the People's Bank of China from time to time is not considered to have a significant impact to the Group. The average effective interest rate of long-term receivable is 6.54%.

The Group's main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk, while borrowing with fix rates exposes the Group to fair value interest rate risk. As at December 31, 2022, the Group's borrowings were long-term RMB denominated borrowings with variable rates of RMB795,000,000 and short-term RMB denominated borrowings with variable rates of RMB700,000,000.

As at December 31, 2022, if the borrowing rates calculated by variable rate of one-year LPR increases/decreases by 50 basis points while all other variables held constant, the loss after tax for the year would have been RMB5,606,000 higher/lower (2021: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Other price risk

The Group's exposure to price risk arises from equity investments held by the Group and classified as FVOCI.

As at 31 December 2022, if the expected price of the equity investments held by the Group increased/decreased by 5% with all other variables held constant, other comprehensive income for the year would have been RMB17,389,000 (2021: RMB17,389,000) higher/lower.

(b) Credit risk

Credit risk arises from cash and cash equivalents, term deposits, trade and other receivables (excluding prepayments) and long-term receivable. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

Cash and term deposits are placed with reputable banks. There was no recent history of default of cash and cash equivalents and term deposits from such financial institutions. The Group considers that there is no significant credit risk and is not subject to any material losses due to the default of the banks.

For trade and other receivables as well as long-term receivable, the Group manages the credit risk exposure by setting related policies. The Group set credit period for its customers/debtors considering the customers/debtors' financial conditions, the possibilities of obtaining collaterals from third parties, credit records and other factors comprehensively. The credit period are monitored on an ongoing basis by the management. For those customers/debtors with poor credit records, the Group mitigates credit risk by setting a shorter credit period or cancelling the credit period.



3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(i) Risk management (continued)

The Group's trade and other receivables as well as long-term receivable are mainly receivables and deposits incurred from provision of railway operation service or sales of goods. Management performs ongoing credit evaluations of its customers/debtors' financial condition and generally does not require collateral from the customers/debtors. After assessing the expected reliability and timing for collection of the outstanding balances, the Group maintains a provision for impairment of receivables. Taking into account the past experience with customers/debtors and the collection status, the Group considers that there is no significant credit risk.

As at 31 December 2022, the Group had no significant collateral held as a result of mortgages by debtors and other credit enhancements (31 December 2021: Nil).

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model: trade receivables, other receivables and long-term receivable.

While cash and cash equivalents and term deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss provision for all trade receivables.

The Group categorises the trade receivables into the following portfolios based on credit risk characteristics:

- Portfolio 1: receivable incurred from revenues collected and settled through the CSRG;
- Portfolio 2: receivable incurred from revenue from railway operation;
- Portfolio 3: receivable incurred from revenue other than railway operation and revenues collected and settled without the CSRG; and
- Portfolio 4: bank acceptance that represents lower credit risk.

Provision for credit losses are recognised on the basis of exposure at default and ECL rates which include consideration of historical credit loss experience, current status and forward-looking information. In considering the forward-looking information, the Group considers the risk of economy downturn, external market environment, technical environment and changes in customer's conditions.



3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

On that basis, the loss provision as at 31 December 2022 and 31 December 2021 was determined for trade receivables (in RMB thousands):

	As at 31 December 2022			As at 31 December 2021		
	Carrying amount	ECL rates	Loss provision	Carrying amount	ECL rates	Loss provision
Portfolio 1	230,613	—	—	121,287	—	—
Portfolio 2	4,273,061	0.58%	(24,815)	4,145,617	0.50%	(20,691)
Portfolio 3	181,056	2.00%	(3,621)	153,021	2.00%	(3,060)
	4,684,730		(28,436)	4,419,925		(23,751)

The loss provision for trade receivables as at 31 December reconciles to the opening loss provision as follows:

	Trade receivables	
	2022 RMB'000	2021 RMB'000
Opening loss provision as at 1 January	23,751	60,704
Impairment loss provision	4,685	—
Reversal of impairment loss provision	—	(36,953)
Closing loss provision at 31 December	28,436	23,751

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and long-term receivables.

Impairment on other receivables and long-term receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since the initial recognition. If a significant increase in credit risk of a deposit or receivable has occurred since the initial recognition, then the impairment is measured as lifetime expected credit losses.

The loss provision as at 31 December 2022 and 31 December 2021 for other receivables was as follows (in RMB thousands):

	As at 31 December 2022			As at 31 December 2021		
	Carrying amount	ECL rates	Loss provision	Carrying amount	ECL rates	Loss provision
Stage 1 (Portfolio)	334,626	0.38%	(1,281)	289,495	0.65%	(1,872)
Stage 1 (Individual)	128,902	–	–	128,902	–	–
Stage 3 (Individual)	–	–	–	4,631	100%	(4,631)
	463,528		(1,281)	423,028		(6,503)

Impairment losses on trade and other receivables and long-term receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserves (comprising cash and cash equivalents) on the basis of expected cash flows.



3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

As at 31 December 2022, the Group had net current liabilities of RMB1,918,109,000 and capital expenditure contracted for but not recognised as liabilities of RMB47,025,000 (see note 40). Management intends to keep the Group's liquidity risk within manageable range by taking the following measures:

- Obtaining cash inflows from operating activities;
- Utilizing the usable bank facilities to repay the Group's liabilities which are due soon and to satisfy the need of capital expenditures.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Carrying amount RMB'000
At 31 December 2022				
Trade and bill payable and other payables excluding non-financial liabilities	5,023,979	—	—	5,023,979
Payables for fixed assets and construction-in-progress	2,053,638	—	—	2,053,638
Lease liabilities	64,498	268,220	5,529,790	5,862,508
Short-term borrowings	715,760	—	—	715,760
Long-term borrowings	44,601	811,070	—	855,671
Dividends payable	13,746	775,000	—	13,746
	7,916,222	1,079,290	5,529,790	14,525,302
At 31 December 2021				
Trade and bill payable and other payables excluding non-financial liabilities	4,483,180	—	—	4,483,180
Payables for fixed assets and construction-in-progress	2,776,708	—	—	2,776,708
Lease liabilities	63,249	263,961	5,598,450	5,925,660
Dividends payable	13,746	—	—	13,746
	7,336,883	263,961	5,598,450	13,199,294

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3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group is not subject to external mandatory capital requirements and uses gearing ratios to monitor capital. As at 31 December 2022 and 2021, the Group's gearing ratios are presented below:

	As at 31 December 2022	As at 31 December 2021
Gearing ratios	31.82%	27.27%

Management believes that the current capital structure is appropriate.

3.3 Fair value estimation

According to amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, it requires disclosure of fair value measurements by levels of following fair value measurement hierarchy:

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

As at 31 December 2022 and 2021, the Group did not have any financial instruments that were measured at fair value except for FVOCI (note 15).



3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets that are measured at fair value at 31 December 2022:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVOCI	—	—	463,696	463,696

The following table presents the Group's assets that are measured at fair value at 31 December 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVOCI	—	—	463,696	463,696

There were no transfers between levels 1, 2 and 3 or changes in valuation techniques during the year (2021: nil).

The following table presents the changes in level 3 items for the periods ended 31 December 2022:

	Financial assets at FVOCI
Opening balance as at 1 January 2021	377,631
Acquisitions	86,065
Closing balance 31 December 2021	463,696
Acquisitions	—
Closing balance as at 31 December 2022	463,696

Financial assets and liabilities of the Group measured at amortised cost include trade and other receivables, long-term receivable, term deposits, cash and cash equivalents, trade and other payables and borrowings, of which the fair values approximate their carrying amounts.

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4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Provision for impairment of trade receivables

The provision for impairment of trade receivables are recognised on the basis of exposure at default, portfolio grouping based on credit risk characteristics and ECL rates which include consideration of historical credit loss experience, current status and forward-looking information, taking into account the customers/debtors' credit records, historical payment records and financial conditions comprehensively. The Group reviews the key assumptions related to ECL calculation on a regular basis. In 2022, the Group took into consideration the uncertainty affected by the weak market of railway transportation, and incorporate relevant impacts into the key macro-economic assumptions and factors used in the forward-looking estimation, such as the risk of economy downturn, external market environment, technical environment and changes in customer's conditions.

Where the actual loss is different from the amounts that were initially recorded based on above estimate, such differences will impact the carrying value of trade receivables of the Group in future periods.

(b) Goodwill Impairment

Goodwill impairment reviews are undertaken at least annually or more frequently if events or changes in circumstances indicate a potential impairment. The recoverable amount of a cash-generating unit ("CGU") or groups of CGUs when goodwill is included in the carrying amount of that unit or units is the higher of value in use and the fair value less costs to sell.

In 2022, the Group's transportation business was greatly affected by the weak market of railway transportation. Recoverable amount of CGU when goodwill is included in the carrying amount of that unit based on value-in-use calculations which require the use of assumptions. The key assumptions used by the management is disclosed in note 9.

The uncertainty of the weak market of railway transportation have also increased the estimation uncertainty relating to the key assumptions used for cash flow projections, including growth rate, gross margin and pre-tax discount rate, which could lead to a different assessment result affected by the management judgement.



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Recognition of deferred tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Future taxable profit includes taxable profit that the Group will realize through normal operation activities and future reversal of taxable temporary differences generated in prior periods. Estimates and judgements are involved in determining the amounts of future taxable profit and the periods in which the temporary differences can be utilised. Where the actual situation differs from estimates, such differences will impact the carrying value of deferred tax assets of the Group in future periods.

5 SEGMENT INFORMATION

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

Senior executives evaluate the business from a perspective of revenues and operating results generated from railroad and related business conducted by the Company ("the Railway Transportation Business"). Other segments mainly include on-board catering services, leasing, sales of materials, sale of goods and other businesses related to railway transportation provided by the subsidiaries of the Company. Senior executives of the Company assess the performance of the operating segments based on a measure of the profit before income tax. Other information provided, except as noted below, to senior executives of the Company is measured in a manner consistent with that in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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5 SEGMENT INFORMATION (continued)

The segment results during 2022 and 2021 are as follows:

	The Railway Transportation Business		All other segments		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue								
— Railroad Businesses	18,722,862	19,019,131	—	—	—	—	18,722,862	19,019,131
— Revenue from external customers	18,722,862	19,019,131	—	—	—	—	18,722,862	19,019,131
— Inter segment revenue	—	—	—	—	—	—	—	—
— Other Businesses	1,145,413	1,081,538	169,076	205,608	(93,921)	(100,120)	1,220,568	1,187,026
— Revenue from external customers	1,145,413	1,081,538	75,155	105,488	—	—	1,220,568	1,187,026
— Inter segment revenue	—	—	93,921	100,120	(93,921)	(100,120)	—	—
Total revenue	19,868,275	20,100,669	169,076	205,608	(93,921)	(100,120)	19,943,430	20,206,157
Timing of revenue recognition								
— Overtime	19,770,846	19,908,398	52,313	111,941	(93,921)	(100,120)	19,729,238	19,920,219
— At a point in time	83,705	154,811	99,314	71,895	—	—	183,019	226,706
— Lease	13,724	37,460	17,449	21,772	—	—	31,173	59,232
	19,868,275	20,100,669	169,076	205,608	(93,921)	(100,120)	19,943,430	20,206,157
Segment result	(2,459,701)	(1,150,323)	(111,694)	(93,153)	(8,398)	(6,111)	(2,579,793)	(1,249,587)
Finance costs — net	79,793	74,382	132	194	—	—	79,925	74,576
Share of results of associates, net of tax	52,167	18,144	—	—	—	—	52,167	18,144
Depreciation of fixed assets	1,912,497	1,781,921	4,029	4,190	—	—	1,916,526	1,786,110
Depreciation of right-of-use assets	57,068	57,078	11,332	11,332	—	—	68,400	68,410
Amortisation of long-term prepaid expenses	23,135	26,760	460	620	—	—	23,595	27,380
Impairment of fixed assets	—	16,796	—	—	—	—	—	16,796
Provision for impairment of materials and supplies	37	5,695	—	—	—	—	37	5,695
Reversal of impairment losses on financial assets	4,093	(40,608)	—	5	—	—	4,093	(40,613)



5 SEGMENT INFORMATION *(continued)*

A reconciliation of the segment results to profit for the year of 2022 and 2021 is as follows:

	The Railway Transportation Business		All other segments		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment result	(2,459,701)	(1,150,323)	(111,694)	(93,153)	(8,398)	(6,111)	(2,579,793)	(1,249,587)
Income tax credit	588,700	272,442	(2,554)	3,181	—	—	586,146	275,623
Loss for the year	(1,871,001)	(877,881)	(114,248)	(89,972)	(8,398)	(6,111)	(1,993,647)	(973,964)

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

	The Railway Transportation Business		All other segments		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment assets	37,125,305	37,375,745	393,012	425,806	(476,941)	(398,129)	37,041,376	37,403,422
Total segment assets include:								
Investment in associates	274,601	225,338	—	—	—	—	274,601	225,338
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,049,828	1,744,117	1,074	662	—	—	1,050,902	1,744,779
Total segment liabilities	11,345,768	9,767,619	859,971	735,783	(417,564)	(304,416)	11,788,175	10,198,985

Revenues of approximately RMB5,506,484,000 (2021: RMB5,511,617,000) were derived from Guangzhou Railway Group and its subsidiaries, which was 27.6% of the Group's total revenue (2021: 27.3%). These revenues are attributable to the Railway Transportation Business. Except that, no revenues derived from a single external customer have exceeded 10% of the total revenues.

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6 FIXED ASSETS — NET

	Buildings RMB'000	Tracks, bridges and service roads RMB'000	Locomotives and rolling stock RMB'000	Communications and signalling systems RMB'000	Other machinery and equipment RMB'000	Total RMB'000
At 1 January 2021						
Cost	8,183,873	14,896,863	7,750,874	1,829,279	6,837,991	39,498,880
Accumulated depreciation	(3,454,113)	(3,850,131)	(2,932,433)	(1,428,911)	(4,773,992)	(16,439,580)
Impairment	(23,578)	—	(11,835)	—	(7,472)	(42,885)
Net book amount	4,706,182	11,046,732	4,806,606	400,368	2,056,527	23,016,415
Year ended 31 December 2021						
Opening net book amount	4,706,182	11,046,732	4,806,606	400,368	2,056,527	23,016,415
Other additions	5,122	—	—	2,809	63,109	71,040
Government grant	428,735	211,040	—	3,193	30,910	673,878
Transfer in from construction-in-progress (Note 7)	825,810	57,920	42,714	557,380	258,109	1,741,933
Transfer out to construction-in-progress for improvement/modifications (Note 7)	—	(489,377)	(1,397,690)	(15,344)	(1,463)	(1,903,874)
Transfer in from construction-in-progress after repair (Note 7)	317	690,534	1,585,558	26,457	3,596	2,306,462
Reclassifications	—	—	—	(9,107)	9,107	—
Disposals	(13,250)	(15)	(59,370)	(6,515)	(15,856)	(95,006)
Depreciation charges	(382,616)	(218,677)	(648,769)	(128,266)	(407,782)	(1,786,110)
Impairment charge	—	(16,796)	—	—	—	(16,796)
Impairment write-off	322	—	—	—	1,897	2,219
Closing net book amount	5,570,622	11,281,361	4,329,049	830,975	1,998,154	24,010,161
At 31 December 2021						
Cost	9,428,440	15,346,319	6,981,827	2,242,637	7,062,632	41,061,855
Accumulated depreciation	(3,834,561)	(4,048,162)	(2,640,943)	(1,411,662)	(5,058,903)	(16,994,231)
Impairment	(23,257)	(16,796)	(11,835)	—	(5,575)	(57,463)
Net book amount	5,570,622	11,281,361	4,329,049	830,975	1,998,154	24,010,161



6 FIXED ASSETS — NET (continued)

	Buildings RMB'000	Tracks, bridges and service roads RMB'000	Locomotives and rolling stock RMB'000	Communications and signalling systems RMB'000	Other machinery and equipment RMB'000	Total RMB'000
Year ended 31 December 2022						
Opening net book amount	5,570,622	11,281,361	4,329,049	830,975	1,998,154	24,010,161
Other additions	2,058	13,232	8,105	—	67,662	91,057
Transfer in from construction-in-progress (Note 7)	113,763	48,768	3,187	404,206	229,079	799,003
Transfer out to construction-in-progress for improvement/ modifications (Note 7)	(128)	(187,332)	(1,040,935)	(936)	(15,567)	(1,244,898)
Transfer in from construction-in-progress after repair (Note 7)	—	275,052	1,529,767	16,099	34,488	1,855,406
Reclassifications	(228)	—	(72)	—	300	—
Disposals	(34,553)	(61,659)	(106,325)	(6,083)	(10,424)	(219,044)
Depreciation charges	(380,952)	(266,615)	(672,490)	(215,436)	(381,033)	(1,916,526)
Impairment charge	—	—	—	—	—	—
Impairment write-off	22,766	16,796	11,539	—	4,111	55,212
Closing net book amount	5,293,348	11,119,603	4,061,825	1,028,825	1,926,770	23,430,371
At 31 December 2022						
Cost	9,473,196	15,354,240	6,534,798	2,595,337	7,196,602	41,154,173
Accumulated depreciation	(4,179,358)	(4,234,637)	(2,472,677)	(1,566,512)	(5,268,368)	(17,721,552)
Impairment	(490)	—	(296)	—	(1,464)	(2,250)
Net book amount	5,293,348	11,119,603	4,061,825	1,028,825	1,926,770	23,430,371

- (a) As at 31 December 2022, the ownership certificates of certain buildings of the Group with an aggregate carrying value of approximately RMB1,729,675,000 (2021: RMB1,903,653,000) had not been obtained by the Group.

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6 FIXED ASSETS — NET (continued)

(a) (continued)

These kind of buildings are classified as below:

	Carrying value as at 31 December 2022 RMB'000	Carrying value as at 31 December 2021 RMB'000	Reason for delay in obtaining the ownership certificates
Certificates for buildings under application procedures	1,259,538	1,367,851	The Group commenced such application procedures with the respective authorities in China, there has been progress made and the Group's management does not expect any major difficulties in obtaining the remaining ownership certificates.
Certain buildings located on the land of which the land use right certificates have not been obtained	45,840	47,656	According to relevant laws and regulations in China, the land use right certificates of the land on which these buildings are located must be obtained before the Group can start the application for the respective housing ownership certificates. As a result, the Group will start to apply for the ownership certificates of these buildings after they have completed the procedures to obtain the land use right certificates.
Certain buildings attached to pieces of land which is held by lease	424,297	488,146	Such land is held by lease under certain operating lease arrangements. Due to the fact that the Group does not have the underlying land use right certificates for such land, therefore, the Group cannot apply for the respective ownership certificates of the buildings constructed on top of it. According to the lease agreements and communication with the lessors, and as confirmed by the Company's legal counsel, the Group possesses the right to use and/or own such buildings without the certificates.

After consultation made with the Company's legal counsel, the directors of the Company consider that there is no legal restriction for the Group to apply for and obtain the ownership certificates of these buildings and it should not lead to any significant adverse impact on the operations of the Group.



6 FIXED ASSETS — NET *(continued)*

(b) As at 31 December 2022, fixed assets of the Group with an aggregate net book value of approximately RMB144,172,000 (2021: RMB175,184,000) had been fully depreciated but they were still in use.

7 CONSTRUCTION-IN-PROGRESS

	2022 RMB'000	2021 RMB'000
At 1 January	1,588,935	2,778,676
Transfer in from fixed assets for improvement/modifications <i>(Note 6)</i>	1,244,898	1,903,874
Other additions	933,158	954,780
Transfer to fixed assets <i>(Note 6)</i>	(799,003)	(1,741,933)
Transfer out to fixed assets after improvement/modifications <i>(Note 6)</i>	(1,855,406)	(2,306,462)
At 31 December	1,112,582	1,588,935

Construction-in-progress as at 31 December 2022 mainly comprise of improvement projects for road existing railway equipment in the PRC.

As at 31 December 2022, the balance of the provision for writing down the construction-in-progress was approximately RMB15,456,000 (2021: RMB15,456,000).

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For the year ended 31 December 2022

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8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(1) RIGHT-OF-USE ASSETS

	Land use right (a) RMB'000	2022 Lease of Land use right (b) RMB'000	Total RMB'000
Cost			
As at 31 December 2021	2,399,215	1,380,243	3,779,458
Additions (b)	—	—	—
Disposals	(2,531)	—	(2,531)
As at 31 December 2022	2,396,684	1,380,243	3,776,927
Accumulated depreciation			
As at 31 December 2021	(620,072)	(43,004)	(663,076)
Additions	(52,154)	(16,246)	(68,400)
Disposal	1,148	—	1,148
As at 31 December 2022	(671,078)	(59,250)	(730,328)
Net book value			
As at 31 December 2022	1,725,606	1,320,993	3,046,599
As at 31 December 2021	1,779,143	1,337,239	3,116,382

(2) LEASE LIABILITIES

	As at 31 December 2022	As at 31 December 2021
Lease liabilities	1,388,729	1,384,084
Less: current portion of lease liabilities	(64,498)	(63,249)
	1,324,231	1,320,835



8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

The amounts recognised in the Consolidated Comprehensive Income Statement for the year relating to the lease contracts are as follows:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets	68,400	68,410
Interest expense on lease liabilities <i>(Note 34)</i>	67,903	68,747
Expense relating to short-term leases	2,139,333	1,687,039
	2,275,636	1,824,196

The total cash outflow for leases in 2022 was RMB2,202,590,000 (2021: RMB1,749,164,000).

The remaining lease period of right-of-use assets as at 31 December 2022 was lease of between 2 to 85 years.

- (a) As at 31 December 2022, the ownership certificates of land with an aggregate carrying value of approximately RMB50,785,000 (2021: RMB52,884,000) that was acquired through assets/business acquisition and group restructuring have not yet been changed from the names of the respective original owners to the name of the Company; and the ownership certificates of the land use rights of the Group with an aggregate carrying value of approximately RMB1,126,189,000 (2021: RMB1,154,591,000) had not been obtained by the Group due to the following fact:

Carrying value as at 31 December 2022 RMB'000	Reason for delay in obtaining the ownership certificates
1,126,189	Due to the fact that Guangshen Line IV spans across several cities, counties and villages in China, it is practically cumbersome and time consuming for the Group to coordinate and execute the procedures for acquiring the respective land use rights certificates with the respective local bureaus and authorities governing the title registration and transfer, and therefore, the progress of acquiring the formal title certificates has been progressing slowly.

After consultation made with the Company's legal counsel, the directors of the Company consider that there is no legal restriction for the Group or the Company to apply for and obtain the land use right certificates and it should not lead to any significant adverse impact on the operations of the Group or the Company.

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9 GOODWILL

	<i>RMB'000</i>
Year ended 31 December 2021 and 2022	
Opening net book amount	281,255
Additions	—
Impairment	—
Closing net book amount	281,255
Year ended 31 December 2020 and 2021	
Opening net book amount	281,255
Additions	—
Impairment	—
Closing net book amount	281,255

On 31 December 2022 and 2021, the outstanding balance of goodwill arose from the excess of a purchase consideration paid by the Company over the aggregate fair values of the identifiable assets, liabilities and contingent liabilities of the Yangcheng Railway Business acquired by the Company in 2007.

On 1 January 2009, the Group integrated the Yangcheng Railway Business with the Group's railway business in order to improve the operation efficiency. As a result, the management considers that the Yangcheng Railway Business and the Group's other railway business (collectively the "Combined Railway Transportation Business") represents the lowest level of CGUs within the Group at which goodwill is monitored for internal management purposes. As a result, the goodwill balance has been allocated to the CGU comprising the Combined Railway Transportation Business.

The recoverable amount of the CGU is determined based on higher of value-in-use and fair value less costs to sell. These calculations use pre-tax cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-years period are extrapolated using the estimated growth rates stated below.

Goodwill is allocated to CGU for the purpose of impairment testing by comparing the carrying amount with the recoverable amount of Combined Railway Transportation Business. Such impairment testing is executed by the annually or when there are signs of impairment. If the recoverable amount is lower than the carrying amount, the difference is recognised directly in profit or loss. The allocation is not changed in 2022.



9 GOODWILL *(continued)*

In 2022, the Group's Combined Railway Transportation Business was greatly affected by the weak market of railway transportation. Based on the assessment result, there is no need to recognise impairment charges against goodwill.

By taking into consideration of the uncertainty of the weak market of railway transportation, the Group estimated the growth rate and gross margin based on past experience and its expectations for the market development. The management expect the impact of the weak market of railway transportation on the Group's business would recover in the coming 1–2 years, and the revenue growth rate in year 2023 would reach up to 22%. Cash flows beyond the five-year period are extrapolated using the estimated growth rates, which doesn't exceed the long-term average growth rate of the industry. The discount rate used is pre-tax and reflect specific risks relating to the railway transportation business segment.

As at 31 December 2022, the recoverable amount calculated based on value-in-use exceeded carrying value of the CGU by RMB3,387 million (2021: RMB3,495 million).

The key assumptions used for value-in-use calculations are as follows:

Railroad business	2022	2021
Revenue growth rate (within the five-year period)	8%–22%	6%–10%
Long-term growth rate (beyond the five-year period)	3%	3%
Gross margin	0%–8%	-1%–7%
Pre-tax discount rate	11%	12%

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For the year ended 31 December 2022

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10 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2022:

Name of the entity	Place of incorporation and nature of legal entity	Principal activities and place of operation	Proportion of equity interests held by the Company (%)	Proportion of equity interests held by the Group (%)	Proportion of equity interests held by non-controlling interests (%)	Registered capital RMB'000
Dongguan Changsheng Enterprise Company Limited	China, limited liability company	Warehousing in the PRC	51%	51%	49%	38,000
Shenzhen Fu Yuan Enterprise Development Company Limited	China, limited liability company	Hotel management in the PRC	100%	100%	—	18,500
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited	China, limited liability company	Cargo loading and unloading, warehousing, freight transportation in the PRC	100%	100%	—	10,000
Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited	China, limited liability company	Catering management in the PRC	100%	100%	—	2,000
Shenzhen Railway Station Passenger Services Company Limited	China, limited liability company	Catering services and sales of merchandise in the PRC	100%	100%	—	1,500
Guangzhou Railway Huangpu Service Company Limited	China, limited liability company	Cargo loading and unloading, warehousing, freight transportation in the PRC	100%	100%	—	379
Zengcheng Lihua Stock Company Limited ("Zengcheng Lihua") (i)	China, limited liability company	Real estate construction, provision of warehousing, cargo uploading and unloading services in the PRC	44.72%	44.72%	55.28%	107,050

- (i) According to the Articles of Association of Zengcheng Lihua, the remaining shareholders are all natural persons and none of these individuals holds more than 0.5% equity interest in Zengcheng Lihua. All directors of Zengcheng Lihua were appointed by the Company. After considering all shareholders of Zengcheng Lihua other than the Company are individuals with individual interest holding of less than 0.5% and such individuals do not act in concert, and also all directors of Zengcheng Lihua were appointed by the Company, the directors of the Company consider that the Company has the de facto control over the board and the substantial financial and operating decisions of Zengcheng Lihua.

As at 31 December 2022, the non-wholly owned subsidiaries individually and in aggregate is not significant to the Group. Therefore, financial information of the non-wholly owned subsidiaries are not disclosed.

- (ii) Shenzhen Railway Station Passenger Services Company Limited completed the cancellation and liquidation in the second quarter of 2022, and Shenzhen Fu Yuan Enterprise Development Company Limited completed the cancellation and liquidation in the fourth quarter of 2022.



11 INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	274,601	225,338
Less: provision for impairment	—	—
	274,601	225,338

The movement of investments in associates of the Group during the year is as follows:

	2022 RMB'000	2021 RMB'000
Beginning of the year	225,338	196,848
Share of results after tax	52,167	18,144
Share of other reserve	3,690	—
Dividends received	(6,594)	—
Equity dilution	—	10,346
End of the year	274,601	225,338

As at 31 December 2022, the Group had direct interests in the following companies which are incorporated/established and are operating in the PRC:

Name of the entity	Percentage of equity interest attributable to the Company	Paid-in capital	Principal activities
Guangzhou Tiecheng Enterprise Company Limited ("Tiecheng")	49%	RMB342,988,791	Properties leasing and trading of merchandise
Shenzhen Guangzhou Railway Civil Engineering Company ("Shentu")	24.42%	RMB206,670,000	Construction of railroad properties

The above associates are limited liability companies and are unlisted companies. There are no significant contingent liabilities relating to the Group's interest in the associates and there are no significant restrictions on the transfer of assets or earnings from the associates to the Group.

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For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

11 INVESTMENTS IN ASSOCIATES (continued)

Set out below are the summarised financial information for Tiecheng and Shentu which are accounted for using the equity method in the consolidated financial statements.

Summarised balance sheets

	Tiecheng		Shentu	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	120,677	112,241	3,517,146	3,311,999
Non-current assets	409,192	367,349	33,612	31,500
Total assets	529,869	479,590	3,550,758	3,343,499
Current liabilities	223,291	219,973	2,952,180	2,941,676
Non-current liabilities	21,412	—	46,287	—
Total liabilities	244,703	219,973	2,998,467	2,941,676
Equity	285,166	259,617	552,291	401,823
Share of net assets	139,732	127,213	134,869	98,125
Carrying amount of interest in associates	139,732	127,213	134,869	98,125



11 INVESTMENTS IN ASSOCIATES *(continued)*

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates as follows:

	Tiecheng		Shentu		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Opening net assets	259,617	245,503	401,823	156,230	661,440	401,733
Profit for the year	25,610	14,114	162,236	54,062	187,846	68,176
Changes in other reserves for the year	(61)	—	15,232	—	15,171	—
Dividends declared for the year	—	—	(27,000)	—	(27,000)	—
Increase in net assets arising from capital injection by other shareholder	—	—	—	191,531	—	191,531
Closing net assets	285,166	259,617	552,291	401,823	837,457	661,440
Percentage of ownership interest	49.00%	49.00%	24.42%	24.42%		
Carrying value	139,732	127,213	134,869	98,125	274,601	225,338

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(All amounts expressed in Renminbi unless otherwise stated)

12 DEFERRED TAX ASSETS/(LIABILITIES)

	2022 RMB'000	2021 RMB'000
Deferred tax assets	1,683,454	1,104,221
Less: Offsetting of deferred tax liabilities	(399,349)	(405,825)
Deferred tax assets (net)	1,284,105	698,396
Deferred tax liabilities	(453,276)	(462,245)
Less: Offsetting of deferred tax assets	399,349	405,825
Deferred tax liabilities (net)	(53,927)	(56,420)
	1,230,178	641,976

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2022 RMB'000	2021 RMB'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	1,671,489	1,082,810
— Deferred tax assets to be recovered within 12 months	11,965	21,411
	1,683,454	1,104,221
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	(441,297)	(452,282)
— Deferred tax liabilities to be recovered within 12 months	(11,979)	(9,963)
	(453,276)	(462,245)



12 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

The movement in deferred tax assets and liabilities of the Group during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	At 1 January 2021 RMB'000	(Charged)/ Credited to the comprehensive income statement RMB'000	At 31 December 2021 RMB'000	(Charged)/ Credited to the comprehensive income statement RMB'000	At 31 December 2022 RMB'000
Deferred tax assets:					
Deductible tax losses	302,586	90,167	392,753	604,896	997,649
Impairment provision for receivables	17,794	(10,231)	7,563	(134)	7,429
Impairment provision for fixed assets and construction-in-progress	14,585	3,645	18,230	(13,804)	4,426
Impairment provision for materials and supplies	—	915	915	(915)	—
Differences in accounting base and tax base of government grants	25,266	169,185	194,451	(8,541)	185,910
Differences in accounting base and tax base of employee benefits obligations	86,120	10,178	96,298	(15,003)	81,295
Loss on disposal of fixed assets	24,147	525	24,672	1,258	25,930
Difference in accounting base and tax base of party organisation activity fee	26,422	(2,793)	23,629	10,004	33,633
Differences in accounting base and tax base of lease liabilities	—	339,736	339,736	7,446	347,182
Others	—	5,974	5,974	(5,974)	—
	496,920	607,301	1,104,221	579,233	1,683,454

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For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

12 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	At 1 January 2021 RMB'000	Credited to the comprehensive income statement RMB'000	At 31 December 2021 RMB'000	Credited to the comprehensive income statement RMB'000	At 31 December 2022 RMB'000
Deferred tax liabilities:					
Differences in accounting base and tax base in recognition of fixed assets	4,758	(1,528)	3,230	(369)	2,861
Differences in accounting base and tax base in recognition of leasehold land payments	58,913	(2,493)	56,420	(2,493)	53,927
Changes in the fair value of financial assets at FVOCI	60,647	—	60,647	—	60,647
Differences in accounting base and tax base of right-of-use assets	—	334,310	334,310	(4,062)	330,248
Others	8,561	(923)	7,638	(2,045)	5,593
	132,879	329,366	462,245	(8,969)	453,276

Deferred income tax assets are recognised for tax loss carry-forwards and other temporary difference to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of tax losses and other temporary difference amounting to RMB391,733,000 (2021: RMB291,278,000) arising from operations of subsidiaries which do not foresee to have enough tax-deductible assessable profits in the near future.

	2022 RMB'000	2021 RMB'000
Tax losses that can be carried forward (a)	373,761	274,469
Deductible temporary differences	17,972	16,809
	391,733	291,278



12 DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

- (a) The tax loss carry-forwards in which no deferred income tax assets were recognised will expire in the following years:

	2022 RMB'000	2021 RMB'000
2022	—	11,076
2023	23,435	26,241
2024	37,602	37,602
2025	105,003	105,003
2026	94,547	94,547
2027	113,174	—
	373,761	274,469

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(All amounts expressed in Renminbi unless otherwise stated)

13 LONG-TERM PREPAID EXPENSES

The long-term prepaid expenses represented staff uniforms. The movements of long-term prepaid expenses are set forth as follows:

	2022 RMB'000	2021 RMB'000
At 1 January		
Cost	199,629	151,997
Accumulated amortisation	(135,489)	(108,108)
Net book amount	64,140	43,889
Year ended 31 December		
Opening net book amount	64,140	43,889
Additions	1,251	47,632
Amortisation	(23,595)	(27,381)
Closing net book amount	41,796	64,140
At 31 December		
Cost	200,880	199,629
Accumulated amortisation	(159,084)	(135,489)
Net book amount	41,796	64,140



14 FINANCIAL INSTRUMENTS BY CATEGORY

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables and other receivables excluding prepayments (Notes 19 and 20)	5,118,542	4,812,699
Term deposits (Note 16)	232,192	220,000
Cash and cash equivalents (Note 21)	1,299,635	1,499,462
Long-term receivable (Note 17)	12,232	20,226
FVOCI (Note 15)	463,696	463,696
Total	7,126,297	7,016,083

	2022 RMB'000	2021 RMB'000
Financial liabilities		
Liabilities at amortised cost		
Trade and bills payable and other payables excluding non-financial liabilities (Notes 27 and 29)	4,508,892	4,483,180
Payables for fixed assets and construction-in-progress	2,053,638	2,776,708
Dividends payable	13,746	13,746
Borrowings (Notes 26)	1,496,268	—
Lease liabilities (Notes 8(2))	1,388,729	1,384,084
Total	9,461,273	8,657,718

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(All amounts expressed in Renminbi unless otherwise stated)

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification of financial assets at FVOCI

Financial assets at FVOCI are equity securities which are strategic investments not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category.

(b) Equity investments at fair value through other comprehensive income

	2022 RMB'000	2021 RMB'000
Non-current assets		
Investments in unlisted companies	463,696	463,696

The FVOCI mainly represent equity interests held by the Group in certain unlisted companies with percentage ownership less than 2% individually.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

(c) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains were recognised in profit or loss and other comprehensive income.

	2022 RMB'000	2021 RMB'000
Dividends from equity investments at FVOCI recognised in profit or loss in other gains/losses — net (Note 33)		
— Related to investments held at the end of the reporting period	13,121	9,802

(d) Fair value

All of the financial assets at FVOCI are denominated in RMB. For an analysis of the sensitivity of the assets to price risk refer to note 3.1(a)(iii).



16 TERM DEPOSITS

	2022 RMB'000	2021 RMB'000
Current assets		
Short term deposits	—	60,000
Current portion of long-term deposits	172,192	—
	172,192	60,000
Non-current assets		
Long term deposits	60,000	160,000

The original effective interest rate of term deposits was 3.84% per annum (2021: 3.65% per annum).

17 LONG-TERM RECEIVABLE

The long-term receivable balance represents freight service fees receivable from a third-party customer which was acquired from Yangcheng Railway Business. On the acquisition date of Yangcheng Railway Business, it was remeasured at its then fair value, which was assessed by the discounted cash flow method by making reference to the repayment schedule agreed by both parties.

The balance is subsequently carried at amortised cost using an average effective interest rate of 6.54%.

The balance approximated its fair value as at 31 December 2022 and 31 December 2021.

18 MATERIALS AND SUPPLIES

	2022 RMB'000	2021 RMB'000
Raw materials	204,831	190,328
Accessories	26,403	41,918
Reusable rail-line track materials	31,034	39,002
Retailing consumables	377	335
	262,645	271,583

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18 MATERIALS AND SUPPLIES (continued)

The costs of materials and supplies consumed by the Group during the year were recognised as “operating expenses” in the amount of RMB1,556,921,000 (2021: RMB1,497,587,000).

As at 31 December 2022, no provision was provided for writing down the materials and supplies to their net realisable values (2021: RMB3,661,000).

During the year, an additional provision of RMB37,000 was made, no provision was reversed and RMB3,698,000 was written off arising from realisation of losses in the disposal of these assets (2021: RMB5,695,000, nil and RMB2,034,000).

19 TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	4,684,730	4,419,925
Including: receivables from related parties	4,008,569	3,664,894
Less: Provision for impairment of receivables	(28,436)	(23,751)
	4,656,294	4,396,174

As at 31 December 2022 and 2021, the Group’s trade receivables were all denominated in RMB. The majority of the trade receivable were from state-owned railroad companies or companies in transportation industry.

The passenger railroad services are usually transacted on a cash basis. The Group does not have formal contractual credit terms agreed with its customers for freight services but the trade receivables are usually settled within a period less than one year. As a result, the Group regards any receivable balance within one year being not overdue. The aging analysis of the outstanding trade receivables is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	3,122,287	3,655,942
Over 1 year but within 2 years	1,497,790	762,258
Over 2 years but within 3 years	64,653	1,725
	4,684,730	4,419,925



19 TRADE RECEIVABLES *(continued)*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss provision for all trade receivables.

The maximum exposure to credit risk at the reporting date is the carrying value mentioned above. The Group does not hold any collateral as security.

20 PREPAYMENTS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Due from third parties	328,999	337,235
Due from related parties	249,558	171,059
	578,557	508,294

	2022 RMB'000	2021 RMB'000
Other receivables	463,529	423,028
Less: Provision for impairment	(1,281)	(6,503)
Other receivables, net <i>(a)</i>	462,248	416,525
Prepayments <i>(b)</i>	116,309	91,769
	578,557	508,294

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20 PREPAYMENTS AND OTHER RECEIVABLES (continued)

- (a) Other receivables mainly represent miscellaneous deposits and receivables arising from the course of provision of non-railway transportation services by the Group.

Movements on the provision for impairment of other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	6,503	10,590
Reversal of impairment loss provision	(591)	(3,660)
Written off of impairment loss provision	(4,631)	(427)
At 31 December	1,281	6,503

- (b) Prepayments mainly represent amounts paid in advance to the suppliers for utilities and other operating expenses of the Group. As at 31 December 2022, the input VAT with related invoices not been received or verified amounted to RMB105,538,000 (2021: RMB87,575,000).

The carrying amounts of the Group's prepayments and other receivables are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	578,557	507,854
HKD	—	440
	578,557	508,294

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.



21 CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	1,299,635	1,499,462

(a) The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	1,276,996	1,476,340
HKD	22,639	23,122
	1,299,635	1,499,462

22 SHARE CAPITAL

As at 31 December 2022 and 2021, the total authorised number of ordinary shares is 7,083,537,000 shares with a par value of RMB1.00 per share. These shares are divided into A shares and H shares. They rank pari passu against each other and they were fully paid up.

	As at 31 December 2021 RMB'000	Movement RMB'000	As at 31 December 2022 RMB'000
Authorised, issued and fully paid:			
Listed shares			
— H shares	1,431,300	—	1,431,300
— A shares	5,652,237	—	5,652,237
Total	7,083,537	—	7,083,537

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23 RESERVES

(a) Statutory surplus reserve and discretionary surplus reserve

According to the provisions of the Articles of Association of the Company, the Company shall first set aside 10% of its profit after tax attributable to shareholders as indicated in the Company's statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the Company's registered share capital) in each year. The Company may also make appropriations from its profit attributable to shareholders to a discretionary surplus reserve, provided that it is approved by a resolution passed in a shareholders' general meeting. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends without the prior approval obtained from the shareholders in a shareholders' general meeting under specific circumstances.

When the statutory surplus reserve is not sufficient to make good for any losses of the Company in previous years, the current year profit attributable to shareholders shall be used to make good the losses before any allocations are set aside for the statutory surplus reserve.

The statutory surplus reserve, the discretionary surplus reserve and the share premium account could be converted into share capital of the Company provided it is approved by a resolution passed in a shareholders' general meeting with the provision that the ending balance of the statutory surplus reserve does not fall below 25% of the registered share capital amount. The Company may either allot newly created shares to the shareholders at the same proportion of the existing number of shares held by these shareholders, or it may increase the par value of each share.

For the year ended 31 December 2022, no appropriations to reserves of the Company were proposed by the directors (2021: nil).

(b) Retained earnings and other reserves

(i) Retained earnings

In accordance with the provisions of the Articles of Association of the Company, the profit after appropriation to reserves and available for distribution to shareholders shall be the lower of the retained earnings determined under (a) PRC GAAP or (b) IFRS. Due to the fact that the statutory financial statements of the Company have been prepared in accordance with PRC GAAP, the retained earnings so reported may be different from those reported in the statement of changes in shareholders' equity prepared under IFRS contained in these financial statements. The main difference between the retained earnings of the Company determined under PRC GAAP and those determined under IFRS was relating to accounting policies in respect of investment in associates adopted under PRC GAAP and IFRS.



23 RESERVES *(continued)*

(b) Retained earnings and other reserves *(continued)*

(ii) Special reserve — Safety Production Fund

The Group is engaged in passenger and freight transportation business. In accordance with the regulations issued by Ministry of Finance and State Administration of Work Safety of the PRC, the Group is required to establish a special reserve (“Safety Production Fund”) calculated based on the passenger and freight transportation revenue of the previous year using the following percentages:

- (i) 1% for regular freight business;
- (ii) 1.5% for passenger transportation, dangerous goods delivery business and other special business.

The Safety Production Fund is mainly used for improving, renovating and maintaining safety protection equipment and facilities, production safety inspection, evaluation, consultation and standardization construction expenses, etc. For the purpose of the consolidated financial statements under IFRS, such reserve is established through an appropriation from retained earnings based on the aforementioned method. When the Safety Production Fund is actually utilised, the actual expenses incurred are charged to profit or loss.

For the year 2022 and 2021, the movement of “Special reserve — Safety Production Fund” of the Group are as below:

	2022 RMB'000	2021 RMB'000
At 1 January	11,884	—
Appropriation for retained earnings	162,335	126,524
Utilisation	(123,613)	(114,640)
At 31 December	50,606	11,884

(iii) FVOCI reserve

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2.10. These changes are accumulated within the FVOCI reserve within equity. As at 31 December 2022, the Group had a balance of FVOCI reserve of RMB181,941,000 (2021: RMB181,941,000). The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

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23 RESERVES (continued)

(b) Retained earnings and other reserves (continued)

(iv) Others

This reserve is used to record the differences which may arise as a result of equity transaction of investment in associates but significant influence is retained and share of other reserve of associates. As at 31 December 2022, the Group had a balance of such reserves of RMB10,346,000 and RMB3,690,000 respectively (2021: RMB10,346,000 and nil), as explained in note 11.

24 DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grants	747,585	781,563

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

25 EMPLOYEE BENEFITS OBLIGATIONS

	2022 RMB'000	2021 RMB'000
Employee benefits obligations	2,891	22,761
Less: current portion included in accruals and other payables (Note 29)	(2,891)	(22,761)
	—	—



25 EMPLOYEE BENEFITS OBLIGATIONS *(continued)*

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 and Guangmeishan Railway Company Limited ("GRCL") Business and Guangdong Sanmao Railway Company Limited ("GSRC") Business in 2016, the Group has also assumed certain retirement and termination benefits obligations associated with the operations of Yangcheng Railway Business, GRCL Business and GSRC Business. These obligations mainly include the redundancy termination benefits similar to those mentioned above, as well as the obligation for funding post-retirement medical insurance premiums of retired employees before the respective acquisitions.

The employee benefits obligations have been provided for by the Group at amounts equal to the total expected benefit payments. Where the obligation does not fall due within twelve months, the obligation payable has been discounted using a pre-tax rate that reflects management's current market assessment of the time value of money and risk specific to the obligation. The discount rate was determined with reference to treasury bond yields in the PRC.

The movement in the employee benefits obligation during current year is as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	22,761	24,487
Payments	(19,870)	(1,726)
At 31 December	2,891	22,761

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26 BORROWINGS

	Current RMB'000	2022 Non- current RMB'000	Total RMB'000	Current RMB'000	2021 Non- current RMB'000	Total RMB'000
Bank loans	721,268	775,000	1,496,268	—	—	—

Bank borrowings mature until 2025 and weighted average annual interest rate of short-term borrowings and long-term borrowings are 2.44% and 3.16% (2021: nil).

At 31 December, the group's borrowings were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	721,268	—
Between 1 and 2 years	20,000	—
Between 2 and 5 years	755,000	—
	1,496,268	—



27 TRADE AND BILL PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables (a)	3,025,291	2,812,710
Bill payables (b)	500,000	300,000
	3,525,291	3,112,710

(a) Trade payables

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Payables to third parties	1,203,697	1,037,841
Payables to related parties	1,821,594	1,774,869
	3,025,291	2,812,710

(b) Bill payables

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank acceptance bills	500,000	300,000

The aging analysis of trade and bill payables was as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	2,052,344	2,577,337
Over 1 year but within 2 years	1,168,873	482,168
Over 2 years but within 3 years	282,537	20,392
Over 3 years	21,537	32,813
	3,525,291	3,112,710

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For the year ended 31 December 2022

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28 CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Advances received from customers	77,446	52,546
Frequent traveller program	95,420	59,896
	172,866	112,442

In 2022, RMB99,675,000 (2021: RMB211,219,000) of last year's contract liabilities were recognised in revenue, of which RMB39,780,000 (2021: RMB182,873,000) were advances received from customers, and RMB59,896,000 (2021: RMB28,346,000) were frequent traveller program.

29 ACCRUALS AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Due to third parties	1,751,944	1,367,508
Due to related parties	571,778	587,667
	2,323,722	1,955,175

	2022 RMB'000	2021 RMB'000
Payables to GIDC assumed by business combination	354,560	357,560
Other deposits received	282,604	297,736
Salary and welfare payables	688,626	486,644
Deposits received for construction projects	107,749	117,366
Other taxes payable	40,612	75,286
Amounts received on behalf of Labour Union	76,954	68,030
Advance received from disposal of Land use right	91,119	—
Deposits received from ticketing agencies	17,314	30,078
Employee benefits obligations (Note 25)	2,891	22,761
Payables assumed by capital increase in FVOCI	66,065	86,065
Other payables	595,228	413,649
	2,323,722	1,955,175



30 AUDITORS' REMUNERATION

Auditors' remuneration in respect of audit and non-audit services provided by the auditors for the year ended 31 December 2022 were RMB5,250,000 and RMB60,000 respectively (2021: RMB8,400,000 and RMB510,000 respectively).

31 EMPLOYEE BENEFITS

	2022 RMB'000	2021 RMB'000
Wages and salaries	6,180,827	6,135,683
Provision for medical, housing scheme and other employee benefits (a)	1,479,628	1,399,931
Contributions to the defined contribution scheme (b)	1,224,563	1,153,849
	8,885,018	8,689,463

(a) Housing scheme

In accordance with the PRC housing reform regulations, the Group is required to make contributions to a state-sponsored housing fund at 10% or 12% of the salaries of the employees. At the same time, the employees are also required to make a contribution at 10% or 12% of the salaries out of their payroll. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Group has no further legal nor constructive obligation towards housing benefits of these employees offered beyond the above contributions made.

(b) Defined contribution pension scheme

All the full-time employees of the Group are entitled to join a statutory pension scheme. The employees would receive pension payments equal to their basic salaries payable upon their retirement up to their death. Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are to be made monthly to a government agency based on the standard salary set by the provincial government. The government agency is responsible for the pension liabilities due to the employees upon their retirement. The Group accounts for these contributions on an accrual basis and charges the related contributions to expense in the year to which the contributions relate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

31 EMPLOYEE BENEFITS *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one chief executive (2021: one), four senior executives (2021: four) and no supervisor (2021: nil), whose emoluments are reflected in the analysis shown in Note 43. No remuneration has been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office.

The emolument range of each individual is within the band of nil to RMB619,000 (2021: Nil to RMB611,000).

32 OTHER OPERATING EXPENSES

	2022 RMB'000	2021 RMB'000
Passenger security inspection expenses	124,242	184,280
Carriage cleaning expenses	88,023	113,617
Train station housekeeping expenses	86,304	86,646
Staff accommodation expenses	83,679	91,737
Other safety maintenance expenses	162,335	115,489
Bunk cleaning expenses	5,388	77,627
Passenger transportation facility maintenance	171,777	20,471
Professional expenses	11,191	14,984
Administrative expenses and others	306,832	123,550
	1,039,771	828,401



33 OTHER GAINS/(LOSSES) — NET

	2022 RMB'000	2021 RMB'000
Loss on disposal of fixed assets — net	(15,075)	(4,734)
Government grants	46,116	18,523
Interest income from banks	26,377	29,716
Dividend income from FVOCI	13,121	9,802
Income from compensation	199	1,908
Impairment of fixed assets, materials and supplies	(37)	(22,491)
Unwinding of interest accrued on long-term receivable	7,226	4,515
Reversal of renovation cost for the separation and transfer of facilities	—	65,937
Write-back of outstanding of payables	1,361	20,354
Others	(19,570)	11,188
	59,718	134,718

34 FINANCE COSTS — NET

	2022 RMB'000	2021 RMB'000
Interest expense of lease liabilities	(67,903)	(67,648)
Net foreign exchange gain/(losses)	1,959	(689)
Interest expenses	(13,485)	—
Others	(496)	(6,239)
	(79,925)	(74,576)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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35 INCOME TAX CREDIT

In 2022 and 2021, the applicable income tax rate of the Company was 25%.

An analysis of the current year income tax credit is as follows:

	2022 RMB'000	2021 RMB'000
Current income tax	2,056	2,312
Deferred income tax (Note 12)	(588,202)	(277,935)
	(586,146)	(275,623)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2022 RMB'000	2021 RMB'000
Loss before tax	(2,579,793)	(1,249,586)
Tax calculated at the statutory rate of 25% (2021: 25%)	(644,948)	(312,397)
Effect of expenses not deductible for tax purposes	48,033	23,307
Effect of income not subject to tax	(16,322)	(6,986)
Tax losses and temporary differences in accounting base and tax base for which no deferred tax asset was recognised	28,584	20,827
Adjustments for current tax of prior periods	(792)	(77)
Utilisation of previously unrecognised tax losses and temporary differences	(701)	(297)
Income tax credit	(586,146)	(275,623)



36 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net loss for the year attributable to equity holders of approximately RMB1,994,665,000 (2021: net loss, RMB973,119,000), divided by the weighted average number of ordinary shares outstanding during the year of: 7,083,537,000 shares (2021: 7,083,537,000 shares). There were no dilutive potential ordinary shares during both years.

	2022	2021
Loss attributable to owners of the Company (RMB'000)	(1,994,665)	(973,119)
Weighted average number of ordinary shares in issue	7,083,537,000	7,083,537,000
Basic and diluted loss per share (RMB)	(0.28)	(0.14)

37 DIVIDEND

No dividend was proposed for the year ended 31 December 2022 (2021: nil).

NOTES TO THE FINANCIAL STATEMENTS

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38 CASH FLOW GENERATED FROM OPERATIONS

(a) Reconciliation from loss/profit before income tax to net cash generated from operations:

	2022 RMB'000	2021 RMB'000
Loss before income tax:	(2,579,793)	(1,249,586)
Adjustments for:		
Depreciation of fixed assets	1,836,419	1,786,110
Depreciation of right-of-use assets (Note 8)	68,400	68,410
Impairment of fixed assets (Note 6)	—	16,796
Derecognition of land-use right	(18,664)	—
Provision for impairment of materials and supplies (Note 33)	37	5,695
Loss on disposal of fixed assets and costs on repairs	48,849	53,854
Amortisation of long-term prepaid expenses (Note 13)	23,595	27,381
Share of results of associates, net of tax (Note 11)	(52,167)	(18,144)
Dividend income on FVOCI (Note 33)	(13,121)	(9,802)
Impairment/(reversal of impairment) of receivables	4,093	(40,613)
Reversal of renovation cost for the separation and transfer of facilities (Note 33)	—	(65,937)
Write-back of outstanding of payables (Note 33)	(1,361)	(20,354)
Amortisation of deferred income	(37,000)	(11,164)
Interest expense on lease liabilities (Note 34)	67,903	67,648
Interest paid	13,518	—
Interest income	(11,514)	(9,927)
Operating (loss)/profit before working capital changes	(650,806)	600,367
Increase in trade receivables	(264,805)	(637,544)
Decrease in materials and supplies	8,901	28,868
(Increase)/decrease in prepayments and other receivables	(60,271)	94,431
Decrease in long-term receivable	15,220	8,023
Increase in trade payables	412,581	993,459
Increase/(decrease) in accruals and other payables	347,724	(84,724)
Net cash (used in)/generated from operations	(191,456)	1,002,880



38 CASH FLOW GENERATED FROM OPERATIONS *(continued)*

(b) In the cash flow statement, proceeds from disposal of fixed assets comprise:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net book amount <i>(Note 6)</i>	163,832	92,790
Transfer to materials and supplies	—	(9,740)
Loss on disposal of fixed assets and costs on repairs	(48,849)	(53,854)
Proceeds from disposal of fixed assets	114,983	29,196

39 CONTINGENCY

There were no significant contingent liabilities as at 31 December 2022 and 31 December 2021 and up to the date of approval of these financial statements.

40 COMMITMENTS

Capital commitments

As at 31 December 2022 and 31 December 2021, the Group had the following capital commitments:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contracted but not provided for	47,025	46,553
Authorised but not contracted for	272,975	493,447
	320,000	540,000

A substantial amount of these commitments is related to the reform of stations or facilities relating to the existing railway lines of the Company, which would be financed by self-generated operating cash flow.

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41 RELATED PARTY TRANSACTIONS

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

(a) The single largest shareholder that holds 37.12% equity interest of the Company or related parties that are controlled by the Company:

See note 10 for the principal subsidiaries.

Guangzhou Railway Group is the single largest shareholder that holds 37.12% equity interest of the Company.

(b) Nature of the principal related parties that do not control/are not controlled by the Company:

(i) Guangzhou Railway Group and its subsidiaries

Name of related parties	Relationship with the Company
Single largest shareholder and its subsidiaries	
Guangzhou Railway Group	Single largest shareholder that holds 37.12% equity interest of the Company
Guangzhou Railway Group YangCheng Railway Enterprise Development Company	Subsidiary of the single largest shareholder
Guangdong Railway Company Limited.	Subsidiary of the single largest shareholder
GIDC	Subsidiary of the single largest shareholder
Guangzhou Railway Material Supply Company	Subsidiary of the single largest shareholder
Guangzhou Railway Station Service Centre	Subsidiary of the single largest shareholder
Guangzhou Yuetie Operational Development Company	Subsidiary of the single largest shareholder
Guangzhou Railway Rolling Stock Works Company Limited	Subsidiary of the single largest shareholder
Guangdong Tieqing International Travel Agency Company Limited	Subsidiary of the single largest shareholder
Xiashen Railway Guangdong Company Limited	Subsidiary of the single largest shareholder
Guangzhou Railway Real Estate Construction Engineering Co., Ltd.	Subsidiary of the single largest shareholder
Guangdong Yuetong Railway Logistics Company Limited	Subsidiary of the single largest shareholder
Sanmao Railway Company Xiaotangxi Freight Field Service Company	Subsidiary of the single largest shareholder
Guangzhou Railway Technology Development Co., Ltd.	Subsidiary of the single largest shareholder
Guangzhou Anmao Railway Consulting Construction Company Limited	Subsidiary of the single largest shareholder
Guangzhou Beiyang Information Technology Company Limited	Subsidiary of the single largest shareholder
Hunan Railway Lianchuang Technology Development Co., Ltd.	Subsidiary of the single largest shareholder
Guangzhou Northeast Freight Car Outer Winding Railway Co., Ltd.	Subsidiary of the single largest shareholder
Hunan Changtie Loading & Unloading Co., Ltd.	Subsidiary of the single largest shareholder
Hainan Railway Company Limited	Subsidiary of the single largest shareholder
Jiangxi Shenzhen Railway (Guangdong) Company Limited	Subsidiary of the single largest shareholder
Guangzhou Railway Technology Development Surveying Co., Ltd.	Subsidiary of the single largest shareholder



41 RELATED PARTY TRANSACTIONS *(continued)*

(b) Nature of the principal related parties that do not control/are not controlled by the Company: *(continued)*

(ii) Associates of the Group

Name of related parties	Relationship with the Company
Tiecheng	Associate of the Group
Shentu	Associate of the Group

(iii) Relationship with CSRG and other railway companies

On 14 March 2013, pursuant to the approval, the previous controlling entity of Guangzhou Railway Group, Ministry of Railways ("MOR"), had been dismantled. The administrative function of MOR were transferred to the Ministry of Transport and the newly established National Railway Bureau, and its business functions were transferred to the CSRG. Accordingly, the equity interests of Guangzhou Railway Group which was wholly controlled by MOR previously were transferred to the CSRG ("Reform"). The Reform was completed since 1 January 2017 and the Company disclosed details of transactions undertaken with CSRG Group for both years of 2022 and 2021 for reference. Unless otherwise specified, the transactions with CSRG Group disclosed below have excluded transactions undertaken with Guangzhou Railway Group and its subsidiaries.

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41 RELATED PARTY TRANSACTIONS (continued)

(c) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with related parties:

(I) Material transactions undertaken with associates, Guangzhou Railway Group and its subsidiaries:

	2022 RMB'000	2021 RMB'000
Provision of services and sales of goods		
<i>Transportation related services</i>		
Provision of train transportation services to Guangzhou Railway Group and its subsidiaries (i)	2,421,037	3,321,833
Provision of train transportation services to associated companies (i)	1,685	2,011
Revenue collected by CSRG for railway network usage and related services provided to Guangzhou Railway Group and its subsidiaries (ii)	1,158,823	1,325,614
Revenue from railway operation service provided to Guangzhou Railway Group's subsidiaries (iii)	1,904,929	865,220
	5,486,474	5,514,678
<i>Other services</i>		
Sales of materials and supplies to Guangzhou Railway Group and its subsidiaries (iv)	85,892	89,042
Sales of materials and supplies to associated companies (iv)	4,796	—
	90,688	89,042
Services received and purchases made		
<i>Transportation related services</i>		
Provision of train transportation services by Guangzhou Railway Group and its subsidiaries (i)(vi)	590,669	796,134
Provision of train transportation services by associated companies (i)(vi)	2,460	8
Costs settled by CSRG for railway network usage and related services provided by Guangzhou Railway Group and its subsidiaries (ii)	3,093,132	2,896,222
	3,686,261	3,692,364



41 RELATED PARTY TRANSACTIONS *(continued)*

(c) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with related parties: *(continued)*

(I) **Material transactions undertaken with associates, Guangzhou Railway Group and its subsidiaries:** *(continued)*

	2022 RMB'000	2021 RMB'000
<i>Other services</i>		
Provision of repair and maintenance services by Guangzhou Railway Group and its subsidiaries <i>(iv)</i>	434,708	308,277
Provision of repair and maintenance services by associated companies <i>(iv)</i>	11,759	2,803
Purchase of materials and supplies from Guangzhou Railway Group and its subsidiaries <i>(iv)</i>	516,740	767,747
Purchase of materials and supplies from associated companies <i>(iv)</i>	—	2,936
Provision of construction services by Guangzhou Railway Group and its subsidiaries <i>(v)</i>	131,370	110,488
Provision of construction services by associated companies <i>(v)</i>	41,789	62,104
	1,136,366	1,254,355

- (i) The service charges are determined based on a pricing scheme set by the CSRG or based on negotiation between the contracting parties with reference to actual costs incurred.
- (ii) Such revenues/charges are determined by the CSRG based on its standard charges applied on a nationwide basis.
- (iii) The service charges are levied based on contract prices determined based on a "cost plus a profit margin" and agreed between both contracting parties.
- (iv) The prices are determined based on mutual negotiation between the contracting parties with reference to actual costs incurred.
- (v) Based on construction amount determined under national railway engineering guidelines.
- (vi) The amount recognised in 2022 does not include the payment of short-term leases related to the lease of passenger trains paid to Guangzhou Railway Group amounting to RMB266,981,000 (2021: RMB400,473,000).

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41 RELATED PARTY TRANSACTIONS (continued)

(c) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with related parties: (continued)

(II) Material transactions with CSRG and other railway companies

When the passenger trains and freight trains operated by the Group pass through rail lines owned by other railway companies controlled by the CSRG, the Group need to pay those companies for the services rendered (track usage, locomotive traction and electric catenaries service, etc.), and vice versa. The charge rate of such services are instructed by the CSRG and are collected and settled by the CSRG according to its central recording and settlement systems (see details in note 2.22).

In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with the CSRG Group:

	2022 RMB'000	2021 RMB'000
Provision of services and sales of goods		
<i>Transportation related services</i>		
Provision of train transportation services to CSRG Group (i)	37,528	138,219
Revenues collected by CSRG for services provided to CSRG Group (ii)	2,007,393	2,275,132
Revenues from railway operation service provided to CSRG Group (iii)	2,165,015	2,232,346
	4,209,936	4,645,697
<i>Other services</i>		
Provision of repairing services for cargo trucks to CSRG Group (ii)	514,325	470,143
Provision of apartment leasing services to CSRG Group (iv)	2,762	2,064
Others	1,385	607
	518,472	472,814



41 RELATED PARTY TRANSACTIONS *(continued)*

(c) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with related parties: *(continued)*

(II) Material transactions with CSRG and other railway companies *(continued)*

	2022 RMB'000	2021 RMB'000
Services received and purchases made		
<i>Transportation related services</i>		
Provision of train transportation services by CSRG Group (i) (v)	33,879	58,121
Cost settled by CSRG for services provided by CSRG Group (ii) (v)	1,481,845	1,769,170
	1,515,724	1,827,291
<i>Other services</i>		
Provision of repair and maintenance services by CSRG Group (iv)	41,394	28,185
Purchase of materials and supplies from CSRG Group (iv)	25,260	3,203
	66,654	31,388

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41 RELATED PARTY TRANSACTIONS *(continued)*

(c) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with related parties: *(continued)*

(II) Material transactions with CSRG and other railway companies (continued)

- (i) The service charges are determined based on a pricing scheme set by the CSRG or based on negotiation between the contracting parties with reference to actual costs incurred.
- (ii) Such revenue/charges are determined by the CSRG based on its standard charges applied on a nationwide basis.
- (iii) The service charges are levied based on contract prices determined based on a "cost plus a profit margin" and explicitly agreed between both contracting parties.
- (iv) The prices are determined based on mutual negotiation between the contracting parties with reference to actual costs incurred.
- (v) The amount recognised in 2022 does not include the payment of short-term leases related to the lease of passenger trains and freight trains to CSRG amounting to RMB1,872,352,000 (2021: RMB1,286,566,000).



41 RELATED PARTY TRANSACTIONS *(continued)*

(c) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with related parties: *(continued)*

(III) Revenues collected and settled through the CSRG:

	2022 RMB'000	2021 RMB'000
Passenger transportation	6,584,255	6,054,100
Freight transportation	1,412,364	1,701,842
Other transportation related services	5,063	8,488
	8,001,682	7,764,430

(IV) Lease — as lessee:

In 2022, the depreciation expense of the right-of-use assets was RMB16,246,000 (2021: RMB16,246,000), the interest expense of lease liabilities was RMB67,870,000 (2021: RMB67,605,000), and the actual payment to Guangzhou Railway Group was RMB63,019,000 (2021: RMB61,887,000).

The payment of short-term leases to related parties are shown in notes 41(c)(I)(vi) and 41(c)(II)(vi).

(d) Key management compensation

The compensation paid or payable to key management for employee services is shown in note 43.

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41 RELATED PARTY TRANSACTIONS *(continued)*

(e) As at 31 December 2022 and 31 December 2021, the Group had the following material balances maintained with related parties:

(I) Material balances with associates, Guangzhou Railway Group and its subsidiaries:

	2022 RMB'000	2021 RMB'000
Trade receivables	3,211,496	2,881,069
— Guangzhou Railway Group (i)	545,889	600,042
— Subsidiaries of Guangzhou Railway Group (i)	2,665,218	2,281,027
— Associates	389	—
Less: Provision for impairment	(19,493)	(16,028)
	3,192,003	2,865,041
Prepayments and other receivables	87,411	83,808
— Guangzhou Railway Group	7,505	1,944
— Subsidiaries of Guangzhou Railway Group	79,843	81,790
— Associates	63	74
Less: Provision for impairment	(116)	(62)
	87,295	83,746
Prepayments for fixed assets and construction-in-progress	29,459	7,270
— Subsidiaries of Guangzhou Railway Group (ii)	29,459	7,270
Trade and bills payables	2,020,174	1,882,872
— Guangzhou Railway Group (i)	5,138	71,414
— Subsidiaries of Guangzhou Railway Group (ii)	1,961,015	1,730,317
— Associates	54,021	81,141



41 RELATED PARTY TRANSACTIONS *(continued)*

(e) As at 31 December 2022 and 31 December 2021, the Group had the following material balances maintained with related parties: *(continued)*

(I) **Material balances with associates, Guangzhou Railway Group and its subsidiaries:** *(continued)*

	2022 RMB'000	2021 RMB'000
Payables for fixed assets and construction-in-progress	626,062	1,038,742
— Guangzhou Railway Group	18,411	334,313
— Subsidiaries of Guangzhou Railway Group	234,734	326,023
— Associates	372,917	378,406
Contract liabilities	5,632	4,346
— Subsidiaries of Guangzhou Railway Group	4,977	3,940
— Associates	655	406
Accruals and other payables	500,133	495,930
— Guangzhou Railway Group	409	8,600
— Subsidiaries of Guangzhou Railway Group <i>(iii)</i>	474,289	468,064
— Associates <i>(iv)</i>	25,435	19,266

- (i) The trade balances due from/to Guangzhou Railway Group, subsidiaries of Guangzhou Railway Group mainly represent service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC.
- (ii) The trade payables due to subsidiaries of Guangzhou Railway Group mainly 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 other payables due to subsidiaries of Guangzhou Railway Group mainly represent the performance deposits received for construction projects and deposits received from ticketing agencies.
- (iv) The other payables due to associates mainly represent the performance deposits received for construction projects operated by associates.

As at 31 December 2022, all the balances maintained with related parties were unsecured, non-interest bearing and were repayable on demand.

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41 RELATED PARTY TRANSACTIONS (continued)

(e) As at 31 December 2022, the Group had the following material balances maintained with related parties: (continued)

(II) Material balances with CSRG Group:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Due from CSRG Group		
— Trade receivables	797,073	783,707
Less: Impairment of receivables	(3,439)	(3,485)
	793,634	780,222
— Other receivables	162,147	87,251
Less: Impairment of receivables	(3)	—
	162,144	87,251
Due to CSRG Group		
— Trade payables and payables for fixed assets and construction-in-progress	221,833	114,481
— Other payables	71,645	91,737

As at 31 December 2022, all the balances maintained with CSRG Group were unsecured, non-interest bearing and were repayable on demand.



42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December 2022	2021
ASSETS		
Non-current assets		
Fixed assets — net	23,368,599	23,944,890
Right-of-use assets	2,800,681	2,859,132
Construction-in-progress	1,112,582	1,588,935
Prepayments for fixed assets and construction-in-progress	35,341	9,904
Goodwill	281,255	281,255
Investments in subsidiaries	62,031	82,031
Investments in associates	132,201	132,201
Deferred tax assets	1,295,693	706,993
Long-term prepaid expenses	41,187	63,142
Financial assets at fair value through other comprehensive income	461,978	461,978
Long-term deposits	60,000	160,000
Long-term receivable	12,232	20,226
	29,663,780	30,310,687
Current assets		
Materials and supplies	258,164	267,903
Trade receivables	4,652,530	4,394,292
Prepayments and other receivables	936,605	750,266
Short-term deposits	—	60,000
Current portion of long-term deposits	172,192	—
Cash and cash equivalents	1,299,634	1,499,460
	7,319,125	6,971,921
Total assets	36,982,905	37,282,608

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Balance sheet of the Company (continued)

	Note	As at 31 December 2022	2021
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital		7,083,537	7,083,537
Share premium	(a)	11,564,462	11,564,462
Other reserves	(a)	3,331,067	3,288,655
Retained earnings	(a)	3,658,071	5,578,335
Total equity		25,637,137	27,514,989
Liabilities			
Non-current liabilities			
Borrowings		775,000	—
Lease liabilities		1,324,231	1,320,835
Deferred income related to government grants		747,585	781,563
		2,846,816	2,102,398
Current liabilities			
Trade and bill payables		3,495,832	3,083,929
Contract liabilities		172,812	112,406
Borrowings		721,268	—
Payables for fixed assets and construction-in-progress		2,053,638	2,776,708
Dividends payable		870	871
Current portion of lease liabilities		64,498	63,249
Accruals and other payables		1,980,291	1,624,517
Other current liabilities		9,743	3,541
		8,498,952	7,665,221
Total liabilities		11,345,768	9,767,619
Total equity and liabilities		36,982,905	37,282,608

The balance sheet of the Company was approved by the Board of Directors on March 29, 2023 and was signed on its behalf.

Wu Yong
Director

Hu Lingling
Director



42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company:

	Share premium	Other reserves	Retained earnings
At 1 January 2021	11,564,462	3,266,425	6,474,359
Total comprehensive income	—	—	(896,024)
Loss for the year	—	—	(896,024)
Other comprehensive income	—	—	—
Special reserve — Safety Production Fund	—	11,884	—
Appropriation	—	126,524	—
Utilisation	—	(114,640)	—
Appropriations from retained earnings	—	—	—
Equity dilution	—	10,346	—
At 31 December 2021	11,564,462	3,288,655	5,578,335
At 1 January 2022	11,564,462	3,288,655	5,578,335
Total comprehensive income	—	—	(1,920,264)
Loss for the year	—	—	(1,920,264)
Other comprehensive income	—	—	—
Special reserve — Safety Production Fund	—	38,722	—
Appropriation	—	162,335	—
Utilisation	—	(123,613)	—
Appropriations from retained earnings	—	—	—
Share of reserves of associates	—	3,690	—
At 31 December 2022	11,564,462	3,331,067	3,658,071

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

43 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors', supervisors' and senior executives' emoluments

For the year ended 31 December 2022

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking

Name	Fee RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Total RMB'000
Directors								
Wu, Yong	—	—	—	—	—	—	—	—
Zhou, Shangde (i)	—	342	20	41	—	57	—	460
Guo, Jiming	—	—	—	—	—	—	—	—
Hu, Dan	—	—	—	—	—	—	—	—
Zhang, Zhe	—	—	—	—	—	—	—	—
Ma, Shiheng	145	—	—	—	—	—	—	145
Tang, Xiaofan	112	—	—	—	—	—	—	112
Qiu, Zilong	112	—	—	—	—	—	—	112
Supervisors								
Lei, Chunliang	—	—	—	—	—	—	—	—
Chen, Shaohong	—	—	—	—	—	—	—	—
Xiang, Lihua	—	—	—	—	—	—	—	—
Meng, Yong	—	—	—	—	—	—	—	—
Huang, Songli (ii)	—	342	30	45	—	54	—	471
Lin, Wensheng	—	293	27	39	—	63	—	422
Chief Executive								
Hu, Lingling	—	485	21	50	—	63	—	619
Senior Executives								
Luo, Jiancheng	—	341	28	47	—	57	—	473
Tang, Xiangdong	—	342	29	47	—	60	—	478
Luo, Xinpeng	—	341	26	47	—	63	—	477
Gong, Yuwen	—	342	26	47	—	60	—	475

(i) Appointed the position of director in June 2022.

(ii) Appointed the position of supervisor in June 2022.



43 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors', supervisors' and senior executives' emoluments *(continued)*

For the year ended 31 December 2021

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking

Name	Fee <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Housing allowance <i>RMB'000</i>	Allowances and benefits in kind <i>RMB'000</i>	Employer's contribution to a retirement benefit scheme <i>RMB'000</i>	Remunerations paid or receivable in respect of accepting office as director <i>RMB'000</i>	Total <i>RMB'000</i>
Directors								
Wu, Yong	—	—	—	—	—	—	—	—
Guo, Xiangdong	—	74	5	11	3	13	—	106
Zhou, Shangde	—	290	22	40	10	51	—	413
Guo, Jiming	—	—	—	—	—	—	—	—
Wang, Bin <i>(i)</i>	—	—	—	—	—	—	—	—
Hu, Dan <i>(iii)</i>	—	—	—	—	—	—	—	—
Zhang, Zhe	—	—	—	—	—	—	—	—
Ma, Shiheng	139	—	—	—	—	—	—	139
Tang, Xiaofan	112	—	—	—	—	—	—	112
Qiu, Zilong	112	—	—	—	—	—	—	112
Supervisors								
Liu, Mengshu	—	—	—	—	—	—	—	—
Lei, Chunliang <i>(iv)</i>	—	—	—	—	—	—	—	—
Chen, Shaohong	—	—	—	—	—	—	—	—
Xiang, Lihua	—	—	—	—	—	—	—	—
Meng, Yong	—	—	—	—	—	—	—	—
Huang, Songli	—	249	17	34	6	37	—	343
Lin, Wensheng	—	285	22	37	14	57	—	415
Chief Executive								
Hu, Lingling <i>(iv)</i>	—	472	22	47	13	57	—	611
Senior Executives								
Luo, Jiancheng	—	346	22	45	10	49	—	472
Tang, Xiangdong	—	349	22	45	10	54	—	480
Luo, Xinpeng	—	340	22	45	13	54	—	474
Gong, Yuwen <i>(iv)</i>	—	341	22	45	12	54	—	474

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All amounts expressed in Renminbi unless otherwise stated)

43 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors', supervisors' and senior executives' emoluments *(continued)*

- (i) Resigned from the position in June 2021.
- (ii) Appointed the position of senior executive in June 2021.
- (iii) Appointed the position of director in June 2021.
- (iv) Appointed the position of supervisors in June 2021.

During the year ended 31 December 2022, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; no directors and senior management waived or has agreed to waive any emoluments (2021: Nil).

(b) Director's retirement benefits

The retirement benefits paid to directors during the year end of 2022 by a defined contribution pension plan (basic endowment insurance and enterprise annuity) in respect of their services as directors of the Company and its subsidiaries are RMB57,000 (2021: RMB64,000) respectively. No other retirement benefits were paid to them in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2021: Nil).

(c) Directors' termination benefits

During the year ended 31 December 2022, no payments to the directors of the Company as compensation for the early termination of the appointment (2021: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2022, the Company did not provide to third any party for making available director's services (2021: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2022, no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2021: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Except the transactions with Guangzhou Railway Group as disclosed in note 41, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: Nil).
