

GUANGSHEN RAILWAY CO LTD

Form 20-F

April 28, 2015

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As filed with the Securities and Exchange Commission on April 28, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

(Mark One)

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

or

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

For the fiscal year ended December 31, 2014

or

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

For the transition period from _____ to _____

or

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

Date of event requiring this shell company report

Commission file number: 1-14362

(Exact name of Registrant as specified in its charter)

GUANGSHEN RAILWAY COMPANY LIMITED

(Translation of Registrant's name into English)

People's Republic of China

(Jurisdiction of incorporation or organization)

No. 1052 Heping Road, Shenzhen, People's Republic of China 518010

(Address of Principal Executive Offices)

Mr. Guo Xiangdong

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Facsimile: (86-755) 2559-1480

No. 1052 Heping Road, Shenzhen, People's Republic of China 518010

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

**Title of Each Class
American Depositary Shares,**

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

**each representing 50 Class H ordinary shares
Class H ordinary shares, nominal value**

The Stock Exchange of Hong Kong Limited

**RMB1.00 per share
Securities registered or to be registered pursuant to Section 12(g) of the Act: None**

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

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of December 31, 2014:

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

(including 164,995,500 H shares in the form of American Depositary Shares)

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

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

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

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

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

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

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Forward-Looking Statements

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

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

Certain Terms and Conventions

Solely for the convenience of the reader, this annual report contains translations of amounts from RMB into U.S. dollars and vice versa at the rate of RMB6.2046 to US\$1.00, the certified exchange rate for December 31, 2014 as published by the Federal Reserve Board of the United States, except where we specify that a different rate has been used. You should not construe these translations as representations that the RMB amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at that rate or at all. See ITEM 3. KEY INFORMATION A. Selected Financial Data Exchange Rate Information for information regarding the certified exchange rates for U.S. dollar/RMB conversions from January 1, 2010 through April 21, 2015.

We prepare and publish our consolidated financial statements in RMB.

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

Acquisition means our acquisition of the railway transportation business between Guangzhou and Pingshi and the related assets and liabilities from Yangcheng Railway Company according to the asset purchase agreement dated November 15, 2004 between Yangcheng Railway Company and us.

China or PRC means the People’s Republic of China.

CEPA means the Closer Economic Partnership Arrangement between Hong Kong and Chinese Mainland entered into on October 27, 2004, as amended.

CRHs means China Railway High-Speed.

CSRC means China Securities Regulatory Commission.

GRGC means Guangzhou Railway (Group) Company, our largest shareholder.

China Railway Corporation or CRC means the entity set up on March 14, 2013 by the First Session of the 12th National People's Congress of the PRC to perform the commercial functions formerly performed by the Ministry of Railways.

Company, we, our, our Company or us means Guangshen Railway Company Limited, a joint stock limited company incorporated in Shenzhen, China with limited liability, and its subsidiaries on a consolidated basis.

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CRC Group means CRC together with the subsidiaries transferred from MOR.

EMU means electric multiple unit, a multiple unit train consisting of self-propelled carriages.

HKSE means the Stock Exchange of Hong Kong Limited.

HKSE Listing Rules means the Rules Governing the Listing of Securities on the HKSE.

Hong Kong means The Hong Kong Special Administrative Region of the PRC.

Hong Kong dollars or HKD means Hong Kong dollars, the lawful currency of Hong Kong.

KCR means Kowloon Canton Railway.

Macau means the Macau Special Administrative Region of the PRC.

MOR means the Ministry of Railways, which was dissolved by the First Session of the 12th National People's Congress of the PRC.

MOT means Ministry of Transport.

MTR means MTR Corporation Limited.

Pearl River Delta means the area in and adjacent to the southern part of Guangdong Province, PRC, surrounding the mouth of the Pearl River and its lower reaches.

RMB means Renminbi Yuan, the lawful currency of the PRC.

Restructuring means the restructuring conducted in connection with our initial public offering in 1996 during which we succeeded to the railroad and certain other businesses of our predecessor company and certain assets and liabilities of GRGC.

SEC means the U.S. Securities and Exchange Commission.

ton means metric ton; and one ton is approximately 2,205 pounds in weight.

US\$, USD or U.S. dollars means U.S. dollars, the lawful currency of the United States.

Yangcheng Railway Company means Guangzhou Railway Group Yangcheng Railway Enterprise Development Company, a wholly owned subsidiary of GRGC, or its predecessor, Guangzhou Railway Group Yangcheng Railway Company.

Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**A. Selected Financial Data**

The following selected consolidated data relating to our Consolidated Balance Sheets as of December 31, 2013 and 2014, and our Consolidated Comprehensive Income Statements, Consolidated Statements of Changes in Equity and Consolidated Cash Flow Statements for each of the years ended December 31, 2012, 2013 and 2014 are derived from and are qualified by reference to our audited consolidated financial statements included elsewhere in this annual report and should be read in conjunction with ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS . The Selected Consolidated Balance Sheets Data as of December 31, 2010, 2011 and 2012 and our Consolidated Income Statements, Consolidated Statements of Changes in Equity and Consolidated Cash Flow Statements for each of the years ended December 31, 2010 and 2011 are derived from our audited consolidated financial statements that are not included in this annual report.

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

| | Year ended December 31, | | | | | US\$ ⁽¹⁾ |
|---|--|-------------|-------------|-------------|-------------|---------------------|
| | 2010 RMB | 2011 RMB | 2012 RMB | 2013 RMB | 2014 RMB | |
| | (in thousands except for per share data) | | | | | |
| Income Statement Data: | | | | | | |
| Revenue from railroad businesses | | | | | | |
| - Passenger | 7,377,145 | 8,026,512 | 7,841,091 | 8,058,291 | 6,988,288 | 1,126,308 |
| - Freight | 1,315,347 | 1,386,753 | 1,344,113 | 1,603,288 | 1,763,679 | 284,253 |
| - Railway network usage and other transportation-related services | 3,888,367 | 4,255,996 | 4,890,640 | 5,034,676 | 5,031,241 | 810,889 |

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| | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|-------------|
| Subtotal | 12,580,859 | 13,669,261 | 14,075,844 | 14,696,255 | 13,783,208 | 2,221,450 |
| Revenue from other businesses | 903,589 | 1,021,574 | 1,016,042 | 1,104,422 | 1,017,573 | 164,003 |
| Total revenue | 13,484,448 | 14,690,835 | 15,091,886 | 15,800,677 | 14,800,781 | 2,385,453 |
| Railroad operating expenses | (10,481,496) | (11,123,133) | (12,263,021) | (12,878,816) | (12,729,828) | (2,051,676) |
| Other businesses operating expenses | (845,774) | (977,868) | (966,377) | (1,048,553) | (1,022,133) | (164,738) |
| Other (expense)/income and other (losses)/gains-net | (47,060) | (25,786) | 71,815 | 14,903 | 7,138 | 1,150 |
| Profit from operations | 2,110,118 | 2,564,048 | 1,934,303 | 1,888,211 | 1,055,958 | 170,189 |
| Profit attributable to equity holders of the Company | 1,486,062 | 1,804,107 | 1,318,938 | 1,273,841 | 662,021 | 106,698 |
| Profit from operations per share | 0.30 | 0.36 | 0.27 | 0.27 | 0.15 | 0.02 |
| Earnings per share for profit attributable to equity holders of the Company | | | | | | |
| - Basic and diluted | 0.21 | 0.25 | 0.19 | 0.18 | 0.09 | 0.01 |
| Dividends declared per share | 0.09 | 0.10 | 0.08 | 0.08 | 0.05 | 0.01 |
| Earnings per ADS for profit attributable to equity holders of the Company | 10.49 | 12.73 | 9.31 | 8.99 | 4.67 | 0.75 |

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| | Year ended December 31, | | | | | |
|--|-------------------------|-------------|-------------|-------------|-------------|-----------------------------|
| | 2010 RMB | 2011 RMB | 2012 RMB | 2013 RMB | 2014 RMB | 2014 US\$ ⁽¹⁾ |
| (in thousands except for per share data) | | | | | | |
| Balance Sheet Data (at year end): | | | | | | |
| Working capital | 1,576,567 | 3,064,855 | 3,254,818 | 648,201 | 1,011,115 | 162,961 |
| Fixed assets | 24,466,130 | 23,987,080 | 24,524,248 | 24,302,653 | 24,179,210 | 3,896,981 |
| Leasehold land payments | 560,391 | 544,403 | 528,296 | 657,593 | 668,005 | 107,663 |
| Total assets | 30,604,502 | 32,207,347 | 32,867,182 | 33,231,989 | 30,536,663 | 4,921,616 |
| Equity attributable to equity holders of the Company | 24,168,017 | 25,334,606 | 25,945,190 | 26,650,544 | 26,745,843 | 4,310,647 |
| Share capital, issued and outstanding (domestic shares 5,652,237; H shares 1,431,300), RMB1.00 per value domestic shares | 5,652,237 | 5,652,237 | 5,652,237 | 5,652,237 | 5,652,237 | 910,975 |
| H shares | 1,431,300 | 1,431,300 | 1,431,300 | 1,431,300 | 1,431,300 | 230,684 |
| Cash Flow Statement Data: | | | | | | |
| Net cash generated from operating activities | 3,331,458 | 3,329,058 | 2,177,673 | 1,883,411 | 1,945,576 | 313,570 |
| Net cash used in investing activities | (1,188,763) | (3,983,623) | (2,160,895) | (1,572,961) | 3,373,821 | 543,761 |
| Net cash used in financing activities | (599,288) | (637,736) | (708,522) | (572,785) | (4,067,018) | (655,484) |
| Purchase of fixed assets and payment for construction-in-progress | (1,158,399) | (943,390) | (1,836,154) | (1,376,601) | (999,633) | (161,112) |
| Dividends paid to shareholders of the Company | (566,683) | (637,533) | (708,354) | (566,680) | (566,685) | (91,333) |
| Other Data: | | | | | | |
| Railroad transportation operating income | 2,099,363 | 2,546,128 | 1,812,823 | 1,817,439 | 1,053,380 | 169,774 |
| Other businesses operating income | 57,815 | 43,706 | 49,665 | 55,869 | (4,560) | (735) |

(1) Translation of amounts from RMB into US\$, for the convenience of the reader has been made at RMB6.2046 to US\$1.00, the certified exchange rate for December 31, 2014 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at that rate on December 31, 2014 or on any other date.

Exchange Rate Information

We derive a majority of our revenue and incur most of our expenses in RMB. In addition, we maintain our books and records in RMB and our financial statements are prepared and expressed in RMB. Solely for the convenience of the reader, this annual report contains translations of certain RMB amounts into U.S. dollars and vice versa at US\$1.00 = RMB6.2046, the certified exchange rate for December 31, 2014 as published by the Federal Reserve Board of United States. These translations should not be construed as representations that the RMB amounts could have been or could

be converted into U.S. dollars at such rate or at all.

Effective January 1, 2009, the Federal Reserve Bank of New York discontinued publication of foreign exchange rates certified for customs purposes. Effective January 5, 2009, the Federal Reserve Board of the United States reinstated the publication of the daily exchange rate data in a weekly version of the H.10 release. The certified exchange rate for RMB published by the Federal Reserve Board of the United States was US\$1.00 = RMB6.2010 on April 21, 2015.

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

| | Renminbi per U.S. Dollar Noon Buying Rate | | | |
|---------------|--|------------------------------|------------|-------------|
| | Period End | Average⁽¹⁾ | Low | High |
| 2010 | 6.6000 | 6.7603 | 6.8330 | 6.6000 |
| 2011 | 6.2939 | 6.4475 | 6.6364 | 6.2939 |
| 2012 | 6.2301 | 6.3043 | 6.3879 | 6.2221 |
| 2013 | 6.0537 | 6.1412 | 6.2438 | 6.0537 |
| 2014 | 6.2046 | 6.1704 | 6.2591 | 6.0402 |
| October 2014 | 6.1124 | 6.1251 | 6.1385 | 6.1107 |
| November 2014 | 6.1429 | 6.1249 | 6.1429 | 6.1117 |
| December 2014 | 6.2046 | 6.1886 | 6.2256 | 6.1490 |
| 2015 | | | | |

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| | Renminbi per U.S. Dollar Noon Buying Rate | | | |
|-------------------------------------|--|------------------------------|------------|-------------|
| | Period End | Average⁽¹⁾ | Low | High |
| January 2015 | 6.2495 | 6.2181 | 6.2535 | 6.1870 |
| February 2015 | 6.2695 | 6.2518 | 6.2594 | 6.2399 |
| March 2015 | 6.2082 | 6.1989 | 6.2082 | 6.1930 |
| April 2015 (through April 21, 2015) | 6.2010 | 6.2011 | 6.1930 | 6.2152 |

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

Dividends

At a meeting of the directors held on March 25, 2015, the directors proposed a final dividend of RMB0.05 per ordinary share for the year ended December 31, 2014, which is to be voted up on at our annual general meeting of shareholders scheduled on May 28, 2015.

This proposed dividend has not been reflected as a dividend payable in the financial statements as of December 31, 2014, but instead as equity attributable to equity holders of our Company.

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors**Risks Relating to Our Business**

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

The global financial markets experienced periods of extreme volatility and disruption in 2008 and early 2009. The global financial crisis, concerns over inflation or deflation, energy costs, geopolitical risks, and the availability and cost of financing contributed to the unprecedented levels of market volatility and adversely affected the expectations for the continuous growth of the global economy, the capital markets and the consumer industry. These factors,

combined with others, resulted in a severe global economic downturn and also a slowdown in the PRC economy. This change in the macro-economic conditions had an adverse impact on our business and operations by causing a decrease in the number of passengers and the volume of freight that we transported. Although the global and PRC economies began to show signs of recovery since the second half of 2009, the sustainability of these recoveries is uncertain due to escalating concerns regarding Europe's sovereign debt crisis, the stability of the Eurozone and concerns regarding the decreased growth rate of China's economy. In particular, we experienced decreased inbound freight volume and revenue in 2012 and 2014 and decreased inbound freight volume in 2013, partially due to diminished export of PRC commodities affected by the slowdown of the global economic growth and international trade and decelerating economic growth in China, overall downward demand on the transportation market and diversion of customers away to high-speed railways for the passenger and freight transportation business. Any recurrence of a global financial crisis as a result of the recent market volatility arising from the concerns over among other issues, the fiscal stability of certain European countries, may adversely affect the growth of the PRC economy, which could adversely affect our business, financial condition, results of operations and prospects.

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

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

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

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

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

The volume of freight and the number of passengers we transport are affected by the overall levels of business, industrial, manufacturing and tourism activities within the Pearl River Delta region, especially Guangdong and Hong Kong, which is our main service region, and elsewhere in China, which is in turn affected by many factors beyond our control, such as applicable policies and regulations of the PRC government, perceptions regarding the attractiveness of investing or operating a business within our service region, consumer confidence levels and interest rate levels. Any significant decrease in the overall levels of passenger travel or freight transportation, whether due to an economic slowdown or other reasons, such as freezing weather, floods, earthquake and other natural disasters or a recurrence of the SARS epidemic or outbreaks of avian flu, H1N1 or H7N9 influenza, dengue fever, Ebola virus or other similar health epidemics, may have a material adverse effect on our business, results of operations and financial condition.

For example, we experienced decreased inbound freight volume and revenue in 2014, partially due to the slowdown of GDP growth and a shift in the Pearl River Delta economy towards technology businesses, which resulted in decreased freight volume transported by rail. Furthermore, following China's accession to the World Trade Organization, the policy advantages that Shenzhen currently enjoys due to its status as a special economic zone may be phased out, and its economic growth rate may not be sustained in the long run. Other coastal regions, ports and free trade zones in China may develop at a faster pace and become more competitive than Shenzhen. As a result, part of the freight currently imported or exported through ports in Hong Kong, Shenzhen or Guangzhou may be shipped through other ports in China, which may adversely affect our freight transportation business.

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

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

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

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

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

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

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

Historically, our freight transportation revenue was derived mainly from the transportation of construction materials, coal, iron ore, oil, steel and chemicals, in which our railroad transportation services have an advantage over other means of transportation, such as road transportation services. With the restructuring of these industries, the movement of labor, the upgrading of the industrial structure and a shift in the Pearl River Delta economy towards technology businesses, we may experience reduced demand for our freight transportation services. For example, some products and materials, such as advanced technological products, which tend to be compact, may be instead shipped by road or air. We face significant competition in the transportation of such low-volume, high-value products. For example, the aggregate weight of goods we transported decreased each year from 2007 to 2009 and from 2011 to 2014. Changes in freight composition may affect the usage volume and pricing of our freight transportation services and adversely affect our results of operations.

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Significant increases in electricity prices could harm our business.

Significant increases in the cost of electricity could increase the costs of our passenger and freight transportation. The electricity we use, including electricity used for our lines, is supplied through various entities under the jurisdiction of the Guangdong provincial power bureau on normal commercial terms. Any increase in the cost of electricity in Guangdong could increase our railway operating expenses. In 2012, 2013 and 2014, we paid approximately RMB660.7 million, RMB675.2 million and RMB585.8 million, respectively, in electricity charges. Accordingly, significant increases in electricity prices could have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

(iii) the outcome of most corporate actions. Subject to the requirements of applicable laws and regulations in China and the HKSE Listing Rules, GRGC may also cause us to effect certain corporate transactions.

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

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We have very limited insurance coverage.

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

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

Our railroad operations and real estate ownership are subject to extensive national and local environmental laws and regulations concerning, among other things, gaseous emissions, wastewater discharge, disposal of solid waste and noise control. In addition, environmental liabilities may arise from claims asserted by adjacent landowners or other third parties. As of December 31, 2014, we had not incurred any such liabilities and therefore, had not made any provision for such liabilities. We may also be required to incur significant expenses to remediate any violation of applicable environmental laws and regulations. In 2014, our environmental protection-related expenses were approximately RMB21.0 million, mainly related to construction of sewage facilities in railway stations.

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

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

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

If we experience any equipment failures, delays, temporary cancellations of schedules, collisions and derailments, or any deterioration in the performance or quality of any of our services, it could result in personal injuries, damage of goods, customer claims of damages, customer refunds and loss of goodwill. These problems may lead to decreases in customers and revenue, damage to our reputation, unexpected expenses, loss of passengers and freight customers, incurrence of significant warranty and repair costs, diversion of our attention from our transportation service efforts or strained customer relations, any one of which could materially adversely affect our business. For example, in January and February 2008, certain regions in southern China experienced extraordinary harsh winter weather, which caused equipment failures and delays and cancellations of some of our scheduled trains. As a result, during such period of freezing weather, our cost for repair of equipment increased and our revenue decreased. We cannot assure you that such events will not happen again in the future. In addition, on July 23, 2011, two high-speed trains collided on the Yongtaiwen railway line in the suburbs of Wenzhou, Zhejiang Province, China. 40 people were killed and 172 people were injured in this accident (the Wenzhou Railway Accident). Although we believe we have maintained

effective safety measures and there has been no such collision accidents on railway lines operated by us since our inception, we cannot assure you that similar accidents will not occur on our railway lines in the future. The occurrence of any such accident could have a material adverse impact on us.

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

As described in ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS B Related Party Transactions and Notes 38 and 39 to our audited consolidated financial statements included elsewhere in this annual report, due to the fact that the railway business is centrally managed by China Railway Corporation (CRC) within the PRC, we work in cooperation with CRC and other railway companies controlled by CRC for the operation of certain long-distance passenger train and freight transportation businesses within the PRC. The revenue generated from these long-distance passenger and freight transportation businesses is collected and settled by CRC according to its settlement systems. The charges for the use of the rail lines and services provided by other railway companies are also settled by CRC based on its systems. Although we can, to a certain extent, calculate the revenue and charges settled by CRC based on our own data and information, the amount of settlement is finally settled by CRC.

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

The United States Securities and Exchange Commission, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company in the United States to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must report on the effectiveness of the company's internal control over financial reporting. Although we have concluded that we maintained effective internal control over financial reporting for each of the years ended December 31, 2012, 2013 and 2014, we may not be able to conclude in future years that we have effective internal control over financial reporting, in accordance with the Sarbanes-Oxley Act of 2002. See ITEM 15. CONTROLS and PROCEDURES.

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

Risks Relating to Conducting Business in China

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

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

As we are established, and operate substantially all of our businesses, in China, any changes in the political, economic and social conditions of the PRC or any changes in PRC governmental policies or regulations, including a change in the PRC government's economic or monetary policies or railway or other transportation regulations, may have a material adverse effect on our business and operations and our results of operations. The economic environment in the PRC differs significantly from the United States and many Western European countries in terms of its structure, stage

of development, capital reinvestment, growth rate, level of government involvement, resource allocation, self-sufficiency, rate of inflation and balance of payments position. The PRC government's economic reform policies since 1978 have resulted in a gradual reduction in state planning in the allocation of resources, pricing and management of assets, and a shift towards the utilization of market forces. The PRC government is expected to continue its reforms, and many of its economic and monetary policies still need to be developed and refined. In addition, certain changes in governmental policies from time to time may negatively affect our business and operations. For example, the cooling measures imposed by PRC government on the real estate industry since early 2011 in response to rising housing prices has resulted in our decreased transportation of construction materials, coal, iron ore, oil and steel that are largely used in that industry. We cannot assure you that future changes in governmental policies or regulation will not have a material adverse effect on our business, operations or results of operations.

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

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

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

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

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

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

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

Auditors of companies whose shares are registered with the U.S. Securities and Exchange Commission and traded publicly in the United States, including an independent registered public accounting firm which has a substantial role in the audit of our company, must be registered with the U.S. Public Company Accounting Oversight Board, or the

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

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Overview

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

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

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

Passenger transportation is our principal business. As of December 31, 2014, we operated 233.5 pairs of passenger trains each day, including 105 pairs of intercity high-speed passenger trains between Guangzhou and Shenzhen (including 19 stand-by pairs), 13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains) and 115.5 pairs of long-distance trains. We have adopted an “As-Frequent-As-Buses” operating model by dispatching one pair of our domestically manufactured electric multiple units trains, known as “China Railway High-Speed trains” or “CRHs”, every 10 minutes on average during peak hours between Guangzhou and Shenzhen. The through-trains passing Hong Kong jointly operated by us and the MTR Corporation Limited (“MTR”) are one of the most important means of transportation between Guangzhou and Hong Kong. We have organized and operated a number of long-distance trains running from and to Guangzhou and Shenzhen that linked with most of the provinces, autonomous regions and municipals across the nation.

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

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

Background, Restructuring and Acquisition

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

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

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

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

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

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

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

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

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

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

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

Service Territory

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

As of April 28, 2015, we had 48 stations situated on our rail lines, providing passenger and freight transportation services for cities, towns and ports situated along the Shenzhen-Guangzhou-Pingshi corridors and Hong Kong Through Train passenger service, which we serve in conjunction with the MTR. We also provide railway operation services to other Chinese domestic railway companies.

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

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

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

Westbound. Our line connects with the Guangzhou-Maoming rail line operated by Sanmao Railway Company, a company in which GRGC holds a 49.1% equity interest, that runs through the western part of Guangdong Province, connecting with other rail lines that continue on into the Guangxi Zhuang Autonomous Region, which provides access to southwestern China.

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

B. Business Overview

Business Operations

Our principal businesses are railroad passenger, freight transportation, railway network usage and other transportation-related services, which collectively generated 93.1% of our total revenue in 2014. The remaining 6.9% of our total revenue in 2014 mainly consisted of train repair, on-board catering services, leasing, sales of materials and supplies, sale of goods and other businesses related to railway transportation.

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In 2014, in the face of an unfavorable operating environment with stalled macroeconomic growth, sluggish demand in the railway market and heavy competition in the transportation market, we strived to achieve the targets set out by the Board, including enhancing workplace safety, exploring potential operational capabilities, improving passenger and freight services, improving asset management, strengthening cost control and standardizing operations to ensure the safety and stability of transport and production. However, with the extension of the Pilot Scheme for the Change from Business Tax to Value-added Tax (the Pilot Scheme) to the railway transportation industry on January 1, 2014, our operating revenue shrank significantly in 2014 as compared with the previous year, resulting in a sharp decline in net profit year-on-year despite a slight decline in operating costs.

In 2014, we achieved a passenger volume of 90.1 million persons, representing a year-to-year decrease of 0.9%; a tonnage of freight of 51.6 million tons, representing a year-to-year decrease of 13.4%, generating operating revenues of RMB14,801 million, representing a year-to-year decrease of 6.3%; consolidated profits attributable to equity holders of RMB662 million, representing a year-to-year decrease of 48.0%; and basic earnings per share of RMB0.09.

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

| | Year ended December 31, | | | | |
|--|--------------------------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Passenger Transportation | | | | | |
| Total passenger revenue (RMB millions) | 7,377.14 | 8,026.51 | 7,841.09 | 8,058.29 | 6,988.29 |
| Total passengers (millions) | 84.92 | 90.83 | 84.60 | 90.96 | 90.11 |
| Total passenger-kilometers (millions) | 27,472.00 | 28,523.99 | 26,788.80 | 27,844.65 | 27,953.94 |
| Revenue per passenger-kilometer (RMB) ⁽¹⁾ | 0.27 | 0.28 | 0.29 | 0.29 | 0.25 |
| Freight Transportation | | | | | |
| Total freight revenue (RMB millions) | 1,315.35 | 1,386.75 | 1,344.10 | 1,603.29 | 1,763.68 |
| Total freight tons (millions) | 67.93 | 68.70 | 62.67 | 59.56 | 51.56 |
| Revenue per ton (RMB) ⁽²⁾ | 19.36 | 20.18 | 21.45 | 26.92 | 34.21 |
| Total ton-kilometers (millions) | 15,191.43 | 15,519.10 | 14,620.50 | 13,293.83 | 11,425.99 |
| Revenue per ton-kilometer (RMB) ⁽³⁾ | 0.09 | 0.09 | 0.09 | 0.12 | 0.15 |
| Railway Network Usage and other transportation-related services | | | | | |
| (RMB millions) | 3,888.37 | 4,256.00 | 4,890.64 | 5,034.68 | 5,031.24 |

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

Passenger Transportation

Passenger transportation is our largest business segment, accounting for 47.2% of our total revenue and 50.7% of our railroad business revenue in 2014. Our passenger train services can be categorized as follows:

transportation business of Guangzhou-Shenzhen inter-city express trains;

long-distance trains; and

Through Trains in Hong Kong.

As of December 31, 2014, we operated a total of 233.5 of passenger trains per day (each pair of trains meaning trains making one round-trip between two points), representing an increase of 4.5 pairs from 229 pairs as of December 31, 2013, of which:

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

13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains); and

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115.5 pairs of long-distance trains, representing an increase of 4.5 pairs from 111 pairs as of December 31, 2013. Long-distance trains included long-distance passenger trains operated by us between: Shenzhen and Shanghai South; Shenzhen and Beijing West; Kowloon and Beijing West; Guangzhou and Shanghai South; Guangzhou and Beijing West; Guangzhou and Pingshi; Guangzhou and Chongqing North; Guangzhou and Dazhou; Guangzhou and Xi an; Guangzhou and Taizhou; Guangzhou and Jiujiang; Guangzhou and Wenzhou; Guangzhou and Yantai; Guangzhou and Zhangjiajie; Guangzhou and Xi ning; Guangzhou and Lhasa; Guangzhou and Ganzhou and Sanya and Beijing West. Long-distance trains also included domestic long-distance trains that are operated by other operators but originating or terminating on, or passing through, our railroad.

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

| | Total passenger revenue | | | Total passengers | | | Revenue per passenger | | |
|---|-------------------------|---------|---------|------------------|------|------|-----------------------|--------------------|--------------------|
| | 2012 | 2013 | 2014 | 2012 | 2013 | 2014 | 2012 | 2013 | 2014 |
| | (RMB millions) | | | (millions) | | | (RMB) | | |
| Guangzhou-Shenzhen Trains | 2,373.6 | 2,415.8 | 2,115.1 | 35.8 | 37.0 | 36.0 | 66.3 | 65.3 | 58.8 |
| Hong Kong Through Trains | 480.2 | 498.3 | 526.9 | 3.8 | 3.9 | 3.9 | 127.6 | 127.5 | 135.1 |
| Long-distance Trains ⁽¹⁾ | 4,450.0 | 4,560.3 | 3,782.5 | 45.0 | 50.1 | 50.2 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |
| Other Revenues from Passenger Transportation ⁽²⁾ | 537.3 | 583.9 | 563.8 | | | | | | |
| Combined passenger operations | 7,841.1 | 8,058.3 | 6,988.3 | 84.6 | 91.0 | 90.1 | N/A ⁽¹⁾ | N/A ⁽¹⁾ | N/A ⁽¹⁾ |

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

Guangzhou-Shenzhen Trains. In 2014, our passenger transportation services on the trains between Guangzhou and Shenzhen accounted for 30.3% of our railroad passenger transportation revenue. As of December 31, 2014, we operated 105 pairs of intercity CRH passenger trains between Guangzhou and Shenzhen. Such CRH passenger trains are capable of running at a top speed of 200 kilometers per hour. The number of passengers traveling on our Guangzhou-Shenzhen trains decreased by 2.7% from 37.0 million in 2013 to 36.0 million in 2014. The revenue from our Guangzhou-Shenzhen trains decreased by 12.5% from RMB2,415.8 million in 2013 to RMB2,115.1 million in 2014. The decrease in passenger volume and revenue of Guangzhou-Shenzhen trains was primarily due to (i) an increase in the number of travelers travelling between Guangzhou and Shenzhen by high-speed train, which diverts the passenger volume from Guangzhou-Shenzhen trains, and (ii) the opening of the highway between Guangzhou and Shenzhen in December 2013.

Hong Kong Through Trains. In 2014, our passenger transportation services on Hong Kong through trains accounted for 7.5% of our railroad passenger transportation revenue. We currently operate, jointly with the MTR, 13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains). We are responsible for the operation of the Beijing/Shanghai-Kowloon Through Trains and 8 pairs of Canton-Kowloon Through Trains while MTR is responsible for the operation of 3 pairs of Canton-Kowloon Through Trains. In addition, we also provide railway network usage services to MTR for the Hong Kong Through Trains it operates.

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

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

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The volume of passengers who traveled on the Hong Kong Through Trains in 2014 remained the same as in 2013 at 3.9 million. The revenue from Hong Kong Through Trains increased by 5.7% from RMB498.3 million in 2013 to RMB526.9 million in 2014. This increase in passenger volume and revenue was mainly due to (i) the comfort, speed and convenience of Hong Kong Through Trains attracted an increasing number of travelers traveling to Hong Kong and Macau, and (ii) the appreciation of the RMB against the HK dollar lowered the effective costs of traveling on Hong Kong Through Trains.

Domestic Long-distance Trains. In 2014, our passenger transportation services on domestic long-distance trains accounted for 62.2% of our railroad passenger transportation revenue. As of December 31, 2014, we operated on a daily basis 115.5 pairs of long-distance trains on our rail lines to cities in Guangdong, Hunan, Hubei, Jiangxi, Anhui, Jiangsu, Liaoning, Shaanxi, Gansu, Fujian, Heilongjiang, Jilin, Zhejiang, Hebei, Henan, Sichuan, Yunnan, Hainan, Shanxi and Shandong provinces, Chongqing, Shanghai, Beijing and Tianjin municipalities and Guangxi Autonomous Region and Tibet Autonomous Region. In 2014, the number of passengers traveling on our long-distance trains was 50.2 million, representing an increase of 0.3% from 50.1 million in 2013. Our revenue from long-distance trains in 2014 was RMB3,782.5 million, compared to RMB4,560.3 million in 2013. The passenger volume of long-distance trains remained relatively stable. The decrease in revenue of long-distance trains was primarily due to the extension of the Pilot Scheme to the railway transportation industry from January 1, 2014. Value-added tax is a tax on top of but distinct from price. According to the relevant accounting standard in China and overseas, operating revenues should be recognized after deducting value-added tax. As our income and pricing scheme remained unchanged after the implementation of the Pilot Scheme, the deduction of value-added tax from income from the original pricing scheme resulted in lower revenue as compared with the same period last year.

Major Stations. The following are the major train stations owned and operated by us as of December 31, 2014:

| Station | Location | Connected Railways | Passenger | Total Passengers for 2014 (millions) |
|------------------------------|----------------------------------|--|---|---|
| | | | Transportation Business | |
| Guangzhou Station | Yuexiu District, Guangzhou | Beijing-Guangzhou Railway, Guangzhou-Maoming Railway, Guangzhou-Shenzhen Railway, Line 2 and Line 5 of Guangzhou's subway system | Long-distance trains, inter-city trains between Guangzhou and Shenzhen | 29.0 |
| Guangzhou East Station | Tianhe District, Guangzhou | Beijing-Guangzhou Railway, Guangzhou-Shenzhen Railway, Line 1 and Line 3 of Guangzhou's subway system | Long-distance trains, inter-city trains between Guangzhou and Shenzhen, Hong Kong Through Trains | 21.3 |
| Shenzhen Station | Luohu District, Shenzhen | Guangzhou-Shenzhen Railway, Hong Kong railway, Luobao Line of Shenzhen's subway system | Long-distance trains, inter-city trains between Guangzhou and Shenzhen | 22.9 |
| Dongguan Station | Changping Town, Dongguan | Guangzhou-Shenzhen Railway | Long-distance trains, inter-city trains between Guangzhou and Shenzhen, Hong Kong Through | 3.4 |

Trains

| | | | | |
|-----------------------|----------|---------------------------|----------------------|-----|
| Shaoguan East Station | Shaoguan | Beijing-Guangzhou Railway | Long-distance trains | 3.6 |
|-----------------------|----------|---------------------------|----------------------|-----|

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Freight Transportation

Revenue from our freight transportation accounted for 11.9% of our total revenue and 12.8% of our railroad business revenue in 2014. Our principal market for freight is domestic medium and long-haul freight, originating and/or terminating outside the Shenzhen-Guangzhou-Pingshi corridor. We are well equipped with various freight facilities and can efficiently transport full load cargo, single load cargo and containers. We have established business cooperation with ports, logistics bases and specialized building materials markets in our service region.

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

inbound freight, which is primarily freight unloaded at freight stations and spur lines connected to ports on our rail line or in Hong Kong;

outbound freight, which is primarily freight bound for other regions in Mainland China as well as foreign countries loaded at our train stations and spur lines connected to ports on our rail line or in Hong Kong; and

pass-through freight, which refers to freight that travels on our rail line, but which does not originate from or terminate at our rail line.

Revenue from freight transportation business in 2014 was RMB1,763.7 million, an increase of 10.0% from RMB1,603.3 million in 2013. This increase in freight revenue was mainly due to the following factors:

On November 30, 2013, we acquired the container transportation-related cargo business and assets originally owned by Dalang Handling Station of CRC, resulting in a year-on-year increase in related revenues;

Freight transportation-related services and revenues, such as retrieval and delivery of goods and cargo handling, was reclassified as freight transportation services and revenues, under the One Price Policy implemented on June 15, 2013; and

Since February 15, 2014, the unified national railway freight transportation fee has been increased by 1.5 cents per ton kilometer. The freight transportation of Beijing-Guangzhou railway Guangzhou-Pingshi section is operated by us and has adopted a unified fee.

The total tonnage of freight we transported in 2014 was 51.6 million tons, representing a decrease of 13.4% from 59.6 million tons in 2013. This decrease in freight volume was mainly due to the following factors:

Factors including the slowing economic growth in China and an economic shift in the Pearl-Delta region towards technology businesses contributed to a decrease of goods transported via the railway network; and

Since commencing operation, Guangzhou-Zhuhai Railway has increased the competition for freight transportation in the Guangzhou-Shenzhen area.

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

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

Table of Contents***Railway Network Usage and other Transportation-Related Services Business***

Revenue from our railway network usage and other transportation-related services accounted for 34.0% of our total revenue and 36.5% of our railroad business revenue in 2014. In 2014, our revenue from railway network usage and other transportation-related services was RMB5,031.2 million, representing a decrease of 0.1% from RMB5,034.7 million in 2013.

The decrease in revenue from railway network usage was principally due to:

our acquisitions of the container transportation-related cargo business and assets originally operated by Dalang Handling Station of CRC, and the baggage and parcel transportation business operated by CRC Express Co. Ltd Guangzhou Branch, after November 30, 2013;

the Pilot Scheme, which was extended to the railway transportation industry from January 1, 2014. Value-added tax is a tax on top of but distinct from price. According to the relevant accounting standard in China and overseas, operating revenues should be recognized after deducting value-added tax. As our income and pricing scheme remained unchanged after the implementation of the Pilot Scheme, the deduction of value-added tax from income from the original pricing scheme resulted in lower revenue as compared with the same period last year; and

a drop in the prices for the national railway network usage services.

The increase in revenue from railway operation services was principally due to :

an increase of railway transportation services provided to Wuhan-Guangzhou Passenger Railway Line, Guangzhou-Shenzhen-Hongkong Express Railway Line, Guangzhou-Zhuhai Inter-city Railway Line, Xiamen-Shenzhen Railway and Guangzhou-Zhuhai Railway; and

additional railway operation services for Great Southern Rail.

The increase in revenue from other services was mainly due to the acquisition of baggage and parcel delivery-related freight-transportation business and asset originally operated by CRC Express Co. Ltd Guangzhou Branch on November 30, 2013.

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

| | 2012 | 2013 | 2014 |
|---|----------------|---------|---------|
| | (RMB millions) | | |
| Railway Network Usage ⁽¹⁾ | 3,474.2 | 3,326.5 | 2,860.2 |
| Passenger transportation network usage services | 2,908.6 | 2,920.3 | 2,630.9 |
| Freight transportation network usage services | 565.6 | 406.2 | 229.3 |

| | | | |
|--|----------------|----------------|----------------|
| Other Transportation-related Services ⁽²⁾ | 1,416.4 | 1,708.2 | 2,171.0 |
| Railway operation services | 1,078.2 | 1,383.9 | 1,773.3 |
| Other Services ⁽³⁾ | 338.2 | 324.3 | 397.7 |
| Total | 4,890.6 | 5,034.7 | 5,031.2 |

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

Other Businesses

Revenue from our other businesses accounted for 6.9% of our total revenue in 2014. Our other businesses mainly consist of train repairs, on-board catering services, leasing, sales of materials and supplies, sale of goods and other businesses related to railway transportation.

Revenue from our other businesses was RMB1,017.6 million in 2014, compared to RMB1,104.4 million in 2013.

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Seasonality of Our Railway Transportation Business

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

Sales

Passenger Transportation

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

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

In 2009, we launched the finance IC card and Fastpass card systems at stations along the Guangzhou-Shenzhen line, which enabled the passengers to board the trains by flashing the cards without having to queue for tickets. Starting in 2011, in order to facilitate the adoption of our real-name ticketing systems, we ceased operations of the Fastpass card systems. By the end of 2014, we had issued an aggregate of 1.1 million finance IC cards on an accumulative basis. We have installed 8 self-service seat reservation terminals and 42 self-service ticket-invoice printing terminals for travelers using financial IC cards along the Guangzhou-Shenzhen line.

Our stations along the Guangzhou-Shenzhen line have adopted a real-name ticketing system, allowing passengers to use their identification cards to purchase tickets and board trains. Customers who provide their second generation China identification cards or Hong Kong and Macau identification cards may purchase tickets aboard trains without customer service representatives. Customers can also purchase tickets for our Guangzhou-Shenzhen inter-city trains online. We now have a total of 161 automatic ticket selling machines, 146 automatic ticket inspection machines and 119 internet ticket printing machines along the Guangzhou-Shenzhen line.

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

Through Trains. See ITEM 4. INFORMATION ON THE COMPANY B. Business Overview Regulatory Overview Pricing.

Freight Transportation

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

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

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

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

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

We and National Railway Bureau pay National Railway Corporation a fee for railway boxes, which is collected by CRCT. Special cargo transportation income, partially paid to National Railway Bureau and us as railroad usage fees and locomotive traction fees, is attributable to CRSCS.

Competition

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

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

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

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Equipment, Tracks and Maintenance

As of December 31, 2014, we operated 146 diesel locomotives, 201 electric locomotives, 20 EMUs and 1,528 passenger coaches for our operations.

The freight cars we use are all leased from CRC, to which we pay uniform rental fees based on the national standards set by CRC. The amounts of such usage fees we paid to CRC in 2012, 2013 and 2014 were approximately RMB201.2 million, RMB231.5 million and RMB269.1 million, respectively.

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

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

We believe that our existing tracks and equipment meet the needs of our current business and operations. Most of the rails and ties on our main lines have been installed within the last decade and are maintained and upgraded on an ongoing basis as required. In 2012, 2013 and 2014, we made improvements to approximately 133 kilometers, 95 kilometers and 133 kilometers of railway lines, respectively.

Major Suppliers and Service Providers

GRGC, our single largest shareholder, and its subsidiaries are major suppliers of our materials and supplies. In 2014, we purchased approximately RMB560.0 million in materials and supplies from GRGC and its subsidiaries, which represented 42.7% of our total purchase of materials and supplies. See ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS B. Related Party Transactions.

The companies or bureaus owned or controlled by CRC, including the GRGC, our single largest shareholder, are our major customers. In 2014, we collected approximately RMB1,960.7 million from GRGC and its subsidiaries, which represented 13.2% of our operating revenues.

The electricity we use, including electricity used for our lines, is supplied through various entities under the jurisdiction of the Guangdong provincial power bureau on normal commercial terms. In 2012, 2013 and 2014, we paid approximately RMB660.7 million, RMB675.2 million and RMB585.8 million, respectively, in electricity charges.

Regulatory Overview

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

Prior to March 14, 2013, we were regulated by the MOR. However, on March 14, 2013, the First Session of the 12th National People's Congress of the PRC considered and approved the plan on State Council institutional reform and

transformation of government functions, pursuant to which the MOR was dissolved. In accordance with the plan, administrative functions pertaining to railway development planning and policies were transferred to the MOT, other administrative functions previously performed by the MOR were transferred to the National Railway Administration, supervised by the MOT, and commercial functions previously performed by the MOR were transferred to the China Railway Corporation. Upon the completion of the transfer, the de facto control of our largest shareholder was transferred to China Railway Corporation. The details of this plan have not yet been announced. Therefore, the following discussion regarding the regulation of the PRC national railway system may change substantially to reflect this plan. See ITEM 3. KEY INFORMATION D. Risk Factors Risks Relating to Our Business Extensive government regulation of the railway transportation industry may limit our flexibility in responding to market conditions, competition or changes in our cost structure.

Table of Contents***National Railway System***

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

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

Transport Operations

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

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

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

than 1% of our total transportation revenue. Emergency aid transport was required only during periods of natural disasters declared by the PRC government, and was provided with reduced fees.

Table of Contents***Pricing***

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

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

Environmental Protection

We believe that we are in material compliance with all applicable PRC national and local environmental protection laws and regulations. We have not been fined or cited for any activities that have caused environmental damages. We have 14 wastewater treatment facilities used for purposes of treating wastewater generated from cleaning of special cargo freight cars, locomotives, coaches and from residential use of our employees. We pay regular fees to local authorities for the discharge of waste substances. In 2014, our environmental protection-related expenses were approximately RMB21.0 million, mainly related to construction of fixed suction sewage facilities in railway stations.

Insurance

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

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

C. Organizational Structure

The following table lists our significant subsidiaries as of December 31, 2014:

| Name | Country of Incorporation | Percentage of Interest held by our |
|------|-----------------------------|---------------------------------------|
|------|-----------------------------|---------------------------------------|

| | | Company |
|--|-----|----------------|
| Dongguan Changsheng Enterprise Company Limited | PRC | 51% |
| Shenzhen Fu Yuan Enterprise Development Company Limited | PRC | 100% |
| Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited | PRC | 100% |
| Shenzhen Nantie Construction Supervision Company Limited | PRC | 76.66% |
| Shenzhen Railway Property Management Company Limited | PRC | 100% |
| Shenzhen Guangshen Railway Travel Service Ltd. | PRC | 100% |
| Shenzhen Shenhuasheng Storage and Transportation Company Limited | PRC | 100% |
| Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited | PRC | 100% |
| Shenzhen Railway Station Passenger Services Company Limited | PRC | 100% |
| Guangshen Railway Station Dongqun Trade and Commerce Service Company Limited | PRC | 100% |
| Guangzhou Railway Huangpu Service Company Limited | PRC | 100% |

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In 2014, Guangzhou Tielian Economy Development Company Limited (Guangzhou Tielian), a 50.5% owned subsidiary of our Company, was liquidated.

D. Property, Plant and Equipment

We occupy a total area of approximately 39.4 million square meters, among which, we own the land use right of approximately 11.4 million square meters on which our buildings and facilities of Guangzhou-Shenzhen railway are located, and we lease approximately 28.0 million square meters from GRGC for the Guangzhou-Pingshi Railway.

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

As of December 31, 2014, we had not obtained the land use right certificates, or Land Certificates, of certain parcels of land with an aggregate area of approximately 1,995,511 square meters. After consultation with our PRC legal counsel, we believe there is no legal hurdle for us to apply for and to obtain the Land Certificates and we do not believe the current lack of Land Certificates will lead to any material adverse impact on the operation of our business. Accordingly, we do not consider any provision for impairment necessary.

As of December 31, 2014, we had not obtained the ownership certificates of certain buildings, or Building Ownership Certificates, which had an aggregate carrying value of approximately RMB1,921.1 million. After consultation with our PRC legal counsel, we believe that there is no legal hurdle for us to apply for and obtain the Building Ownership Certificates and it should not lead to any material adverse impact on the operation of our business. Accordingly, we do not consider any provision for impairment necessary.

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

As of April 28, 2015, we had 48 stations situated on our rail line, of which the Guangzhou East Station is the largest, occupying an area of 325,325 square meters.

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

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

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

Table of Contents**Overview**

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

For the year ended December 31, 2014, our total revenue was RMB14,800.8 million, profit attributable to equity holders was RMB662.0 million, and earnings per share were RMB0.09. Railroad business revenue accounted for 93.3%, 93.0% and 93.1% of our total revenue in 2012, 2013 and 2014, respectively.

Passenger transportation is our principal business. In 2014, the total number of our passengers was 90.1 million, representing a decrease of 1.0% from 91.0 million in 2013. Our passenger transportation revenue was RMB6,988.3 million in 2014, representing a decrease of 13.3% from RMB8,058.3 million in 2013.

We transported a total of 51.6 million tons of freight in 2014, representing a decrease of 13.4% from 59.6 million tons in 2013. Our freight transportation revenue in 2014 was RMB1,763.7 million, representing an increase of 10.0% from RMB1,603.3 million in 2013.

Revenue from our railway network usages and other transportation-related services business was RMB5,031.2 million in 2014, representing a decrease of 0.1% from RMB5,034.7 million in 2013.

Revenue from our other businesses was RMB1,017.6 million in 2014, compared to RMB1,104.4 million in 2013.

A. Operating Results***Principal Factors Affecting Our Results of Operations***

Economic Development in the Pearl River Delta Region and the PRC. We are mainly engaged in railway transportation services on the trains between Guangzhou-Shenzhen intercity trains, certain long-distance trains and Hong Kong Through Trains. Our results of operations relating to passenger transportation are influenced by the economic development in the Pearl River Delta region. The level of economic activities in the Pearl River Delta region, including the economic cooperation among Hong Kong, Macau and China, affects the number of business people and migrant workers traveling in this region. In addition, the average income levels of residents in this region and elsewhere in the PRC affects the number of the tourists departing from or arriving at our train stations. The majority of the freight we transport is large-volume, medium-to long-distance freight received from and/or transferred to other railway lines. Economic development in the PRC, including but not limited to the Pearl River Delta region, determines the market demand for such goods as coal, iron ore, steel and therefore indirectly affects the market demand of freight train transportation service. Furthermore, the recent global financial crisis and economic downturn had adversely affected economies and businesses around the world, including in China. Due to the global economic downturn, the economic situation in China was severe in the second half of 2008. This change in the macro-economic conditions had an adverse impact on our business and operations by causing a decrease in the number of passengers

and the volume of freight that we transported in 2009. Although many places around the world have recovered since the second half of 2009, the global economic downturn, Europe's sovereign debt crisis, the stability of the Eurozone and the decreased growth rate of China's economy may have a material and adverse effect on our businesses, results of operations and financial condition. For example, we experienced a decrease in the volume of freight transportation, partially due to the slowdown of China's economic growth and a shift in the Pearl River Delta economy towards technology businesses, which require less freight to be transported by rail.

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Competitive Pressure from other Railway Operators and other Means of Transportation. Sales for our passenger transportation services are also affected by the competitive pressure from other railway operators and other means of transportation, such as the automobile, bus, ferry and airplane services. With the establishment of the four horizontal and four vertical high-speed railway network, more high-speed trains that connect the Pearl River Delta region and other major mainland cities are available to the public, including the Guangzhou-Shenzhen-Hong Kong passenger line which commenced operation in December 2011, the Beijing-Guangzhou passenger line which commenced operation in December 2012, the Xiamen-Shenzhen passenger line which commenced operation in December 2013 and the Nanning-Guangzhou and Guiyang-Guangzhou passenger lines which commenced operation in December 2014. As a result, the number of passengers traveling by our long-distance train services decreased recently. In response to such competition, we adjusted the operational scheme of passenger transportation to increase the number of pairs of long-distance trains. In addition, the opening of the Guangzhou-Shenzhen high speed rail way, the rapid growth in the number of privately owned vehicles and a higher penetration of bus services also affected the number of train passengers traveling short distances and any significant decrease in the air transportation prices affects the number of train passengers traveling long distances. Our sales of the freight transportation services are also affected by the competition from other means of transportation, such as water, truck and freight transportation services. We also expect competition to increase in the future as the marketization reform of the railway industry (including the reformation of the investment and financing system, the transportation management system and the pricing system) gradually deepens. New passenger lines across China have commenced operations since 2009.

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

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

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

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

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

In 2014, the total number of our passengers was 90.1 million, representing a decrease of 1.0% from 91.0 million in 2013. Our passenger transportation revenue was RMB6,988.3 million in 2014, representing a decrease of 13.3% from RMB8,058.3 million in 2013. The decrease in passenger volume was primarily due to the establishment of the four

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

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

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

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

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

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

| | Year ended | | Change from |
|--|---------------------|-------------|--------------------|
| | December 31, | | |
| | 2013 | 2014 | 2013 to |
| | | | 2014 |
| Revenue from freight transportation (RMB thousands) | 1,603,288 | 1,763,679 | 10.0% |
| - Revenue from outbound freight transportation | 527,412 | 590,448 | 12.0% |
| - Revenue from inbound and pass-through transportation | 904,908 | 920,255 | 1.7% |
| - Revenue from other freight transportation services | 170,968 | 252,976 | 48.0% |
| Total freight tons (thousands of tons) | 59,556 | 51,562 | (13.4%) |
| - Outbound freight tonnage | 20,344 | 18,318 | (10.0%) |
| - Inbound and pass-through freight tonnage | 39,212 | 33,244 | (15.2%) |
| Revenue per ton (RMB) | 26.9 | 34.2 | 27.2% |
| Total ton-kilometers (millions) | 13,293.8 | 11,426.0 | (14.1%) |
| Revenue per ton-kilometer (RMB) | 0.12 | 0.15 | 25% |

Railway network usage and other transportation-related services. Revenue from our railway network usage and other transportation-related services accounted for 34.0% of our total revenue and 36.5% of our railroad business revenue in 2014. Railway network usage and other transportation-related services mainly include locomotive traction, track usage, electric catenaries, vehicle coupling and other services. Revenue from our railway network usages and other transportation-related services business was RMB5,031.2 million in 2014, representing a decrease of 0.1% from RMB5,034.7 million in 2013. The decrease in revenue from railway network usage and other transportation-related services was principally due to (i) the reduction in the revenues after November 30, 2013, when we acquired the container transportation-related cargo business and assets originally operated by Dalang Handling Station of CRC, and

the baggage and parcel transportation business operated by CRC Express Co. Ltd Guangzhou Branch; (ii) the Pilot Scheme, which was implemented for the railway transportation industry from January 1, 2014. Value-added tax is a tax on top of but distinct from price. According to the relevant accounting standard in the PRC and overseas, operating revenues should be recognized after deducting value-added tax. As our income and pricing scheme remained unchanged after the implementation of the Pilot Scheme, the deduction of value-added tax from income from the original pricing scheme resulted in lower revenue as compared with the same period last year; and (iii) during the reporting period, there was a drop in the prices for the national railway network usage services.

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

Table of Contents**Operating Expenses**

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

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

| | Year ended December 31, | |
|--|--------------------------------|-------------|
| | 2013 | 2014 |
| Railroad businesses revenue (RMB millions) | 14,696.3 | 13,783.2 |
| Business tax | 2.43% | 0.44% |
| Labor and benefits | 26.76% | 32.22% |
| Equipment leases and services | 28.35% | 26.33% |
| Land use right leases | 0.38% | 0.39% |
| Materials and supplies | 10.80% | 9.51% |
| Repairs and facilities maintenance costs, excluding materials and supplies | 3.41% | 6.57% |
| Depreciation of fixed assets | 9.47% | 10.20% |
| Amortization of leasehold land payments | 0.10% | 0.13% |
| Social services expenses | 0.46% | 0.09% |
| Utility and office expenses | 0.49% | 0.54% |
| Others | 4.97% | 5.93% |
| Operating expenses ratio ⁽¹⁾ | 87.63% | 92.36% |
| Railroad businesses operating margin | 12.37% | 7.64% |

(1) Total railroad operating expenses as a percentage of railroad businesses revenue.

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

Equipment leases and services. Our expenses for equipment leases and services mainly consist of railway line usage fees, train hauling fees and train leasing fees paid to other railway bureaus. In 2014, our expenses relating to equipment leases and services amounted to RMB3,629.8 million, representing a decrease of 3.6% from RMB4,166.3 million in 2013. This was mainly due to a reduction in our long-distance services and a nation-wide decrease in the prices of railway network usage which resulted in a subsequent decrease in the leasing of equipment and related service charges.

Business tax. In 2014, our business tax amounted to RMB61.0 million, representing a decrease of 82.9% from RMB357.8 million in 2013. The decrease was mainly due to the implementation of the Pilot Scheme on January 1, 2014 such that the fact that the revenue from railway transportation is no longer subject to business tax.

Materials and supplies. Our materials and supplies consist of expenses for materials, fuel, water and electricity. In 2014, our materials and supplies amounted to RMB1,310.1 million, representing a decrease of 17.5% from RMB1,587.3 million in 2013. The decrease was mainly due to the implementation of the Pilot Scheme on January 1, 2014, decreased tax burden on procurement of supplies, and lowered workload on locomotive-towing services. See ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS B. Related Party Transactions and Note 38 to our audited consolidated financial statements included elsewhere in this annual report.

The decrease in our operating expenses was partially offset by:

Labor and benefits. In 2014, our labor and benefits expenses amounted to RMB4,441.6 million, representing an increase of 12.9% from RMB3,932.1 million in 2013. The increase was mainly due to an increase in the number of employees, an industry-wide pay-raise, increases in the contributions to the housing fund and social insurance and an increase in the salary and compensation expenses.

Repairs and facilities maintenance costs, excluding materials and supplies. In 2014, our repairs and facilities maintenance costs, excluding materials and supplies, amounted to RMB905.5 million representing an increase of 80.5% from RMB501.7 million in 2013. This was mainly due to an increase of maintenance work on EMU, locomotives and passenger compartments.

Table of Contents***Profit from Operations***

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

Taxation

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

Profit attributable to equity holders of our Company

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

Year ended December 31, 2013 compared with year ended December 31, 2012***Revenue***

In 2013, our total revenue was RMB15,800.7 million, representing an increase of 4.7% from RMB15,091.9 million in 2012. Our revenue from railroad passenger transportation service, freight transportation service and railway network usage and other transportation-related services was RMB8,058.3 million, RMB1,603.3 million and RMB5,034.7 million, respectively, accounting for approximately 51.0%, 10.1% and 31.9% of our total revenue in 2013, respectively.

Passenger transportation. Revenue from passenger transportation accounted for 51.0% of our total revenue and 54.8% of our railroad business revenue in 2013. As of December 31, 2013, we operated 229 pairs of passenger trains each day, including 105 pairs of intercity high-speed passenger trains between Guangzhou and Shenzhen (including 19.5 stand-by pairs), 13 pairs of Hong Kong Through Trains (including 11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Trains and 1 pair of Beijing/Shanghai-Kowloon Through Trains) and 111 pairs of long-distance trains.

In 2013, the total number of our passengers was 91.0 million, representing an increase of 7.5% from 84.6 million in 2012. Our passenger transportation revenue was RMB8,058.3 million in 2013, representing an increase of 2.8% from RMB7,841.1 million in 2012. The increase in passenger volume and revenue from passenger volume was primarily due to (i) a relatively significant increase in the passenger volume of long-distance trains due to the opening of Shenzhen-Shanghai South and Guangzhou-Yantai long distance trains on July 1, 2012, the opening of long-distance trains from Shenzhen East Station to various cities such as Nanning and Chengdu in December 2012 and the opening of long-distance trains from Shenzhen Station to Yantai Station in July 2013; (ii) Guangzhou-Shenzhen inter-city trains implemented the new train schedule from December 2012 that has increased the number of pairs of trains and thereby a corresponding increase in the passenger volume; and (iii) an increase in the number of travelers selecting to travel to Hong Kong and Macau by the Canton-Kowloon Through Trains due to continuous appreciation of the Renminbi and the installation of more comfortable new train models starting in 2012.

The following table sets forth our revenue from passenger transportation and the number of passengers for 2012 and 2013:

| | Year ended December 31, | | Change from |
|---|------------------------------------|-------------|---------------------|
| | 2012 | 2013 | 2012 to 2013 |
| Revenue from passenger transportation (RMB thousands) | 7,841,091 | 8,058,291 | 2.8% |
| Total passengers (thousands) | 84,599 | 90,957 | 7.5% |
| Total passenger-kilometers (millions) | 26,789 | 27,845 | 3.9% |
| Revenue per passenger-kilometer (RMB) | 0.29 | 0.29 | |

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Freight transportation. Revenue from our freight transportation accounted for 10.1% of our total revenue and 10.9% of our railroad business revenue in 2013.

Revenue from freight transportation business in 2013 was RMB1,603.3 million, an increase of 19.3% from RMB1,344.1 million in 2012. This increase in freight revenue was mainly due to (i) the reform of freight transportation organizations for railway across the PRC in June 2013 under which we have undertaken some of the container transportation-related cargo business and assets previously operated by the Guangzhou Branch Company of China Railway Express and the Dalang Handling Station of China Railway Container and thereby a corresponding increase in the related revenue; and (ii) an increase of RMB1.5 cents per ton-kilometer in the average transportation cost of railway freight transportation across the PRC from February 20, 2013.

The total tonnage of freight we transported in 2013 was 59.6 million tons, representing a decrease of 5.0% from 62.7 million tons in 2012. This decrease in freight volume was mainly due to (i) sluggish market demand for bulk goods such as metal ores, non-metal ores and coal under the impact of decelerated domestic economic growth, adjustments in industry structure and other factors that led to decreases in both outbound and inbound freight volume; and (ii) the diversion of part of the freight of Guangzhou Port to Gaolan Port, Zhuhai upon the opening and operation of Guangzhou-Zhuhai Railway Company Limited.

The following table sets forth our revenue from freight transportation and the volumes of commodities we shipped for 2012 and 2013:

| | Year ended | | Change from |
|--|---------------------|-------------|---------------------|
| | December 31, | | |
| | 2012 | 2013 | 2012 to 2013 |
| Revenue from freight transportation (RMB thousands) | 1,344,113 | 1,603,288 | 19.3% |
| - Revenue from outbound freight transportation | 461,793 | 527,412 | 14.2% |
| - Revenue from inbound and pass-through transportation | 831,917 | 904,908 | 8.8% |
| - Revenue from other freight transportation services | 50,404 | 170,968 | 239.2% |
| Total freight tons (thousands of tons) | 62,671 | 59,556 | (5.0%) |
| - Outbound freight tonnage | 21,373 | 20,344 | (4.8%) |
| - Inbound and pass-through freight tonnage | 41,299 | 39,212 | (5.1%) |
| Revenue per ton (RMB) | 21.5 | 26.9 | 25.1% |
| Total ton-kilometers (millions) | 14,620.5 | 13,293.8 | (9.1%) |
| Revenue per ton-kilometer (RMB) | 0.09 | 0.12 | 33.3% |

Railway network usage and other transportation-related services. Revenue from our railway network usage and other transportation-related services accounted for 31.9% of our total revenue and 34.3% of our railroad business revenue in 2013. Railway network usage and other transportation-related services mainly include locomotive traction, track usage, electric catenaries, vehicle coupling and other services. Revenue from our railway network usages and other transportation-related services business was RMB5,034.7 million in 2013, representing a decrease of 2.9% from RMB4,890.6 million in 2012. The increase in revenue from railway network usage and other transportation-related services was principally due to (i) an increase in the railway operation services we provided due to increased train frequency of Guangdong Guangzhou Intercity Rail Transportation Company Limited, Wuhan-Guangzhou Passenger Railway Line Co., Ltd. and Guangzhou-Shenzhen-Hong Kong Express Rail Link Company Limited; and (ii) railway

operation services we newly provided to Guangzhou-Zhuhai Railway Company Limited and Xiamen-Shenzhen Railway Company Limited in 2013.

Other Businesses. Our other businesses mainly consist of the sale of materials and supplies, maintenance of trains, on-board catering services, labor services and other businesses related to railway transportation. Revenue from our other businesses was RMB1,104.4 million in 2013, compared to RMB1,016.0 million in 2012.

Operating Expenses

In 2013, our total operating expenses were RMB13,927.4 million, representing an increase of 5.3% from RMB13,229.4 million in 2012.

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The following table sets forth the principal operating expenses associated with our railroad businesses, as a percentage of our railroad business revenue, for 2012 and 2013.

| | Year ended December 31, | |
|--|--------------------------------|-------------|
| | 2012 | 2013 |
| Railroad businesses revenue (RMB millions) | 14,075.8 | 14,696.3 |
| Business tax | 2.42% | 2.43% |
| Labor and benefits | 24.98% | 26.76% |
| Equipment leases and services | 28.58% | 28.35% |
| Land use right leases | 0.39% | 0.38% |
| Materials and supplies | 10.89% | 10.80% |
| Repairs and facilities maintenance costs, excluding materials and supplies | 4.95% | 3.41% |
| Depreciation of fixed assets | 9.65% | 9.47% |
| Amortization of leasehold land payments | 0.11% | 0.10% |
| Social services expenses | 0.66% | 0.46% |
| Utility and office expenses | 0.76% | 0.49% |
| Others | 3.74% | 4.97% |
| Operating expenses ratio ⁽¹⁾ | 87.13% | 87.63% |
| Railroad businesses operating margin | 12.87% | 12.37% |

(1) Total railroad operating expenses as a percentage of railroad businesses revenue.

Railway Operating Expenses. Our total railway operating expenses increased by 5.0% to RMB12,878.8 million in 2013 from RMB12,263.0 million in 2012. This increase was driven primarily by:

Labor and benefits. In 2013, our labor and benefits expenses amounted to RMB3,932.1 million, representing an increase of 11.8% from RMB3,516.6 million in 2012. The increase was mainly due to the increase in salaries across the industry, increase in the number of employees providing railway operation services and increases in housing fund and base of social security payments.

Equipment leases and services. Our expenses for equipment leases and services mainly consist of railway line usage fees, train hauling fees and train leasing fees paid to other railway bureaus. In 2013, our expenses relating to equipment leases and services amounted to RMB4,166.3 million, representing an increase of 3.6% from RMB4,022.5 million in 2012. This was mainly due to the opening of Shenzhen-Shanghai South and Guangzhou-Yantai long distance trains by us from July 1, 2012 and container and parcel transportation business newly operated subsequent to the reform of freight transportation organization, and thereby increases in equipment lease and services.

Materials and supplies. Our materials and supplies consist of expenses for materials, fuel, water and electricity. In 2013, our materials and supplies amounted to RMB1,587.3 million, compared to RMB1,532.6 million in 2012.

Business tax. In 2013, our business tax amounted to RMB357.8 million, representing an increase of 5.2% from RMB340.0 million in 2012. The increase was due to increased revenue.

The decrease in our operating expenses was partially offset by:

Repairs and facilities maintenance costs, excluding materials and supplies. In 2013, our repairs and facilities maintenance costs, excluding materials and supplies, amounted to RMB501.7 million representing a decrease of 28.0% from RMB696.9 million in 2012. This was mainly due to the decrease in phase 4 repairs costs for our CRH EMUs.

Utility and office expenses. In 2013, our utility and office expenses amounted to RMB71.5 million, representing a decrease of 33.3% from RMB107.2 million in 2012. This was mainly due to reclassification of sales expenses from utility and office expenses amounting to RMB20.0 million to others and reduced security expenses.

Social service expenses. In 2013, our social service expenses amounted to RMB68.0 million, representing a decrease of 27.0% from RMB93.1 million in 2012. This was mainly due to the decrease of relevant expenses as a result of our acquisition of assets and business of related parties which had provided us with social services. See ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS B. Related Party Transactions and Note 38 to our audited consolidated financial statements included elsewhere in this annual report.

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Profit from Operations

Our profit from operations decreased by 2.4% to RMB1,888.2 million in 2013 from RMB1,934.3 million in 2012, primarily due to the increase of our operating expenses.

Taxation

In 2013, according to relevant tax regulations, our subsidiaries were subject to income tax at the rate of 25%, except for one subsidiary which was subject to income tax rate of 20%. Our income tax expense was RMB430.7 million in 2013, representing a decrease of 2.4%, compared to RMB441.2 million in 2012. The decrease was primarily due to the decrease in our profit from operations.

Profit attributable to equity holders of the Company

As a result of the above, our profit attributable to equity holders of the Company decreased by 3.4% to RMB1,273.8 million in 2013 from RMB1,319.0 million in 2012.

Critical Accounting Policies and Estimates

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

Revenue recognition

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

We recognize revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of our business activities as described below. We base our estimates on historical results, taking into consideration the type of customers, the type of transactions and other specifics of each arrangement.

Revenue from railway business: revenue from railway business includes revenue from passenger and freight services and revenue from railway network usage and other transportation-related services. Other transportation-related services include the railway operation service provided to other railway companies and other service provided in relation to passenger and freight transportation. Revenue from railway business is recognized when the services are rendered and revenue can be reliably measured.

Revenue from other businesses: revenue from other businesses principally includes services offered in railway stations, sales of food, beverages and merchandise on board the trains and in the railway stations. Revenue from other businesses is recognized once the related services or goods are delivered, the related risks and rewards of ownership have been transferred and revenue can be reliably measured.

Interest income: we recognize interest income using the effective interest method. When a receivable is impaired, we reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and we continue unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

Dividend income: dividend income is recognized when the right to receive payment is established.

Rental income: revenue from operating lease arrangements is recognized on a straight-line basis over the period of the respective leases.

Table of Contents***Fixed assets***

The railway industry is capital intensive. Under IFRS, fixed assets are initially recorded at historical cost less depreciation and impairment loss. Historical cost represents expenditure that is directly attributable to the acquisition of the items (for the case of fixed assets acquired by us from GRGC during the Restructuring, the revaluated amount in the Restructuring was deemed costs). We have early adopted the amended IFRS 1, First-time Adoption of IFRS beginning from January 1, 2010. With the amended IFRS 1, the revaluated amount can become deemed costs so long as the revaluation takes place at periods before or during the first-time IFRS adopters' first set of IFRS financial statements. In addition, the IASB has made a special provision in this IFRS 1, which allows existing IFRS preparers to retrospectively apply this rule.

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

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

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

Note a: The estimated useful lives of buildings, tracks, bridges and service roads exceed the initial lease periods of the respective land use right lease grants (the Lease Term) and land use right operating leases (the Operating Lease Term) of the land on which these assets are located. Pursuant to the relevant laws and regulations in the PRC governing the land use right lease grant, we have the right to renew the leases to a period not less than 50 years after payment of additional cost. This right can be exercised within one year of the expiry of the initial Lease Term and can only be denied if such renewals are considered to be detrimental to the public interest. We consider the approval process to be perfunctory. In addition, based on the provision of the land use right operating lease agreement entered into with our single largest shareholder, we can renew the lease at our own discretion upon expiration of the Operating Lease Term. Based on these considerations, we determined the estimated useful lives of these assets to extend beyond the initial Lease Term as well as the Operating Lease Term.

The assets' residual values and estimated useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

Government grants

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

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

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

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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 to be completed within 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 recorded as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence to prove the following:

significant financial difficulty of the issuer or obligor;

a breach of contract, such as a default or delinquency in interest or principal payments;

we, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

the disappearance of an active market for that financial asset because of financial difficulties; or

observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are recorded as non-current liabilities.

Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of our share of identifiable net assets acquired. Goodwill arising from acquisitions of subsidiaries business is disclosed separately on our balance sheet. Goodwill is tested for impairment annually or, whenever there is an indication of impairment, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units, identified according to operating segment, that are expected to benefit from the business combination in which the goodwill arose.

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

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

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

Current and deferred income tax

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

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 our subsidiaries and associates operate and generate taxable income. We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Employee benefits

We make contributions to employee benefit funds operated by the local governments for pension, housing, safety and other employee benefit matters. We have no payment obligations once the contributions have been paid according to the relevant laws and regulations. The contributions to such statutory employee benefit funds are recognized as staff costs when they are due.

Termination benefits are payable when qualified employees accept voluntary redundancy in exchange for such benefits, subject to approval by our management. We recognize retirement benefits after forming a formal final decision to terminate an employee or to provide retirement benefits after an employee accepts an offer for voluntary

redundancy. Benefits due more than 12 months after the balance sheet date are discounted to present value.

Critical Accounting Estimates and Assumptions

We make estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 as follows:

Table of Contents***Estimates of the depreciable lives of fixed assets***

The estimate of depreciable lives of fixed assets, especially tracks, bridges and service roads, was made by our Directors with reference to the historical usage of the assets; their expected physical wear and tear; results of recent durability assessment performed; technical or commercial obsolescence arising from changes or improvements in production of similar fixed assets, our right to renew the land use right grants and the land use right lease on which these assets are located, and the changes in market demand for, or legal or comparable limits imposed on, the use of such fixed assets.

See ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS A. Operating Results Critical Accounting Policies and Estimated Fixed Assets and Note 2.6 to our consolidated financial statements included elsewhere in this annual report for the current estimated useful lives of fixed assets. If the estimated depreciable lives of tracks, bridges and service roads had been increased/decreased by 10%, the depreciation expenses of fixed assets for the year ended December 31, 2014 would have been decreased/decreased by approximately RMB19.1 million and RMB23.4 million, respectively, compared to RMB18.5 million and RMB22.6 million in 2013, respectively).

Estimated impairment of goodwill

We test whether goodwill has suffered any impairment annually or, whenever there is an indication of impairment, in accordance with the accounting policy stated in Note 2.9 to our consolidated financial statements included elsewhere in this annual report. The recoverable amounts of cash-generating units have been determined based on the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of estimates. See Note 9 to our consolidated financial statements included elsewhere in this annual report.

Estimated impairment of non-financial assets (other than goodwill)

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

Recently adopted accounting standards

In the current year, we have adopted the following new and revised standards, and amendments to existing standards which are mandatory for the financial year beginning January 1, 2014:

Amendment to IAS 32 *Financial instruments: Presentation on asset and liability offsetting* clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on our consolidated financial statements.

Amendments to IFRS10, IFRS12 and IAS 27 *Consolidation for investment entities* mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an investment entity definition and

which display particular characteristics. Changes have also been made in IFRS12 to introduce disclosures that an investment entity needs to make. The amendment did not have a significant effect on our financial statements.

Amendments to IAS 36 *Impairment of assets on recoverable amount disclosures for non-financial assets* removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on our consolidated financial statements.

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IFRIC 21 *Levies* includes the interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognized. We are not currently subjected to significant levies so the impact on us is not material.

Amendment to IAS 39 *Financial instruments: Recognition and measurement* considers legislative changes to over-the-counter derivatives and the establishment of central counterparties. Under IAS 39, novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. We have applied the amendment and there has been no significant impact on the group financial statements as a result.

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

New accounting pronouncements

The following new standards, amendments and interpretations have been issued as of December 31, 2014 but are not yet effective for IFRS financial statements for the year ended December 31, 2014:

| | Effective for annual periods beginning on or after |
|---|---|
| Amendment to IAS19 regarding defined benefit plans: employee contributions | July 1, 2014 |
| Annual improvements to IFRSs 2010-2012 Cycle | July 1, 2014 |
| Annual improvements to IFRSs 2011-2013 Cycle | July 1, 2014 |
| Annual improvements to IFRSs 2012-2014 Cycle | January 1, 2016 |
| IFRS 14 Regulatory Deferral Accounts | January 1, 2016 |
| Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations | January 1, 2016 |
| Amendments to IAS 1 Disclosure Initiative | January 1, 2016 |
| Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization | January 1, 2016 |
| Amendments to IAS 16 and IAS 41 on Agriculture: bearer plants | January 1, 2016 |
| Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture | January 1, 2016 |
| Amendment to IAS 27 on equity method in separate financial statements | January 1, 2016 |
| Amendments to IFRS 10 , IFRS 12 and IAS 28 on investment entities: applying the consolidation exception | January 1, 2016 |
| IFRS15 Revenue from Contracts with Customers | January 1, 2017 |
| IFRS 9 Financial Instruments | January 1, 2018 |

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

B. Liquidity and Capital Resources

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

We generated approximately RMB1,945.6 million of net cash flow from operating activities in 2014. Substantially all of our revenue was received in cash, with accounts receivable arising primarily from long-distance passenger train services provided and pass-through freight transactions originating from other railway companies whose lines connect to our railroad. Similarly, some accounts payable arise from payments for railroad transportation services that we collect on behalf of other railroad companies and should pay to these companies. Accounts receivable and payable were generally settled either quarterly or monthly between us and the other railroad companies. Most of our revenue generated from our other businesses was also received in cash. We also have accounts payable associated with the purchase of materials and supplies in our other businesses.

In 2014, other than operating expenses, our cash outflow mainly related to the following:

repayment of bond payables of RMB3.5 billion;

capital expenditures of approximately RMB999.6 million, representing a decrease of 27.4% from RMB1,376.6 million in 2013;

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payment of dividends of approximately RMB566.7 million; and

income tax expenses of approximately RMB308.0 million;

Our capital expenditures for 2014 consisted primarily of the following projects;

replacement of steel tracks for Guangzhou-Shenzhen line and Guangping section of Beijing-Guangzhou line;

replacement of railroad switch for Guangping section of Beijing-Guangzhou line and Jiangcun Station;

upgrading train stations and connection networks.

Funds not required for immediate use are kept in short-term investments and bank deposits. We had cash and cash equivalents of approximately RMB1,665.1 million as of December 31, 2014.

As of December 31, 2014, we did not have any entrusted deposits placed with any financial institutions in the PRC and we did not engage in any trust business.

In order to satisfy our operational needs, to supplement our working capital and to improve our debt structure, we issued RMB3.5 billion 4.79% fixed rate notes due 2014, or the Notes, on December 16, 2009. The Notes were issued at face value and bear fixed interest at 4.79% per annum and were repaid in full on December 17, 2014. As of December 31, 2014, we did not have any banking facilities.

Cash Flow

Our net cash and cash equivalents as of December 31, 2014 increased by approximately RMB1,252.4 million from December 31, 2013. Our principal source of capital was revenue generated from operating activities.

The following table sets forth certain items in our consolidated cash flow statements for 2012, 2013 and 2014, and the percentage change in these items from 2013 to 2014:

| | Year ended December 31, | | | Change from 2013 to 2014 |
|--|-------------------------|-------------|-------------|--------------------------------|
| | 2012 | 2013 | 2014 | |
| | (RMB thousands) | | | |
| Net cash generated from operating activities | 2,177,673 | 1,883,411 | 1,945,576 | 3.3% |
| Net cash (used in)/generated from investing activities | (2,160,895) | (1,572,961) | 3,373,821 | N/A |
| Net cash used in financing activities | (708,522) | (572,785) | (4,067,018) | (610.0%) |
| Net (decrease) /increase in cash and cash equivalents | (691,744) | (262,335) | 1,252,379 | N/A |

Our net cash inflow from operating activities increased to RMB1,945.6 million in 2014 from RMB1,883.4 million in 2013, primarily due to (i) the extension of the Pilot Scheme to the railway transportation industry, which greatly reduced our operating income during the reporting period, (ii) an increase in trade payables of RMB514.3 million in 2014, primarily due to the Pilot Scheme, (iii) a decrease in prepayments and other receivables of RMB15.1 million, primarily due to the Pilot Scheme, (iv) a decrease in employee benefits obligations of RMB7.9 million and (v) interest income of RMB90.1 million. Our net cash inflow from operating activities decreased to RMB1,883.4 million in 2013 from RMB2,177.7 million in 2012, primarily due to an increase in trade receivables of RMB550.4 million in 2013 due to (i) delayed payment by certain railroad companies who commissioned us to operate certain railway lines, (ii) a decrease in trade payables of RMB283.0 million in 2013 due to decreased train repair costs and project construction costs payable, and (iii) an increase in prepayments and other receivables of RMB94.2 million in 2013, compared to a decrease in prepayments and other receivables of RMB4.1 million in 2012.

Our net cash from investment activities in 2014 was RMB3,373.8 million and our net cash used in investment activities was RMB1,573.0 million in 2013, primarily due to a decrease in short-term deposits with maturities more than three months.

Our net cash used in investment activities decreased to RMB1,573.0 million in 2013 from RMB2,160.9 million in 2012, primarily due to (i) a decrease in capital expenditures of RMB459.6 million and (ii) a decrease in short-term deposits with maturities more than three months, net, of RMB309.6 million in 2013, compared to RMB488.0 million in 2012.

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

Our net cash used in financing activities decreased to RMB572.8 million in 2013 from RMB708.5 million in 2012, primarily due to a decrease of RMB141.7 million in the distribution of cash dividend to the shareholders in 2013.

Our working capital was mainly used for capital expenditures, operating expenses and payment of taxes and dividends and investments. In 2014, our expenses for the purchase of fixed assets and payments for construction-in-progress totaled RMB999.6 million. In addition, we paid RMB308.0 million for income taxes and approximately RMB566.7 million for dividends.

We believe we have sufficient financial resources to meet our operational and development requirements in 2015.

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

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

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

D. Trend Information

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

At the same time, however, with the improvement of highway and waterway transportation facilities, we anticipate additional competition. In addition, the economic measures PRC government implemented to manage its economy may have an impact on our business and results of operations in 2015. In addition, any change of the benchmark interest rates set by the PRC government and the implementation of other applicable policies may have an impact on our business and results of operations in 2015.

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

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

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Looking into 2015, China remains in a strategic opportunity phase for its development. Under the background of the steady growth of China's economy and its stable social situation, the railway transportation industry is expected to develop in a more scientific, orderly, sustained and stable manner in 2015, with continuous growth of the railway network and transportation capacity, as well as volume of passengers and freight.

E. Off-Balance Sheet Arrangements

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

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations, capital commitments and operating lease commitments as of December 31, 2014 for the periods indicated.

| Contractual Obligations | Payment due by period (RMB thousands) | | | | |
|---|---------------------------------------|---------------------|----------|----------|----------------------|
| | Total | Less than 1 year | 1-3 year | 3-5 year | More than 5 years |
| Capital Expenditure Obligation ⁽¹⁾ | 146,979 | 146,979 | | | |
| Operating Lease Obligations ⁽²⁾ | 888,000 | 74,000 | 148,000 | 148,000 | 518,000 |
| Total | 1,034,979 | 220,979 | 148,000 | 148,000 | 518,000 |

(1) See Note 36(a) to our audited consolidated financial statements, Capital Commitments .

(2) See Note 36(b) to our audited consolidated financial statements, Operating Lease Commitments .

Based on the current progress of our new projects, we estimate that our capital expenditures for 2015 will amount to approximately RMB1.46 billion and will consist primarily of the following projects:

capacity expansion of Xiayuan Station and Sungang Station;

construction of new intercity train station within Guangzhou-Shenzhen Pinghu station;

automatic closing and computer interlocking reconstruction;

replacement of diesel-generators for passenger trains;

replacement of steel tracks, railroad switches and railroad switch ties.

G. Safe Harbor

See Forward-Looking Statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors

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

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The table below sets forth the information relating to our directors as of April 28, 2015:

| Name | Age | Position | Date First Elected or Appointed |
|--------------|------------|--|--|
| Wu Yong | 51 | Chairman of the Board of Directors | 2014 |
| Shen Yi | 59 | Executive Director and General Manager | 2008 |
| Sun Jing | 49 | Director | 2012 |
| Yu Zhiming | 56 | Director | 2008 |
| Huang Xin | 50 | Director | 2014 |
| Luo Qing | 50 | Executive Director | 2014 |
| Chen Song | 42 | Independent non-executive Director | 2014 |
| Jia Jianmin | 57 | Independent non-executive Director | 2014 |
| Wang Yunting | 56 | Independent non-executive Director | 2014 |

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

Shen Yi is our executive Director and general manager and joined our Company in 2008. Mr. Shen graduated from the Northern Jiaotong University (now, Beijing Jiaotong University) and holds a bachelor's degree in railway transportation. He has more than 30 years of experience in railway transportation management and has served at different railway stations and sections, Railway Sub-bureaus and Railway Bureaus. He was general manager of Hong Kong Qiwen Trade Company Limited, Guangmeishan Railway Company Limited and Huaihua Railway Company of GRGC. Before joining our Company in October 2008, he was the general manager of Shichang Railway Company Limited.

Sun Jing is our non-executive Director and joined our Company in 2012. He is a senior engineer and has a bachelor's degree and a master's degree in engineering. Before June 2004, Mr. Sun worked at the northern locomotive section of Zhengzhou Sub-bureau of Zhengzhou Railway Bureau, locomotive department of Zhengzhou Railway Bureau and Yueshan locomotive section of Zhengzhou Sub-bureau of Zhengzhou Railway Bureau. From June 2004 to March 2007, he has served as division chief of the locomotive department of Zhengzhou Railway Bureau. He was an assistant to the director of Zhengzhou Railway Bureau from April 2007. He has been served as deputy general manager of GRGC since May 2007. Mr. Sun is now a director of Guangzhou Electric Locomotive Co., Ltd.

Yu Zhiming is our non-executive Director and joined our Company in 2008. Mr. Yu is a senior accountant and has a bachelor's degree and a master's degree in engineering. He has many years of experience in finance. Before April 2008, he served as director of the Sub-division of Finance of Wuhan Railway Sub-bureau of Zhengzhou Railway Bureau, the director of the finance department of Wuhan Railway Bureau, director of capital settlement center of Wuhan Railway Bureau and the standing vice-director of capital settlement center of MOR. Since April 2008, he has been chief accountant of GRGC. Currently, Mr. Yu is also the chairman of the board of China Railway (HK) Holdings Ltd, chairman of the supervisory committee of Yuehai Railway Company Limited, Guangdong Guangzhou Zhuhai Inter-city Railway Traffic Co., Ltd., MaoZhan Railway Company Limited and Guangdong Pearl River Delta Inter-city Railway Traffic Co., Ltd. Mr. Yu is the director of Guangmeishan Railway Company Limited, Guangdong Sanmao Railway Company Limited, Shichang Railway Company Limited, Hukun Passenger Railway Line (Hunan) Co., Ltd., Hainan Eastern High Speed Company Limited, Ganzhou-Shaoguan Railway Company Limited, China Railway Container Transportation Limited, China Railway Special Goods Transportation Limited, Huaishaozheng Railway Co., Ltd. and Qianzhangchang Railway Company Limited and a supervisor of Guangzhou Zhuhai Railway Company Limited.

Huang Xin is our non-executive Director and joined our Company in 1997. Mr. Huang is an engineer and has a bachelor's degree. Mr. Huang has many years of experience in various positions in joint railway companies and has served in our Company for ten years between December 1997 and October 2007 at positions including the deputy manager of transportation management, head of the sales center's integrated division, stationmaster of Shenzhen station, secretary of the party committee of the transportation department and the chief of passenger transportation department, safety control department and human resources department. From October 2007 to April 2012, he served as the director of the passenger transportation department of GRGC and also became GRGC's deputy general engineer between April 2012 and September 2014. Since September 2014, he has been serving as the deputy director of CRC transportation and operation department.

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

Chen Song is our independent non-executive Director and joined our Company in May 2014. Mr. Chen is a certified public accountant of China and a certified internal auditor registered in the US. He has a doctorate degree in finance and investment from Management School of Sun Yat-sen University. Mr. Chen was a teacher in higher mathematics and pharmaceutical machinery in Guangdong Food and Drug Vocational College, the tutor for MBA and EMBA in Management School of Sun Yat-sen University, managerial trainee in P&G (China) Investment Limited Company, financial analysis manager in Crest Oral Department, financial supervisor of business department, CFO, executive director of Heinz (China) Investment Co., Ltd., chief financial officer of Ren Coty (China) and a director and general manager of its cosmetics division, financial supervisor of Greater China Region in Boer CMC Markets Asia Pacific Pty Ltd. He currently serves as deputy general manager and CFO of Chongqing Brewery Co., Ltd.

Jia Jianmin is our independent non-executive Director and joined our Company in May 2014. Mr. Jia has a master's degree and doctorate degree in business from the University of Texas at Austin. He was a member of The National Natural Science Foundation of Department of Management Science Advisory Committee of Experts, a member of China National MBA Education Supervisory Committee and a Scholar Director of MSI USA. He has served companies including Hutchison Whampoa, China Telecom, China Mobile, China Citic Bank, IBM, China Rail, CSR and CNR. He is a professor and chairman of the Department of Marketing of Faculty of Business Administration of The Chinese University of Hong Kong and holds the title of Changjiang Scholar Professor of the Ministry of Education of PRC.

Wang Yunting is our independent non-executive Director and joined our Company in May 2014. Mr. Wang graduated from Medical School of Xi'an Jiaotong University with a bachelor's degree and obtained an EMBA degree from Guanghua School of Management, Peking University. Mr. Wang was the vice general manager of China Commercial Foreign Trade Corporation, Ltd. (Shenzhen) and vice general manager of Beijing Capital Huayin Group. He is now a director of Shaanxi Fortune Investment Limited.

Supervisors

The table below sets forth the information relating to our supervisors as of April 28, 2015.

| Name | Age | Position | Date First Elected or Appointed |
|---------------|------------|---------------------------------------|--|
| Liu Mengshu | 51 | Chairman of the supervisory committee | 2014 |
| Chen Shaohong | 48 | Supervisor | 2008 |

| | | | |
|---------------|----|------------|------|
| Shen Jiancong | 46 | Supervisor | 2011 |
| Li Zhiming | 54 | Supervisor | 2005 |
| Chen Jianping | 48 | Supervisor | 2011 |
| Song Min | 44 | Supervisor | 2014 |

Liu Mengshu is chairman of our supervisory committee and joined our Company in May 2014. Mr. Liu is an engineer and has a bachelor's degree. He served in the Huaihua Sub-bureau of Guangzhou Railway Bureau and GRGC Changsha headquarters. He served in GRGC as the head of the director of organization of the party committee of GRGC from November 2004 to April 2006, as head of the GRGC party committee's propaganda department from April 2006 to September 2008 and as GRGC's office director from September 2008 to December 2013. Since December 2013, he has been the deputy secretary of CPC and the secretary of Committee for Discipline Inspection of GRGC. Currently, Mr. Liu is also the chairman of the supervisory committee of Guangmeishan Railway Company Ltd. and Guangdong Sanmou Railway Company Ltd.

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Chen Shaohong is our Supervisor and joined our Company in 2008. Mr. Chen is an economist and holds a bachelor's degree. Mr. Chen has been engaged in the research and practice of enterprise management for a long time. Before April 2006, he has been vice-section chief and section chief of mechanism reform section of corporate management office, vice-director of corporate management office and vice-director of corporate management and legal affairs department of GRGC. From April 2006 to May 2008, he served as director of corporate management and legal affairs department of GRGC. Since June 2008, Mr. Chen has been vice-chief economist and director of corporate and legal affairs department of GRGC. Mr. Chen is also the chairman of supervisory committee of Shichang Railway Company Limited, Hukun Passenger Railway Line (Hunan) Co., Ltd. and Hainan Railway Economic and Technological Development Corporation Company; director of Guangmeishan Railway Company Limited, Guangdong Sanmao Railway Enterprise Development Company, Yuehai Railway Company Limited, Xiamen-Shenzhen Railway (Guangdong) Company Limited, Jingyue Railway Company Limited and Guangdong Shenmao Railway Company Limited and the supervisor of Guangdong Sanmao Railway Company Limited, Huaishaohe Railway Co., Ltd., Hunan Inter-city Railway Company Limited, Guangzhou Electric Locomotive Co., Ltd., Guangdong Pearl River Delta Inter-city Railway Traffic Co., Ltd., Hainan High Speed Ring Railway Company Limited, Guangzhou-Shaoguan Railway Company Limited, China Railway Express Co., Ltd. and Qianzhangchang Railway Company Limited.

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

Li Zhiming is our Supervisor and joined our Company in 2005. Mr. Li is an accountant and has a bachelor's degree from the Party School of CPC in economics and management. Before 1996, Mr. Li had served in various managerial positions in Hengyang Railway Sub-bureau of Guangzhou Railway Bureau and Changsha Railway Company of GRGC. From 1996 to March 2005, he was chief of Finance Sub-division of Changsha Railway Company of GRGC. Since April 2005, Mr. Li has been deputy chief and chief of the audit department of GRGC. Mr. Li is also the chairman of the supervisory committee of Guangdong Shenmao Railway Company Limited and Guangzhou Tiecheng Enterprise Company Limited, chairman of the supervisory committee of Xingguangji Trade Company Limited; director of Hong Kong Qiwen Limited and Hainan Railway Economic and Technological Development Corporation; supervisor of Guangmeishan Railway Company Limited, Guangdong Sanmao Railway Company Limited, Guangdong Sanmao Railway Enterprise Development Company Limited, Yuehai Railway Company Limited, Shichang Railway Company Limited, Hukun Passenger Railway Line (Hunan) Co., Ltd, Huaishaohe Railway Co., Ltd., Xiamen-Shenzhen Railway (Guangdong) Company Limited, Ganzhou-Shaoguan Railway Company Limited, Guiyang-Guangzhou Railway Co., Ltd, Hunan-Guangzhou Railway Co., Ltd., Jingyue Railway Company Limited and Guangzhou Zhuhai Railway Company Limited.

Chen Jianping is our Supervisor and joined our Company in 2007. Mr. Chen worked with the First High School of Guangzhou Railway and Locomotive Sports Association of GRGC and is working with GRGC and our Company. Mr. Chen served as the office secretary of the trade union of GRGC, director of the logistic department of our Company, deputy secretary of the party committee and concurrently the secretary of committee for disciplinary inspection of the passenger transportation business unit of our Company, deputy office manager of our Company and chairman of the trade union of the mechanized line center of GRGC. From 2007 to October 2012, he has served as the section chief of Guangzhou Passenger Transportation Division, and from November 2012 to October 2013, he has been the general manager of diversified operation and development center, deputy secretary of the party committee and director of various operation and management offices of GRGC. From November 2013 to September 2014, he

was the stationmaster of Shenzhen North station and deputy secretary of the Party Work Committee of our Company. Since October 2014, he has been the chief of passenger transportation department of GRGC.

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

Senior Management

The table below sets forth information relating to our senior management as of April 28, 2015:

| Name | Age | Position | Date First Elected or Appointed |
|----------------|------------|--|--|
| Shen Yi | 59 | General Manager | 2008 |
| Mu Anyun | 54 | Deputy General Manager | 2009 |
| Guo Xiangdong | 49 | Deputy General Manager and Company Secretary | 2004 |
| Tang Xiangdong | 46 | Chief Accountant | 2008 |

Shen Yi is our Director and General Manager.

Mu Anyun joined our Company in February 2009 and is a deputy general manager of our Company. Mr. Mu is an economist and has a bachelor's degree and an MBA degree from Macau University of Science and technology. Mr. Mu joined the railway departments in 1981 and had served in various managerial positions in Guangzhou Railway Bureau and GRGC. From May 2000 to January 2009, he was director and deputy general manager of Guangmeishan Railway Company Limited. Since February 2009, he has been deputy general manager of our Company. Currently, Mr. Mu is also a director of Guangzhou Tiecheng Enterprise Company Limited and Shenzhen Guangshen Railway Civil Engineering Company.

Guo Xiangdong joined our Company in 1991 and is the Deputy General Manager and secretary of the Board. Mr. Guo is an economist and has a bachelor's degree from Central China Normal University and an MBA. Before January 2004, he has been deputy section chief, deputy head and head of secretariat of the Board. From January 2004 to November 2010, he has been appointed as the secretary of the Board and since December 2010, Mr. Guo has been appointed as the deputy general manager and secretary of the Board.

Tang Xiangdong joined our Company in June 1990 and is Chief Accountant of our Company. Mr. Tang is a senior accountant and has a bachelor's degree from Jinan University in business administration and an MBA. Before March 2006, he has served in various professional management positions in the Labor and Capital Department, Diversified Business Department and Revenue Settlement Center of our Company. From March 2006 to November 2008, he was director of Finance Department of our Company. Since December 2008, Mr. Tang has been the chief accountant of our Company. Mr. Tang is also a director of Guangzhou Tiecheng Enterprise Company Limited and Shenzhen Guangshen Railway Civil Engineering Company.

Additional Information

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

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

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| | |
|-------------|--|
| Yu Zhiming | <i>Chairman of the Board of Directors of:</i> China Railway (HK) Holdings Ltd <i>Chairman of the Supervisory Committee of:</i> Yuehai Railway Company Limited Guangdong Guangzhou Zhuhai Inter-city Railway Traffic Co., Ltd. MaoZhan Railway Company Limited Guangdong Pearl River Delta Inter-city Railway Traffic Co., Ltd. <i>Director of:</i> Guangmeishan Railway Company Limited Guangdong Sanmao Railway Co., Ltd. Shichang Railway Company Limited Hukun Passenger Railway Line (Hunan) Co., Ltd. Hainan High Speed Railway Company Limited Ganzhou-Shaoguan Railway Company Limited China Railway Container Transportation Company Limited China Railway Special Goods Transportation Company Limited Huaishaoheng Railway Company Limited Qianzhangchang Railway Company Limited <i>Supervisor of:</i> Guangzhou Zhuhai Railway Company Limited <i>Chief Accountant of:</i> GRGC |
| Huang Xin | <i>Deputy director of:</i> CRC transportation and operation department |
| Liu Mengshu | <i>Chairman of Supervisory Committee of:</i> |

Guangmeishan Railway Company Limited

Chen Shaohong Guangdong Sanmao Railway Co., Ltd.
Vice-chief Economist and Director of Corporate and Legal Affairs Department of:

GRGC

Chairman of Supervisory Committee of:

Shichang Railway Company Limited

Hukun Passenger Railway Line (Hunan) Co., Ltd.

Hainan Railway Economic and Technological Development Corporation Company

Director of:

Guangmeishan Railway Company Limited

Guangdong Sanmao Railway Enterprise Development Company

Yuehai Railway Company Limited

Xiamen-Shenzhen Railway (Guangdong) Company Limited

Jingyue Railway Company Limited Guangdong Shenmao Railway Company Limited

Supervisor of:

Guangdong Sanmao Railway Co., Ltd.

Huaishaoheng Railway Company Limited

Hunan Inter-city Railway Company Limited

Guangzhou Electric Locomotive Co., Ltd.

Guangdong Pearl River Delta Inter-city Railway Traffic Co., Ltd.

Hainan High Speed Railway Company Limited

Ganzhou-Shaoguan Railway Company Limited

China Railway Express Co., Ltd.

Shen Jiancong Qianzhangchang Railway Company Limited
Director of Division of Human Resources and Director of Organization Department of party committee of:

GRGC

Li Zhiming *Chief of the Audit Department of:*

GRGC

Chairman of the Supervisory Committee of:

Guangzhou Tiecheng Enterprise Company Limited

Xingguangji Trade Company Limited

Guangdong Shenmao Railway Company Limited

Director of:

Hong Kong Qiwen Company Limited

Hainan Railway Economic Technological Development Corporation

Supervisor of:

Guangmeishan Railway Company Limited

Guangdong Sanmao Railway Co., Ltd.

Guangdong Sanmao Railway Enterprise Development Company Limited

Yuehai Railway Company Limited

Shichang Railway Company Limited

Hukun Passenger Railway Line (Hunan) Co., Ltd.

Huaishaoheng Railway Company Limited

Xiamen-Shenzhen Railway (Guangdong) Company Limited

Ganzhou-Shaoguan Railway Company Limited

Guiyang-Guangzhou Railway Co., Ltd.

Nanning-Guangzhou Railway Co., Ltd.

Jingyue Railway Company Limited

Guangzhou Zhuhai Railway Company Limited

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| | |
|----------------|---|
| Chen Jianping | <i>Chief of Passenger Transportation Department of:</i> |
| | GRGC |
| Mu Anyun | <i>Director of:</i> |
| | Guangzhou Tiecheng Enterprise Company Limited |
| | Shenzhen Guangshen Railway Civil Engineering Company |
| Tang Xiangdong | <i>Director of:</i> |
| | Guangzhou Tiecheng Enterprise Company Limited |
| | Shenzhen Guangshen Railway Civil Engineering Company |

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

**B. Compensation
Directors and Senior Management**

Total remuneration of our directors, supervisors and senior management members during 2014 included wages, bonuses, other schemes and allowances. Directors or supervisors who are also officers and employees of our Company receive certain other benefits in kind from GRGC or us, such as subsidized or medical insurance, housing and transportation, as customarily provided by the railway companies in the PRC to their employees.

The aggregate amount of cash remuneration paid by our Company in 2014 to all individuals who are our directors, supervisors and senior management members was approximately RMB2.7 million, of which approximately RMB1.4 million was paid to our non-independent directors and supervisors and approximately RMB0.4 million was paid to the independent non-executive directors. The aggregate amount of cash remuneration we paid during the year ended December 31, 2014 for pension and retirement benefits to all individuals who are currently our directors, supervisors and senior management members was approximately RMB0.2 million.

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

As of December 31, 2014, there was no record of interests or short positions (including the interests or short positions which were taken or deemed to have under the provisions of the Hong Kong Securities and Futures Ordinance) held by our directors or supervisors in our shares, debentures or other securities, or securities of any of our associated corporation (within the meaning of the Hong Kong Securities and Futures Ordinance) in the register required to be kept under section 352 of the Hong Kong Securities and Futures Ordinance. We had not received notification of such interests or short positions from any of our directors or supervisors as required to be made to us and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the

HKSE Listing Rules. We have not granted any of our directors or supervisors, or any of their respective spouses or children under the age of 18, any right to subscribe for any of our shares or debentures.

Service Contracts of Our Directors and Supervisors

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

Contracts Entered into by Our Directors and Supervisors

None of our directors or supervisors had any direct or indirect material interests in any contract of significance subsisting during the year ended on December 31, 2014 or as of December 31, 2014 to which we or any of our subsidiaries was a party.

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Remuneration of Our Directors and Supervisors

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

C. Board Practices

Board of Directors

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

Supervisory Committee

We have a supervisory committee consisting of five to seven supervisors. Supervisors serve a term of three years. Upon the expiration of their terms of office, they may be re-appointed to serve consecutive terms. The supervisory committee is presided over by a chairman who may be elected or removed with the consent of two-thirds or more of the members of the supervisory committee. The term of office of the chairman is three years, renewable upon re-election. Our supervisory committee currently consists of four representatives of the shareholders who may be elected or removed by our shareholders' general meeting, and two representatives of our employees who may be elected by our employees at the employees' congress or employees' general meeting or through any other democratic means. Members of our supervisory committee may also attend meetings of the board of directors. The current members of our supervisory committee are: Liu Mengshu, Chen Shaohong, Shen Jiancong, Li Zhiming, Chen Jianping and Song Min. All shareholder representatives of our supervisory committee were elected or re-elected at the annual shareholders' general meeting held on May 29, 2014. Chen Jianping and Song Min were elected as the Supervisors of our Company as employee representatives at the employees' congress held in 2014. The term of these supervisors is 3 years. Our supervisory committee held six meetings during the year ended December 31, 2014, at which resolutions concerning our periodic reports, internal control evaluations and our dividend policy were passed and ratified. Our supervisors attended shareholders' general meetings, meetings of our board of directors and other important meetings concerning our operation during the year ended December 31, 2014. Our supervisory committee reviews the report of our directors, the financial report and proposed profit distribution presented by our board of directors at our annual general meeting of shareholders.

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

to examine our Company's financial situation;

to supervise the performance of duties of the directors, general manager, deputy general managers and other senior management; to propose the dismissal of directors, general manager, deputy general managers and other senior management who have violated any law, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings;

to demand a director, general manager, deputy general manager or any other senior management to rectify such breach when the acts of such persons are harmful to our Company's interest;

to propose the convening of shareholders' general meetings, and to convene and chair the shareholders' general meetings if the board of directors fails to perform this duty as stipulated in the Articles of Association;

to propose motions to shareholders' general meetings; and

to initiate legal proceedings against any director, general manager, deputy general manager and other senior management in accordance with Article 152 of the Company Law.

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

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

Audit Committee

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

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

reviewing the financial reports and the reports of our Company prepared by the independent auditor and its supporting documents, including the review of the internal control and disclosure controls and procedures, and to discuss with the auditor the annual audit plan and solutions to problems in the previous year;

reviewing and approving the selection of and remuneration paid to the independent auditor;

pursuant to the resolutions of the annual general meeting, determining with the Board of Directors the annual auditing fees paid to our independent auditor;

reviewing with the management and the independent auditor the performance, adequacy and effectiveness of the internal controls and risk management, as well as any material deficiencies and weakness existing in the internal controls;

evaluating our Company's performance in complying with industrial practices, market rules, and statutory duties, and the safeguarding of its own interests and the interests of its shareholders;

considering and determining whether any senior executive officer or senior financial personnel is in violation of their code of conduct, and the consequences for such a violation; and

overseeing the management of the retirement pension fund of our Company.

Remuneration Committee

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

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

D. Employees

As of December 31, 2012, 2013 and 2014, we had approximately 34,573, 36,886 and 37,301 employees, respectively. The increase in the number of our employees in 2014 was due to an increase in passenger transportation personnel and electricity and water supplies personnel. The following chart sets forth the number of our employees by function as of December 31, 2014:

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| Function | Employees |
|--|------------------|
| Passenger transportation personnel ⁽¹⁾ | 7,085 |
| Freight transportation personnel ⁽²⁾ | 1,993 |
| Transit operation personnel ⁽³⁾ | 6,760 |
| Engineering personnel ⁽⁴⁾ | 4,642 |
| Driving personnel ⁽⁵⁾ | 2,950 |
| Public works personnel ⁽⁶⁾ | 3,911 |
| Electricity personnel ⁽⁷⁾ | 1,473 |
| Electricity and water supplies personnel ⁽⁸⁾ | 2,082 |
| Building construction personnel ⁽⁹⁾ | 1,037 |
| Various operations and other employees of subsidiaries ⁽¹⁰⁾ | 222 |
| Technical and administrative personnel ⁽¹¹⁾ | 4,413 |
| Other employees ⁽¹²⁾ | 733 |
| Total | 37,301 |

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

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

We have implemented a salary policy which links our employees' salaries with results of operations, labor efficiency and individual performance. Employees' salaries distribution is subject to our overall operational results and is based on their performance records and reviews. In addition, pursuant to applicable government policies and regulations, we set aside statutory funds for our employees and also maintain various insurance policies for the benefits of our employees, including housing fund, retirement insurance, supplemental retirement insurance, basic and supplemental medical insurance, pregnancy-related medical insurance and other welfare programs. In 2014, we paid approximately RMB4,968.0 million in aggregate salaries and benefits to our employees.

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

Details of our statutory welfare fund and retirement benefits are set out in Notes 25 and 28 to our audited consolidated financial statements included elsewhere in this annual report.

E. Share Ownership

As of April 28, 2015, none of our directors, supervisors or senior management owned any interest in any shares or options to purchase our shares.

Table of Contents**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. Major Shareholders**

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

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

Shareholding Structure of our Company

Set out below is the current shareholding structure of our Company as of April 28, 2015:

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

(1) On September 22, 2009, GRGC transferred 274,798,700 A shares held by it to the National Council for Social Security Fund in the PRC (the NCSSF) according to regulations issued by the relevant PRC authorities. Upon this transfer, the NCSSF has voluntarily agreed to extend the transfer restriction period associated with these shares for another three years. The transfer restriction of these 274,798,700 shares was expired on December 21, 2012.

No shares were subject to sale restriction and all the shares achieved full circulation on December 24, 2012. The following table sets forth information regarding ownership of our issued and outstanding capital stock as of April 28, 2015, including all persons who are known by us to own, either as beneficial owners or holders of record, 5% or more of our capital stock.

Title of Class

| | Identity of Person or Group | Amount Owned | Percentage of Class of Shares | Percent of Total Capital |
|---|------------------------------------|---------------------|--------------------------------------|---------------------------------|
| Ordinary Shares (A shares) ⁽¹⁾ | GRGC | 2,629,451,300 | 46.5 | 37.1 |

(1) A shares held by GRGC are no longer restricted from sales and redemption starting from December 22, 2009. The following table sets forth all persons who were known by us to beneficially own 5% or more of our issued and outstanding H shares as of April 21, 2015.

| Identity of Person or Group | Shares Owned | Percentage of H Shares | Percentage of Total Capital |
|------------------------------------|---------------------|-------------------------------|------------------------------------|
| FIL Limited | 200,376,000 | 13.99 | 2.83 |
| BlackRock, Inc. | 104,228,061 | 7.28 | 1.47 |

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

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

B. Related Party Transactions

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

The following table sets forth our principal related parties that do not control and are not controlled by our Company as of December 31, 2014. For related parties that control or are controlled by our Company, see ITEM 4. INFORMATION ON THE COMPANY C. Organizational Structure.

| Name of related parties | Relationship with Us |
|--|-----------------------------|
| Single largest shareholder and its subsidiaries | |
| GRGC | Single largest shareholder |
| Guangzhou Railway Group YangCheng Railway Enterprise Development Company | Subsidiary of GRGC |
| Guangmeishan Railway Company Limited | Subsidiary of GRGC |
| Guangzhou Railway (Group) Guangshen Railway Enterprise Development Company | Subsidiary of GRGC |
| Guangzhou Railway Material Supply Company | Subsidiary of GRGC |
| Guangzhou Railway Engineer Construction Enterprise Development Company | Subsidiary of GRGC |
| Yangcheng Construction Company of YangCheng Railway Enterprise Development Company | Subsidiary of GRGC |
| Guangzhou Railway Real Estate Construction Company | Subsidiary of GRGC |
| Yuehai Railway Company Limited | Subsidiary of GRGC |
| Shichang Railway Company Limited | Subsidiary of GRGC |
| Guangzhou Railway Station Service Centre | Subsidiary of GRGC |
| Changsha Railway Construction Company Limited | Subsidiary of GRGC |
| Guangdong Sanmao Railway Company Limited | Subsidiary of GRGC |
| Guangzhou Qingda Transportation Company Limited | Subsidiary of GRGC |
| Guangzhou Yuetie Operational Development Company | Subsidiary of GRGC |
| Guangzhou Railway Railway Rolling Stock Works | Subsidiary of GRGC |
| | Subsidiary of GRGC |

| | |
|--|------------------------|
| Foreign Economic & Trade Development Corporation of Guangzhou Railway Group | |
| Shenzhen Guangshen Railway Living Service Centre | Subsidiary of GRGC |
| Guangzhou Yangcheng Living Service Centre | Subsidiary of GRGC |
| Pajiangkou Stone Pit | Subsidiary of GRGC |
| Guangdong Tieqing International Travel Agency Company Limited | Subsidiary of GRGC |
| Guangdong Sanmao Enterprise Development Company Limited | Subsidiary of GRGC |
| Guangshengang Passenger Special Line Company Limited ⁽ⁱ⁾ | Subsidiary of GRGC |
| Guangdong Guangzhu Intercity Rail Transportation Company Limited ⁽ⁱⁱ⁾ | Subsidiary of GRGC |
| Huaihua Railway Engineer Construction Company | Subsidiary of GRGC |
| Lechang Anjie Railway Sleeper Company Limited | Subsidiary of GRGC |
| Xiashen Railway Guangdong Company Limited | Subsidiary of GRGC |
| Ganshao Railway Company Limited | Subsidiary of GRGC |
| Guangzhou Railway Economic Technology Development Corporation | Subsidiary of GRGC |
| Associates of the Group | |
| Zengcheng Lihua | Associate of the Group |
| Guangzhou Tiecheng Enterprise Company Limited | Associate of the Group |
| Shenzhen Guangshen Railway Civil Engineering Company | Associate of the Group |

- (i) In March 2012, GRGC disposed of its investment in Guangshengang Passenger Special Line Company Limited. As a result, Guangshengang Passenger Special Line Company Limited was no longer considered as a related party of the Group since the day GRGC lost control of Guangshengang Passenger Special Line Company Limited. However, the transactions with Guangshengang Passenger Special Line Company Limited during the period from January 1, 2012 to the date loss of control were still disclosed as related party transactions.
- (ii) In November 2012, GRGC disposed of its investment in Guangdong Guangzhu Intercity Rail Transportation Company Limited. As a result, Guangdong Guangzhu Intercity Rail Transportation Company Limited was no longer considered as a related party of the Group since the day GRGC lost control of Guangdong Guangzhu Intercity Rail Transportation Company Limited. However, the transactions with Guangdong Guangzhu Intercity Rail Transportation Company Limited during the period from January 1, 2012 to the date loss of control were still disclosed as related party transactions.

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

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

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

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

- (b) railway related services, which comprise:
 - (i) repair services of railway infrastructures and transportation equipment;
 - (ii) locomotive and train repair services;

- (iii) purchase and sale services of railway related materials;
- (iv) security services;
- (v) property management and building maintenance services; and
- (vi) project construction, management and supervision services.

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

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

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(a) For transportation services:

- (i) the prices will be determined in accordance with the applicable industry settlement rules; if, unavailable, the prices will be determined in accordance with the guidance prices set by the government.
- (ii) if neither the applicable industry settlement rules nor the government guidance prices is available, the prices will be determined based on the market prices after negotiation between the parties, provided that the prices will be fixed on normal commercial terms or on terms no less favorable than those available to or from independent third parties for the same or similar type of services under prevailing local market conditions.

(b) For railway related services:

- (i) the prices will be determined in accordance with applicable industry standard fees and agreed between the parties subject to actual situation.
- (ii) if the applicable industry standard fees are not available, the prices will be determined based on the cost incurred in providing the services plus reasonable profits after negotiation between the parties, provided that the prices will be fixed on normal commercial terms or on terms no less favorable than those available to or from independent third parties for the same or similar type of services under prevailing local market conditions.

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

| | Year ended December 31, | | |
|---|-------------------------|-----------|-----------|
| | 2012 | 2013 | 2014 |
| | (RMB thousands) | | |
| Provide services and sales of goods | | | |
| <i>Transportation-related services</i> | | | |
| Provision of train transportation services to GRGC and its subsidiaries ⁽ⁱ⁾ | 352,973 | 367,745 | 424,743 |
| Revenue collected by CRC for railway network usage and related services provided to GRGC and its subsidiaries ⁽ⁱⁱ⁾ | 1,238,431 | 1,255,572 | 1,153,630 |
| Revenue from railway operation service provided to GRGC's subsidiaries ⁽ⁱⁱⁱ⁾ | 278,669 | 76,480 | 359,740 |
| | 1,870,073 | 1,699,797 | 1,938,113 |
| <i>Other services</i> | | | |
| | 11,218 | 24,174 | 22,579 |

Sales of materials and supplies to GRGC and its subsidiaries^(iv)

Receive services and purchase

Transportation-related services

| | | | |
|--|-----------|-----------|-----------|
| Provision of train transportation services by GRGC and its subsidiaries ⁽ⁱ⁾ | 653,787 | 665,189 | 633,382 |
| Cost settled by CRC for railway network usage and related services provided by GRGC and its subsidiaries ⁽ⁱⁱ⁾ | 1,578,108 | 1,564,499 | 1,436,711 |
| Operating lease rental paid to GRGC for the leasing of land use rights | 54,800 | 56,000 | 53,962 |
| | 2,286,695 | 2,285,688 | 2,124,055 |

Other services

| | | | |
|--|---------|---------|---------|
| Social services (employee housing and public security services and other ancillary services) provided by GEDC and Yangcheng Railway ⁽ⁱⁱⁱ⁾ | 93,090 | 67,990 | 12,430 |
| Provision of repair and maintenance services by GRGC and its subsidiaries ^(iv) | 240,761 | 346,831 | 295,283 |
| Purchase of materials and supplies from GRGC and its subsidiaries ^(v) | 766,309 | 666,771 | 560,034 |

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| | Year ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2012 | 2013 | 2014 |
| | (RMB thousands) | | |
| Provision of construction services by GRGC and its subsidiaries ^(vi) | 287,903 | 229,999 | 280,983 |
| Others | | 12,889 | 8,729 |
| | 1,388,063 | 1,324,480 | 1,157,459 |

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

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

| | As of December 31, | |
|---|---------------------------|-------------|
| | 2013 | 2014 |
| | (RMB thousands) | |
| Trade receivables | 326,826 | 765,098 |
| - GRGC ⁽ⁱ⁾ | 196,439 | 260,554 |
| - Subsidiaries of GRGC ⁽ⁱ⁾ | 130,387 | 504,544 |
| Prepayments and other receivables | 88,735 | 47,733 |
| - GRGC | 40,170 | 5,399 |
| - Subsidiaries of GRGC | 44,166 | 37,560 |
| - Associates | 16,711 | 17,086 |
| Less: impairment provision ⁽ⁱⁱⁱ⁾ | (12,312) | (12,312) |
| Prepayments for fixed assets and construction-in-progress | 1,092 | 1,092 |
| - GRGC | 1,092 | 1,092 |
| Trade payables | 273,146 | 617,822 |
| - GRGC ⁽ⁱ⁾ | 34,137 | 119,953 |
| - Subsidiaries of GRGC ⁽ⁱⁱ⁾ | 237,847 | 433,805 |
| - Associates | 1,162 | 64,064 |
| Payables for fixed assets and construction-in-progress | 174,522 | 208,955 |
| - GRGC | 3,859 | 12,610 |
| - Subsidiaries of GRGC | 131,170 | 159,381 |
| - Associates | 39,493 | 36,964 |
| Accruals and other payables | 50,298 | 29,057 |
| - GRGC | 1,179 | 4,133 |

| | | |
|--|--------|--------|
| - Subsidiaries of GRGC ^(iv) | 43,963 | 20,600 |
| - Associates ^(v) | 5,156 | 4,324 |

- (i) The trade balances due from/to GRGC, subsidiaries of GRGC mainly represented service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC.
- (ii) The trade payables due to subsidiaries of GRGC mainly represented payables arising from unsettled fees for purchase of materials and provision of other services according to various service agreements entered into between the Group and the related parties.
- (iii) Impairment loss provision set up against a receivable balance due from Zengcheng Lihua, which was brought forward from prior years.
- (iv) The other payables due to subsidiaries of GRGC mainly represented the performance deposits received for construction projects and deposits received from ticketing agencies.
- (v) The other payables due to associates mainly represented the performance deposits received for construction projects operated by associates.

As of December 31, 2014, all the balances maintained with related parties are unsecured, non-interest bearing and are repayable on demand.

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Our related party transactions have been carried out on normal commercial terms according to the HKSE Listing Rules and the contracts we entered into with our related parties. Except for the transactions discussed in this section, no other material related party transactions were entered into in 2014. Our independent non-executive directors have confirmed that these transactions (which are connected transactions as defined in the HKSE Listing Rules) entered into by us in 2014 were entered into in the ordinary and usual course of our business on normal commercial terms and in accordance with the terms of an agreement governing such transactions.

Transaction with CRC and other railway companies

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

The MOR was dissolved in March 2013 during the First Session of the 12th National People's Congress of the PRC. The China Railway Corporation will perform the commercial functions previously performed by the MOR. Accordingly, the equity interests of GRGC which was wholly owned by MOR previously will be transferred to CRC. Once the transfer is completed, the actual controlling entity of our Company's largest shareholder will become CRC. Since March 2013, the collecting, processing and distribution function of revenues which executed by MOR previously had been transferred to CRC. The revenues generated from the long-distance passenger train transportation and freight transportation businesses are collected and settled by CRC together with the subsidiaries transferred from MOR (the CRC Group) on behalf of our Company through CRC's settlement systems. As of December 31, 2014, the cooperation mode and pricing model did not change.

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

| | Year ended December 31, | | |
|--|-------------------------|-----------|-----------|
| | 2012 | 2013 | 2014 |
| | (RMB thousands) | | |
| Provide services and sales of goods | | | |
| <i>Transportation-related services</i> | | | |
| Provision of train transportation services to CRC Group ⁽ⁱ⁾ | 141,664 | 30,450 | 5,229 |
| Revenue collected by CRC for services provided to CRC Group ⁽ⁱⁱ⁾ | 2,235,810 | 2,070,966 | 1,706,558 |
| Revenue from railway operation service provided to CRC Group ^(vi) | 824,126 | 968,477 | 950,966 |

| | | | |
|---|-----------|-----------|-----------|
| | 3,201,600 | 3,069,893 | 2,662,753 |
| <i>Other services</i> | | | |
| Provision of repairing services for cargo trucks to CRC Group ⁽ⁱⁱ⁾ | 247,335 | 286,265 | 259,470 |
| Sales of materials and supplies to CRC Group ^(iv) | 107,759 | 65,897 | 43,239 |
| Provision of apartment leasing services to CRC Group ^(iv) | | 780 | 732 |
| | 355,094 | 352,942 | 303,441 |
| <i>Receive services and purchase of goods</i> | | | |
| <i>Transportation-related services</i> | | | |
| Provision of train transportation services by CRC Group ⁽ⁱ⁾ | 213,755 | 264,372 | 292,866 |
| Cost settled by CRC for services provided by CRC Group ⁽ⁱⁱ⁾ | 1,425,412 | 1,457,451 | 1,265,873 |
| | 1,639,167 | 1,721,823 | 1,558,739 |
| <i>Other services</i> | | | |
| Provision of repair and maintenance services by CRC Group ⁽ⁱⁱⁱ⁾ | 51,810 | 68,963 | 28,531 |
| Purchase of materials and supplies from CRC Group ^(v) | 390,314 | 131,061 | 9,317 |
| | 442,124 | 200,024 | 37,848 |

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

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

| | Year ended December 31, | | |
|--------------------------|--------------------------------|-------------|-------------|
| | 2012 | 2013 | 2014 |
| | (RMB thousands) | | |
| Passenger transportation | 7,522,886 | 7,740,887 | 6,630,629 |
| Freight transportation | 764,359 | 871,173 | 920,255 |
| Luggage and parcel | | 100,884 | 148,863 |
| | 8,287,245 | 8,712,944 | 7,699,747 |

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

We had the following material balances maintained with CRC Group as of December 31, 2013 and December 31, 2014:

| | As of December 31, | |
|--------------------|---------------------------|-------------|
| | 2013 | 2014 |
| | (RMB thousands) | |
| Due from CRC Group | | |
| Trade receivables | 667,800 | 643,182 |
| Other receivables | 1,452 | 9,411 |
| Due to CRC Group | | |
| Trade payables | 150,292 | 37,843 |
| Other payables | 321 | 294 |

C. Interests of Experts and Counsel

Not applicable

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

A.1 A.6:

See pages F-1 to F-79 following ITEM 19.

A.7 Legal Proceedings

We have been unable to recover the deposit from Li Cheng Credit Cooperative (Li Cheng) upon maturity. We have initiated several legal proceedings against Li Cheng in order to enforce recovery but so far have not succeeded. As a result, for the year ended December 31, 2012, 2013 and 2014, we had a provision for impairment loss of RMB31.36 million, RMB24.97 million and RMB24.97 million respectively, against the principal balance of a deposit placed with Li Cheng.

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Except as disclosed, we are not a party to any material legal proceeding and no material legal proceeding is known to us to be pending against us or with respect to our properties.

A.8 Dividend Distributions

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

net after-tax income determined in accordance with PRC accounting standards and regulations; and

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

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

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

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

On March 25, 2015, our Board of Directors proposed a final dividend distribution of RMB0.05 per share to our shareholders for the year ended December 31, 2014. The final dividend payment is expected to be approved by our shareholders at our annual general meeting of shareholders to be held on May 28, 2015.

B. Significant Changes

Other than events already mentioned in this annual report, there have been no significant changes since December 31, 2014.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Price Range of our H shares and ADSs

As of December 31, 2014 and April 21, 2015, there were 1,431.3 million H shares issued and outstanding. As of December 31, 2014 and April 21, 2015, there were 3,299,910 ADSs and 3,011,724 ADSs outstanding held by 155 and 153 registered holders, respectively.

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

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| Calendar Period | New York Stock Exchange | | HKSE | |
|-------------------------------------|-------------------------|-------|---------------------------|------|
| | High (USD per ADS) | Low | High (HKD per H share) | Low |
| Annual highs and lows | | | | |
| 2010 | 22.26 | 16.03 | 3.48 | 2.56 |
| 2011 | 21.67 | 13.82 | 3.40 | 2.22 |
| 2012 | 21.38 | 13.97 | 3.37 | 2.19 |
| 2013 | 28.17 | 18.73 | 4.48 | 2.81 |
| 2014 | 24.59 | 18.05 | 3.82 | 2.79 |
| Quarterly highs and lows | | | | |
| First Quarter 2013 | 26.75 | 19.34 | 4.23 | 3.01 |
| Second Quarter 2013 | 25.22 | 18.73 | 4.00 | 2.81 |
| Third Quarter 2013 | 27.40 | 19.49 | 4.48 | 3.00 |
| Fourth Quarter 2013 | 28.17 | 21.03 | 4.37 | 3.28 |
| First Quarter 2014 | 23.76 | 19.95 | 3.72 | 3.09 |
| Second Quarter 2014 | 22.14 | 18.05 | 3.44 | 2.79 |
| Third Quarter 2014 | 23.10 | 18.57 | 3.58 | 2.86 |
| Fourth Quarter 2014 | 24.59 | 19.32 | 3.82 | 3.06 |
| Monthly highs and lows | | | | |
| October 2014 | 21.44 | 19.32 | 3.36 | 3.06 |
| November 2014 | 22.21 | 20.46 | 3.44 | 3.19 |
| December 2014 | 24.59 | 20.86 | 3.82 | 3.25 |
| January 2015 | 25.94 | 23.74 | 4.05 | 3.73 |
| February 2015 | 25.30 | 24.25 | 3.94 | 3.79 |
| March 2015 | 25.23 | 22.54 | 3.96 | 3.48 |
| April 2015 (through April 21, 2015) | 32.27 | 23.54 | 5.18 | 3.60 |

During the year ended December 31, 2014, we did not purchase, sell or redeem any of our H shares.

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

B. Plan of Distribution

Not applicable.

C. Markets

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

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

We were established as a joint stock limited company under the Company Law of the PRC on March 6, 1996. Our legal name is , and its English translation is Guangshen Railway Company Limited.

Table of Contents**A. Share Capital**

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

The total number of shares of our Company after the A Share Offering is 7,083,537,000. As of December 31, 2014, our issued share capital consisted of:

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

Public Float

As of April 28, 2015, at least 25% of our total issued share capital was held by the public, as required under the HKSE Listing Rules.

Pre-Emptive Rights

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

B. Memorandum and Articles of Association

Described below is a summary of the significant provisions of our Articles of Association as currently in effect. As this is a summary, it does not contain all the information that may be important to you. Our current Articles of Association took effect on June 25, 2009, the full text of which was filed as Exhibit 1.1 to our annual report on Form 20-F filed with the SEC on June 22, 2010.

General

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

Significant Differences between H shares and A shares

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

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Restrictions on Transferability

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

relevant transfer fees have been paid, if any;

the instrument of transfer only involves H shares;

the stamp duty chargeable on the instrument of transfer has been paid;

the relevant share certificate and, upon the reasonable request of the board of directors, any evidence in relation to the right of the transferor to transfer the shares have been submitted;

if the shares are being transferred to joint owners, the maximum number of joint owners does not exceed four; and

we do not have any lien on the relevant shares.

Dividends

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

PRC accounting standards and regulations; and

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

making up losses;

allocations to the statutory common reserve fund;

allocations to the discretionary common reserve fund upon the approval of shareholders at a general meeting; and

payment of dividends in respect of ordinary shares.

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

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

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Voting Rights and Shareholder Meetings

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

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

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

the number of directors falls short of the number stipulated in the Company Law of the PRC or our by-laws or is below two-thirds of the number required in our Articles of Association;

our unrecovered losses that have not been made up amount to one-third of our paid-in share capital;

shareholder(s), severally or jointly, holding 10% or more of our issued shares carrying the right to vote make a request in writing to convene an extraordinary general meeting;

the board of directors considers it necessary; or

the supervisory committee proposes to convene such a meeting.

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

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

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

be given by way of public notice or other means as specified under our Articles of Association;

specify the place, date and the time of the meeting;

state the motions to be discussed at the meeting;

provide such information and explanations as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to merge our Company with another entity, to repurchase the shares of our Company, to reorganize its share capital or to restructure our Company in any other way, the terms of the proposed transaction must be provided in detail, together with copies of the proposed agreement, if any, and the cause and effect of the proposal must be properly explained;

contain disclosure of the nature and extent, if any, of material interests of any director, supervisor, general manager, deputy general manager or other senior officers of our Company in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;

contain the full text of any special resolution proposed to be approved at the meeting;

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contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him or her and that a proxy need not also be a shareholder; and

state the time within which and the address to which voting proxies for the meeting are to be delivered.

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

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

work reports of the board of directors and the supervisory committee;

profit distribution proposals and loss recovery proposals formulated by the board of directors;

removal of members of the board of directors and the supervisory committee, their remuneration and methods of payment;

our annual financial budget, final accounts, balance sheet, income statement and other financial statements; and

matters other than those that are required by laws, administrative regulations or our Articles of Association to be adopted by way of special resolution.

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

increase or reduction of our share capital and the issuance of shares of any class, warrants and other similar securities;

issuance of Company debentures;

division, merger, dissolution and liquidation of our Company;

amendment to our Articles of Association;

alteration to the form of our Company;

acquisition or disposal within one year of material assets exceeding 30% of the total assets of our Company; and

any other matter that, according to an ordinary resolution of the shareholders meeting, may have a significant impact on our Company and requires adoption by way of a special resolution.

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

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

by the chairman of the meeting;

by at least two shareholders who possess the right to vote, present in person or by proxy; or

by one or more shareholders (including proxies) representing either separately or in aggregate, not less than one-tenth of all shares having the right to vote at the meeting.

Unless a poll is demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favor of or against that resolution, that the resolution has been carried. A demand for a poll may be withdrawn. A poll demanded on the election of the chairman, or on a question of suspension of the meeting, shall be taken at the meeting immediately. A poll demanded on any other questions shall be taken at such time as the chairman of the meeting directs, and any business other than that on which the poll has been demanded may be proceeded with. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. On a poll taken at a meeting, a shareholder (including their proxies) entitled to two or more votes need not cast all his or her votes in the same way. In the case of a tie, the chairman of the meeting shall be entitled to one additional vote.

Board of Directors

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

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

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

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

Liquidation Rights

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

Liability of Shareholders

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

Increases in Share Capital

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

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Reduction of Share Capital and Purchase by Us of Our Shares

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

cancellation of shares for capital reduction;

merging with another company that holds our shares;

paying shares to our employees as bonus; or

repurchasing, upon request, any shares held by any shareholder who is opposed to our Company's resolution for merger or spin-off at a shareholders' general meeting.

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

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

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

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

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

under a general offer;

open offer on a stock exchange; or

by off-market contract.

We may, with the prior approval of shareholders in general meeting obtained in accordance with our Articles of Association, repurchase our shares by an off-market contract, and we may rescind or vary such a contract or waive any of our rights under the contract with the prior approval of shareholders obtained in the same manner. A contract to repurchase shares includes (without limitation) an agreement to become obliged to repurchase and an agreement to

acquire the right to repurchase our shares. We may not assign a contract to repurchase our own shares or any rights provided thereunder.

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

Unless we are in the process of liquidation:

where we repurchase our shares at par value, the amount of the total par value of shares so repurchased shall be deducted from our book balance distributable profits or out of the proceeds of a new issue of shares made in respect of the repurchase; and

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where we repurchase our shares at a premium, an amount equivalent to their total par value shall be deducted from our book balance distributable profits or the proceeds of a new issue of shares made in respect of the repurchase. Payment of the portion in excess of their par value shall be effected as follows:

if the shares being repurchased were issued at par value, payment shall be made out of our book balance distributable profits; and

if the shares being repurchased were issued at a premium, payment shall be made out of our distributable profits or out of proceeds of a new issue of shares made in respect of the repurchase, provided that the amount paid out of the proceeds of the new issue may not exceed the aggregate of premiums received by us on the issue of the shares repurchased or the current balance of our capital common reserve account (inclusive of the premiums from the new issue of shares).

Payment by us in consideration for:

the acquisition of rights to repurchase our shares;

the variation of any contract to repurchase our shares; or

the release of any of our obligations under any contract to repurchase our shares; shall be made out of our distributable profits.

Restrictions on Controlling Shareholders

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

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

to approve the expropriation, by a director or supervisor (for his or her own benefit or for the benefit of another person), in any guise, of our assets, including without limitation opportunities advantageous to us; or

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

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

general meetings of our Company.

Changing Rights of a Class of Shareholders

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

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

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

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

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

the provision by us of a loan or a guarantee of a loan to one of our subsidiaries;

the provision by us of a loan or a guarantee in connection with a loan or any other funds to any of our directors, supervisors, general managers, deputy general managers or other senior officers to pay expenditures incurred or to be incurred on our behalf by him or her or for the purpose of enabling him or her to perform his or her duties properly, in accordance with the terms of a service contract approved by the shareholders at a general meeting; and

the provision by us of a loan or a guarantee in connection with a loan to any of our directors, supervisors, general managers, deputy general managers or other senior officers or their respective associates on normal commercial terms, provided that the ordinary course of our business includes the lending of money or the giving of guarantees.

Recent Amendments to Our Articles of Association

In 2008, we made some minor amendments to our Articles of Association, which were approved by shareholders at our annual shareholders' general meeting held on June 26, 2008. In 2009, we made additional amendments to our Articles of Association, which amendments were approved by shareholders at our annual shareholders' general meeting held on June 25, 2009.

C. Material Contracts

All material contracts we entered into during the fiscal years of 2013 and 2014 were made in the ordinary course of business.

D. Exchange Controls

The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. Effective January 1, 1994, the dual foreign exchange system in China was abolished in accordance with the notice of the People's Bank of China concerning future reform of the foreign currency control system issued December 1993. The conversion of RMB into

U.S. dollars in China currently must be based on the People's Bank of China rate. The People's Bank of China rate is set based on the previous day's Chinese interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. On April 14, 2012, the PRC government further allowed the floating band of RMB's trading prices against the U.S. dollar to widen from 0.5% to 1% on each business day effective from April 2012, and further widened such floating band to 2% in March 2014.

Any future fluctuation of the RMB against the U.S. dollar (whether due to a decrease in the foreign currency reserves held by the PRC government or any other reason) will have an adverse effect upon the U.S. dollar equivalent and Hong Kong dollar equivalent of our net income and increase the effective cost of foreign equipment and the amount of foreign currency expenses and liabilities. In 2014, we incurred a foreign exchange loss of approximately RMB0.4 million due to the appreciation of the Hong Kong dollar against the RMB. If the applicable market exchange rates were to change by 5%, this would result in a change in our net income of approximately RMB2.3 million. We have no plans to hedge our currency exposure in the future. No assurance can be given that the Hong Kong dollar to U.S. dollar exchange rate link will be maintained in the future. Furthermore, any change in exchange rate that has a negative effect on the market for the H shares in either the United States or Hong Kong is likely to result in a similar negative effect on the other market.

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We have been, and will continue to be, affected by changes in exchange rates in connection with our ability to meet our foreign currency obligations and will be affected by such changes in connection with our ability to pay dividends on H shares in Hong Kong dollars and on ADSs in U.S. dollars. As of December 31, 2014, we maintained the equivalent of approximately RMB62.1 million in U.S. dollar and Hong Kong dollar-denominated balances for purposes of satisfying our foreign currency obligations (e.g., to purchase foreign equipment) and paying dividends to our overseas shareholders. See Note 3 to our audited consolidated financial statements included elsewhere in this annual report. We believe that we have or will be able to obtain sufficient foreign exchange to continue to satisfy these obligations. We do not engage in any financial contract or other arrangement to hedge our currency exposure.

E. Taxation
PRC Taxation***Tax Basis of Assets***

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

Income Tax

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

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

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

Value Added Tax

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

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

Table of Contents***Tax on Dividends***

For an Individual Investor. According to the Individual Income Tax Law of the PRC, an income tax of 20% shall be withheld on dividend payments from PRC enterprises to residents of the PRC. According to the Circular on Relevant Tax Policies on Pilot Shanghai-Hong Kong Stock Connect Scheme (Cai Shui [2014] No. 81) (hereinafter referred to as the Circular 81) issued by the Ministry of Finance, State Tax Bureau and CSRC on October 31, 2014, which was effective November 17, 2014, individual income tax shall be withheld from mainland individual investors' dividends from investment in stocks listed on the SEHK through the Shanghai-Hong Kong Stock Connect at the rate of 20% by the company of H share, which shall apply to the China Securities Depository and Clearing Company Limited (hereinafter referred to as the CSDC) firstly, and the list of mainland individual investors will be provided to the company of H share by CSDC. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty. According to the Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Circular 45 issued by the PRC State Tax Bureau, foreign resident individual shareholders receiving dividends from shares in a domestic non-foreign-invested enterprise may withhold individual income tax at the rate of 10%; the receipt of dividends from a company in the PRC by foreign individuals of countries which have entered into a double taxation agreement with the PRC is subject to the treaty rate in the relevant tax treaty. A foreign individual of countries which have not entered into any double taxation agreement with the PRC or in any other case will be subject to 20% PRC withholding tax. However, before the Hong Kong Securities Clearing Company Ltd is able to provide detail data of investor's identity and stock holding period to CSDC, dividends received by investors from Hong Kong market (including enterprise and individual) from investment in A share listed on the Shanghai Stock Exchange shall not be subject to differential tax policies based on the stock holding period. Instead, such dividends shall be subject to withholding at a rate of 10% and applied for withholding declaration by the listed company to the tax authority.

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

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

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

non-resident enterprises. Such tax rate may be reduced pursuant to the tax treaty or agreement that the PRC has concluded with a relevant jurisdiction, where applicable.

Capital Gains Tax

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

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

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

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

Tax Treaties

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

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

United States Federal Income Taxation

The following is a general discussion of the material United States federal income tax consequences of purchasing, owning and disposing of the H shares or ADSs if you are a U.S. holder, as defined below, and hold the H shares or

ADSs as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code. This discussion does not address all of the United States federal income tax consequences relating to the purchase, ownership and disposition of the H shares or ADSs, and does not take into account U.S. holders who may be subject to special rules including:

banks, insurance companies and financial institutions;

United States expatriates;

tax-exempt entities;

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certain insurance companies;

broker-dealers;

traders in securities that elect to mark to market;

U.S. holders liable for alternative minimum tax;

U.S. holders that own 10% or more of our voting stock;

U.S. holders that hold the H shares or ADSs as part of a straddle or a hedging or conversion transaction; or

U.S. holders whose functional currency is not the U.S. dollar.

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

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

a citizen or resident of the United States for United States federal income tax purposes;

a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income tax without regard to its source; or

a trust:

subject to the primary supervision of a United States court and the control of one or more United States persons; or

that has elected to be treated as a United States person under applicable United States Treasury regulations.

If a partnership holds the H shares or ADSs, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership that holds the H shares or ADSs, we urge you to consult your tax advisors regarding the consequences of the purchase, ownership and disposition of the H shares or ADSs.

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

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

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

Distributions on the H shares or ADSs

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

a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program; and

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a foreign corporation if its stock with respect to which a dividend is paid (or ADSs backed by such stock) is readily tradable on an established securities market within the United States, but does not include an otherwise qualified foreign corporation that is a PFIC in the taxable year the dividend is paid or the prior taxable year. We believe that we will be a qualified foreign corporation so long as we are not a PFIC (and were not a PFIC for our prior taxable year) and we are considered eligible for the benefits of the US PRC tax treaty. Our status as a qualified foreign corporation, however, may change.

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

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

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

Sale, Exchange or Other Disposition

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

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

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

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

75% or more of its gross income consists of passive income, such as dividends, interest, rents and royalties; or

50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income.

We believe that we were not a PFIC for our taxable year ended December 31, 2014 and do not currently believe that we will be treated as a PFIC for the current or subsequent taxable years. However, PFIC status cannot be determined until the close of a taxable year and, accordingly, there can be no assurance that we will not be a PFIC in the current or subsequent taxable years.

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

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

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

If you own the H shares or ADSs during any year that we are a PFIC, you generally will be required to file Internal Revenue Service, or IRS, Form 8621, as described in the instructions to Form 8621, subject to certain exceptions

based on the value of PFIC stock held. We encourage you to consult your own tax advisor concerning the United States federal income tax consequences of holding the H shares or ADSs that would arise if we were considered a PFIC.

Backup Withholding and Information Reporting

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

fall within various other exempt categories, and, when required, demonstrate this fact; or

provide a correct taxpayer identification number on a properly completed IRS Form W-9 or a substitute form, certify that you are exempt from backup withholding and otherwise comply with applicable requirements of the backup withholding rules.

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

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

Hong Kong Taxation

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

Dividends

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

Taxation of Capital Gains

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

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

Hong Kong Stamp Duty

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

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

Hong Kong Estate Duty

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

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F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

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

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

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

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following paragraphs describe the various market risks to which we were exposed as of December 31, 2013 and 2014.

Currency Risks

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

The monetary assets and liabilities held by us that are denominated in U.S. dollars and Hong Kong dollars as of December 31, 2013 and 2014 are set forth below.

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| Monetary assets and liabilities | As of December 31, | | |
|---------------------------------|--------------------------|-----------------|--------|
| | Currency Denomination | 2013 | 2014 |
| | | (RMB thousands) | |
| Cash and cash equivalents | USD | 69 | |
| Cash and cash equivalents | HKD | 18,561 | 62,093 |
| Other receivables | HKD | 35 | 93 |
| Other payables | HKD | (109) | |

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

We incurred a foreign exchange loss of RMB0.41 million for the year ended December 31, 2014. As of December 31, 2014, our assets denominated in Hong Kong dollars and U.S. dollars were translated into RMB at the applicable market exchange rates as of that date and amounted to approximately RMB62.1 million. If the applicable market exchange rates were to change by 5%, this would result in a change in fair value of approximately RMB3.1 million in these balances.

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

Interest Rate Risks

As of December 31, 2014, funds that we do not need in the short term are generally kept as temporary cash deposits in commercial banks in the form of fixed-term deposits. We do not hold any market risk-sensitive instruments for trading purposes. As we have no significant interest-bearing assets (except for deposits held in banks), our income and operating cash flows are not materially affected by the changes of market interest rates. Other than deposits held in banks, the Group does not have significant interest-bearing assets.

Credit Risks

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

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

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

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

Liquidity Risks

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

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

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Except as described above and in Note 3 to our audited consolidated financial statements included elsewhere in this annual report, our management believes that as of December 31, 2014, at present and in our normal course of business, we are not subject to any other material market-related risks.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

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

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

Fees Payable by ADS holders

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

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

a fee of US\$1.50 per ADR for transfers of ADRs;

a fee of US\$0.02 or less per ADS for any cash distribution made, or the cash distribution fee;

a fee of US\$5.00 for each 100 ADSs (or portion thereof) for any security distribution;

an administration fee of US\$0.02 per ADS per calendar year (or portion thereof), provided, however, that the aggregate amount of such administration fee and the cash distribution fee shall not exceed US\$0.02 per ADS in any calendar year;

stock transfer or other taxes and other governmental charges;

cable, telex and facsimile transmission and delivery charges incurred at the request of the ADS holders;

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transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and

expenses of the depositary in connection with the conversion of foreign currencies into U.S. dollars. We will pay all other charges and expenses of the depositary and its agents (except the custodian) pursuant to the agreements between us and the depositary. The fees described above may be amended from time to time.

Payments Received by Foreign Private Issuer

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

Direct Payments

The table below sets forth the types of expenses that the depositary has reimbursed us for the year ended December 31, 2014:

| Category of Expenses | Amount (US\$) |
|-----------------------------|----------------------|
| Investor relations | 3,202.16 |
| Broker reimbursements | 15,455.89 |
| Total | 18,658.05 |

Indirect Payments

The depositary has also agreed to waive certain fees for standard costs associated with the administration of our ADS program. The table below sets forth those fees that the depositary waived in the year ended December 31, 2014:

| Category of Expenses | Amount (US\$) |
|-----------------------------|----------------------|
| Fees waived | 300,000 |

PART II**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

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

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our Chairman of the Board, General Manager, Chief Accountant and Company Secretary, evaluated the effectiveness of the design and operation of our Company's disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 20-F. Based on this evaluation, our Chairman of the Board, General Manager, Chief Accountant and Company Secretary concluded that our Company's disclosure controls and procedures were effective as of December 31, 2014. Our Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file and furnish under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and regulations and such information is accumulated and communicated to our Company's management including the Chairman of the Board, General Manager, Chief Accountant and Company Secretary, as appropriate, to allow timely decision regarding required disclosures.

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Management's Report on Internal Control over Financial Reporting

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

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

For the year ended December 31, 2014, under the supervision, and with the participation, of our Chairman of the Board, General Manager, Company Secretary and Chief Accountant, our management has conducted an assessment of the effectiveness of our internal control over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*. Based on this evaluation, our Company's management has concluded that its internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of our Company's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers (Certified Public Accountants, Hong Kong), an independent registered public accounting firm, as stated in their report which is included elsewhere in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

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

ITEM 16B. CODE OF ETHICS

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

Table of Contents**ITEM 16C.PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Resolutions to appoint PricewaterhouseCoopers (certified public accountants in Hong Kong), or PwC, as our auditor for 2014 have been approved at the annual general meeting of our shareholders held on May 29, 2014.

The following table presents the aggregate fees for professional services and other services rendered by PwC to us in 2013 and 2014.

| | 2013 | 2014 |
|--------------------|-----------------------|-------------|
| | (RMB millions) | |
| Audit Fees | 8.08 | 8.08 |
| Audit-related Fees | | |
| Tax Fees | | |
| All Other Fees | 0.43 | 0.33 |
| Total | 8.51 | 8.41 |

Notes:

1. Traveling expenses and tax fees are included in the audit fees and do not require additional payment.
2. As of December 31, 2014, there did not exist any amount that became payable but remained outstanding. All non-audit services to be provided by our independent registered public accountants, PwC, must be approved by our audit committee.

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

Not applicable.

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

During the year ended December 31, 2014, there was no purchase, sale or redemption of our H shares or ADSs by us, or any of our subsidiaries.

ITEM 16F.CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G.CORPORATE GOVERNANCE

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

we do not have the majority of our board of directors comprised of independent directors as defined under Section 303A.02 of the NYSE Manual;

we do not have a nominating committee or a corporate governance committee similar to that required for U.S. domestic companies;

we do not have a compensation committee wholly made up of independent directors. Our remuneration committee currently consists both executive directors and independent non-executive directors with the independent non-executive directors making up the majority of such committee;

instead of having formal corporate governance guidelines similar to those required for U.S. domestic companies, we have, in accordance with applicable PRC laws and regulations and the HKSE Listing Rules, adopted the Articles of Association, the General Meeting System, the Working Ordinance for the Board of Directors, the Working Ordinance for the supervisory committee, the Working Ordinance for the General Manager, the Capital Management Measures, the Investment Management Measures, the Code of Ethics for Senior Officers and the Audit Committee Charter that contain provisions addressing (i) director qualification standards and responsibilities; (ii) key board committee responsibilities; (iii) director access to management and, as necessary and appropriate, independent advisors; (iv) director compensation; (v) management succession and (vi) director orientation and continuing education;

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as a company listed on the HKSE, we are required to comply with applicable corporate governance and other related requirements of the HKSE Listing Rules, including the Corporate Governance Code, unless an exemption is available; and

we have not adopted a set of formal code of business conduct and ethics for our directors, officers and employees similar to that required for U.S. domestic companies. We have implemented code of business conduct and ethics for senior management, including our General Manager, Deputy General Manager, Chief Accountant and Company Secretary. In addition, our directors are required to comply with the Model Code for Securities Transactions by Directors of Listed Companies set out in the HKSE Listing Rules, which sets out standards with which directors are required to comply with respect to transactions involving our securities.

ITEM 16H.MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17.FINANCIAL STATEMENTS

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

ITEM 18.FINANCIAL STATEMENTS

See pages F-1 to F-79 following ITEM 19.

ITEM 19.EXHIBITS

(a) See pages F-1 to F-79 following this item.

(b) Index of Exhibits

Documents filed as exhibits to this annual report:

| Exhibit Number | Description |
|---------------------------|--------------------|
|---------------------------|--------------------|

| | |
|------------------|--|
| 1.1 ^a | Amended and Restated Articles of Association |
| 2.1* | Form of Amendment No. 1 to Deposit Agreement |
| 2.2* | Form of American Depositary Receipt |

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- 4.1** Land Lease Agreement dated November 15, 2004 between Guangshen Railway Company Limited and Guangzhou Railway (Group) Company
- 4.2β Master comprehensive services agreements dated October 18, 2013 between Guangshen Railway Company Limited and each of GRGC, Guangzhou Railway(Group) Guangshen Railway Enterprise Development Company and Yangcheng Railway Company
- 7.1 Statements explaining how certain ratios are calculated in this annual report
- 8.1 List of subsidiaries of Guangshen Railway Company Limited as of December 31, 2014
- 11.1¥ Code of Ethics for the Senior Management as amended on April 29, 2009
- 12.1 Section 302 principal executive officers and principal financial officer s certifications
- 13.1 Certifications of principal executive officers and principal financial officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

* Incorporated by reference from the Registrant s Form F-6EF filed with the SEC on April 24, 2009.

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

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

a Incorporated by reference from the Registrant s annual report on Form 20-F filed with the SEC on June 22, 2010.

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

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SIGNATURE

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

GUANGSHEN RAILWAY COMPANY LIMITED

Date: April 28, 2015

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

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, of cashflows, and of changes in equity present fairly, in all material respects, the financial position of Guangshen Railway Company Limited and its subsidiaries (the Group) at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report On Internal Control over Financial Reporting in Item 15 appearing on pages 79 and 80 of the 2014 Annual Report. Our responsibility is to express opinions on these financial statements and on the Group's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

PricewaterhouseCoopers

Hong Kong

April 28, 2015

Table of Contents**GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****AS AT DECEMBER 31, 2013 AND 2014**

(Amounts in thousands)

| | | 2013 | December 31 2014 | 2014 |
|--|------|------------|---------------------|-----------|
| | Note | RMB | RMB | US\$* |
| ASSETS | | | | |
| Non-current assets | | | | |
| Fixed assets | 6 | 24,302,653 | 24,179,210 | 3,896,981 |
| Construction-in-progress | 7 | 543,350 | 401,434 | 64,699 |
| Prepayments for fixed assets and construction-in-progress | | 9,403 | 13,499 | 2,176 |
| Leasehold land payments | 8 | 657,593 | 668,005 | 107,663 |
| Goodwill | 9 | 281,255 | 281,255 | 45,330 |
| Investments in associates | 11 | 142,054 | 147,102 | 23,709 |
| Deferred tax assets | 12 | 91,227 | 67,584 | 10,893 |
| Long-term prepaid expenses | 13 | 33,528 | 22,004 | 3,546 |
| Available-for-sale investments | 15 | 53,826 | 53,826 | 8,675 |
| Long-term receivable | 16 | 29,588 | 30,197 | 4,867 |
| | | 26,144,477 | 25,864,116 | 4,168,539 |
| Current assets | | | | |
| Materials and supplies | 17 | 391,947 | 400,509 | 64,550 |
| Trade receivables | 18 | 1,554,914 | 2,313,405 | 372,853 |
| Prepayments and other receivables | 19 | 244,373 | 189,576 | 30,554 |
| Short-term deposits | 20 | 4,483,600 | 104,000 | 16,762 |
| Cash and cash equivalents | 20 | 412,678 | 1,665,057 | 268,358 |
| | | 7,087,512 | 4,672,547 | 753,077 |
| Total assets | | 33,231,989 | 30,536,663 | 4,921,616 |
| Equity | | | | |
| Capital and reserves attributable to the Company's equity holders | | | | |
| Share capital | 21 | 7,083,537 | 7,083,537 | 1,141,659 |
| Share premium | | 11,562,777 | 11,562,738 | 1,863,575 |
| Other reserves | 22 | 2,530,747 | 2,596,783 | 418,525 |
| Retained earnings | | 5,473,483 | 5,502,785 | 886,888 |

| | | | | |
|--|----|------------|------------|-----------|
| | | 26,650,544 | 26,745,843 | 4,310,647 |
| Non-controlling interests | | 43,821 | 40,617 | 6,546 |
| Total equity | | 26,694,365 | 26,786,460 | 4,317,193 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Deferred income related to government grants | 23 | 90,404 | 88,771 | 14,307 |
| Employee benefits obligations | 25 | 7,909 | | |
| | | 98,313 | 88,771 | 14,307 |
| Current liabilities | | | | |
| Trade payables | 26 | 940,045 | 1,438,444 | 231,835 |
| Payables for fixed assets and construction-in-progress | | 856,837 | 1,094,814 | 176,452 |
| Dividends payable | | 146 | 548 | 88 |
| Income tax payable | | 269,981 | 157,865 | 25,443 |
| Accruals and other payables | 27 | 879,579 | 969,761 | 156,298 |
| Current portion of bonds payable | 24 | 3,492,723 | | |
| | | 6,439,311 | 3,661,432 | 590,116 |
| Total liabilities | | 6,537,624 | 3,750,203 | 604,423 |
| Total equity and liabilities | | 33,231,989 | 30,536,663 | 4,921,616 |

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

* Translation of amounts from Renminbi (RMB) into United States dollars (US\$) for the convenience of the reader has been made at US\$1.00=RMB6.2046, the certified exchange rates for December 31, 2014 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on December 31, 2014 or on any other date.

Chairman

General Manager

Chief Accountant

Table of Contents**GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES****CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

(Amounts in thousands, except per share and per ADS data)

| | Note | Years ended December 31 | | | 2014 US\$* |
|---|-------|-------------------------|-------------------|-------------------|------------------|
| | | 2012 RMB | 2013 RMB | 2014 RMB | |
| Revenue from Railroad Businesses | | | | | |
| Passengers | | 7,841,091 | 8,058,291 | 6,988,288 | 1,126,308 |
| Freight | | 1,344,113 | 1,603,288 | 1,763,679 | 284,253 |
| Railway network usage and other transportation related services | | 4,890,640 | 5,034,676 | 5,031,241 | 810,889 |
| | | 14,075,844 | 14,696,255 | 13,783,208 | 2,221,450 |
| Revenue from other businesses | | 1,016,042 | 1,104,422 | 1,017,573 | 164,003 |
| Total revenue | | 15,091,886 | 15,800,677 | 14,800,781 | 2,385,453 |
| Operating expenses | | | | | |
| Railroad businesses | | | | | |
| Business tax | | (340,035) | (357,824) | (61,021) | (9,835) |
| Labour and benefits | 28 | (3,516,589) | (3,932,120) | (4,441,615) | (715,858) |
| Equipment leases and services | | (4,022,514) | (4,166,329) | (3,629,757) | (585,011) |
| Land use right leases | 36(b) | (54,800) | (56,000) | (53,962) | (8,697) |
| Materials and supplies | | (1,532,559) | (1,587,251) | (1,310,106) | (211,151) |
| Repair and facilities maintenance costs, excluding materials and supplies | | (696,884) | (501,711) | (905,540) | (145,947) |
| Depreciation of fixed assets | | (1,358,527) | (1,392,010) | (1,405,580) | (226,538) |
| Amortisation of leasehold land payments | | (15,001) | (15,001) | (18,245) | (2,941) |
| Social services charges | | (93,090) | (67,990) | (12,430) | (2,003) |
| Utility and office expenses | | (107,216) | (71,525) | (74,740) | (12,046) |
| Others | | (525,806) | (731,055) | (816,832) | (131,649) |
| | | (12,263,021) | (12,878,816) | (12,729,828) | (2,051,676) |
| Other businesses | | | | | |
| Business tax | | (32,845) | (37,098) | (29,957) | (4,828) |
| Labour and benefits | 28 | (458,349) | (493,072) | (469,273) | (75,633) |
| Materials and supplies | | (317,738) | (338,547) | (306,128) | (49,339) |
| Depreciation of fixed assets | | (23,877) | (22,002) | (23,694) | (3,819) |
| Amortisation of leasehold land payments | | (987) | (920) | (919) | (148) |
| Utility and office expenses | | (132,581) | (156,914) | (192,162) | (30,971) |

| | | | | | |
|----------------------------------|----|--------------|--------------|--------------|-------------|
| | | (966,377) | (1,048,553) | (1,022,133) | (164,738) |
| Total operating expenses | | (13,229,398) | (13,927,369) | (13,751,961) | (2,216,414) |
| Other income and other gains net | 29 | 71,815 | 14,903 | 7,138 | 1,150 |
| Profit from operations | | 1,934,303 | 1,888,211 | 1,055,958 | 170,189 |
| Finance costs | 30 | (187,073) | (191,686) | (180,373) | (29,071) |
| Share of results of associates | 11 | 10,906 | 5,228 | 5,048 | 814 |
| Profit before income tax | | 1,758,136 | 1,701,753 | 880,633 | 141,932 |
| Income tax expense | 31 | (441,151) | (430,670) | (219,507) | (35,378) |
| Profit for the year | | 1,316,985 | 1,271,083 | 661,126 | 106,554 |

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except per share and per ADS data)

| | Note | Years ended December 31, | | | |
|--|------|--------------------------|-----------|---------|-----------|
| | | 2012 | 2013 | 2014 | 2014 |
| | | RMB | RMB | RMB | US\$* |
| Profit for the year | | 1,316,985 | 1,271,083 | 661,126 | 106,554 |
| Other comprehensive income, net of tax | | | | | |
| Total comprehensive income for the year, net of tax | | 1,316,985 | 1,271,083 | 661,126 | 106,554 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | | 1,318,938 | 1,273,841 | 662,021 | 106,698 |
| Non-controlling interests | | (1,953) | (2,758) | (895) | (144) |
| | | 1,316,985 | 1,271,083 | 661,126 | 106,554 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | 1,318,938 | 1,273,841 | 662,021 | 106,698 |
| Non-controlling interests | | (1,953) | (2,758) | (895) | (144) |
| | | 1,316,985 | 1,271,083 | 661,126 | 106,554 |
| Earnings per share for profit attributable to the equity holders of the Company during the year | | | | | |
| - Basic and diluted | 32 | RMB0.19 | RMB0.18 | RMB0.09 | US\$ 0.01 |
| Earnings per equivalent ADS | | | | | |
| - Basic and diluted | 32 | RMB9.31 | RMB8.99 | RMB4.67 | US\$ 0.75 |

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

* Translation of amounts from Renminbi (RMB) into United States dollars (US\$) for the convenience of the reader has been made at US\$1.00=RMB6.2046, the certified exchange rates for December 31, 2014 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on December 31, 2014 or on any other date.

Chairman

General Manager

Chief Accountant

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Table of Contents**GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES****CONSOLIDATED CASH FLOW STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

(Amounts in thousands)

| | Note | Year ended December 31, | | | |
|--|-------|-------------------------|-------------|-------------|-----------|
| | | 2012 | 2013 | 2014 | 2014 |
| | | RMB | RMB | RMB | US\$* |
| Cash flows from operating activities: | | | | | |
| Cash generated from operations | 34(a) | 2,875,017 | 2,423,086 | 2,421,206 | 390,228 |
| Interest paid | | (167,650) | (167,650) | (167,650) | (27,020) |
| Income tax paid | | (529,694) | (372,025) | (307,980) | (49,637) |
| Net cash generated from operating activities | | 2,177,673 | 1,883,411 | 1,945,576 | 313,571 |
| Cash flows from investing activities: | | | | | |
| Payments for acquisition of fixed assets and construction-in-progress and prepayment for fixed assets, net of related payables | | (1,836,154) | (1,376,601) | (999,633) | (161,112) |
| Proceeds from disposal of fixed assets | 34(b) | 41,071 | 75,250 | 708 | 114 |
| Government grants received | | | 647 | | |
| Interest received | | 116,688 | 127,318 | 128,139 | 20,652 |
| (Increase)/ decrease in short-term deposits with maturities more than three months, net | | (488,000) | (309,600) | 4,379,600 | 705,863 |
| Dividends received | | 5,500 | 4,904 | 4,904 | 790 |
| Payment for business combination, net of cash acquired | 37 | | (94,879) | (139,897) | (22,547) |
| Net cash (used in)/generated from investing activities | | (2,160,895) | (1,572,961) | 3,373,821 | 543,760 |
| Cash flows from financing activities: | | | | | |
| Repayments of bond payables | 24 | | | (3,500,000) | (564,098) |
| Dividends paid to non-controlling interests shareholders | | (10) | | | |
| Dividends paid to the Company's shareholders | | (708,354) | (566,680) | (566,685) | (91,333) |
| Acquisition of additional interests in subsidiary from non-controlling interests | | | (5,947) | | |
| Payments for management fee of bond payables | | (158) | (158) | (333) | (54) |
| Net cash used in financing activities | | (708,522) | (572,785) | (4,067,018) | (655,485) |
| Net (decrease)/increase in cash and cash equivalents | | (691,744) | (262,335) | 1,252,379 | 201,846 |

| | | | | | |
|--|----|-----------|---------|-----------|---------|
| Cash and cash equivalents, at beginning of year | | 1,366,757 | 675,013 | 412,678 | 66,512 |
| Cash and cash equivalents, at end of year | 20 | 675,013 | 412,678 | 1,665,057 | 268,358 |

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

* Translation of amounts from Renminbi (RMB) into United States dollars (US\$) for the convenience of the reader has been made at US\$1.00=RMB6.2046, the certified exchange rates for December 31, 2014 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on December 31, 2014 or on any other date.

Chairman

General Manager

Chief Accountant

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Table of Contents**GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

(Amounts in thousands)

| | Share capital RMB (Note 21) | Share premium RMB | Attributable to equity holders of the Company | | | Retained earnings RMB | Total RMB | Non-controlling interests RMB |
|-------------------|-----------------------------------|-------------------------|---|---|--------------------------------------|-----------------------------|--------------|-------------------------------------|
| | | | Statutory surplus reserve RMB (Note 22) | Discretionary surplus reserve RMB (Note 22) | Other reserve RMB (Note 22) | | | |
| December 31, 2011 | 7,083,537 | 11,564,581 | 1,965,036 | 304,059 | 4,417,393 | 25,334,606 | 52,802 | |
| Change | | | | | 1,318,938 | 1,318,938 | (1,953) | |
| December 31, 2012 | | | | | 1,318,938 | 1,318,938 | (1,953) | |
| Change | | | | | | | | |
| December 31, 2013 | | | | | 134,265 | (134,265) | | |
| Change | | | | | (134,265) | 134,265 | | |
| December 31, 2014 | | | 133,171 | | | (133,171) | | |
| Change | | | | | (708,354) | (708,354) | | |
| December 31, 2012 | 7,083,537 | 11,564,581 | 2,098,207 | 304,059 | 4,894,806 | 25,945,190 | 50,849 | |
| December 31, 2013 | 7,083,537 | 11,564,581 | 2,098,207 | 304,059 | 4,894,806 | 25,945,190 | 50,849 | |
| Change | | | | | 1,273,841 | 1,273,841 | (2,758) | |
| December 31, 2014 | | | | | 1,273,841 | 1,273,841 | (2,758) | |

| | |
|-----------|-----------|
| 200,839 | (200,839) |
| (200,839) | 200,839 |

s in

(1,804)

(1,804)

(4,143)

m

128,481

(128,481)

to

(566,683)

(566,683)

(127)

3

7,083,537

11,562,777

2,226,688

304,059

5,473,483

26,650,544

43,821

3

US\$ 1,170,117

US\$ 1,910,035

US\$ 367,823

US\$ 50,227

US\$ 904,155

US\$ 4,402,357

US\$ 7,239

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands)

| Share capital RMB (Note 21) | Share premium RMB | Attributable to equity holders of the Company | | | Retained earnings RMB | Total RMB | Non-controlling interests RMB |
|-----------------------------------|-------------------------|---|---|--------------------------------------|-----------------------------|--------------|-------------------------------------|
| | | Statutory surplus reserve RMB (Note 22) | Discretionary surplus reserve RMB (Note 22) | Other reserve RMB (Note 22) | | | |
| 7,083,537 | 11,562,777 | 2,226,688 | 304,059 | 5,473,483 | 26,650,544 | 43,821 | |
| | | | | 662,021 | 662,021 | (895) | |
| | | | | 662,021 | 662,021 | (895) | |
| | | | | 208,250 | (208,250) | | |
| | | | | (208,250) | 208,250 | | |
| | (39) | | | | (39) | (1,905) | |
| | | 66,036 | | (66,036) | | | |
| | | | | (566,683) | (566,683) | (404) | |
| 7,083,537 | 11,562,738 | 2,292,724 | 304,059 | 5,502,785 | 26,745,843 | 40,617 | |
| US\$ 1,141,659 | US\$ 1,863,575 | US\$ 369,520 | US\$ 49,005 | US\$ 886,888 | US\$ 4,310,647 | US\$ 6,546 | |

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

* Translation of amounts from Renminbi (RMB) into United States dollars (US\$) for the convenience of the reader has been made at US\$1.00=RMB6.2046, the certified exchange rates for December 31, 2014 as published by the Federal Reserve Board of the United States. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on December 31, 2014 or on any other date.

Chairman

General Manager

Chief Accountant

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

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

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

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

On 14 March 2013, pursuant to the approved plan on State Council Institutional Reform and Transformation of Government Functions and Approval On Setting Up China Railway Company by the State Council, the previous controlling entity of Guangzhou Railway Group, MOR, had been dismantled. The administrative function of MOR will be transferred to the Ministry of Transport and the newly established National Railway Bureau, and its business functions and all related assets, liabilities and human resources will be transferred to the China Railway Corporation (CRC). Accordingly, the equity interests of Guangzhou Railway Group which was wholly controlled by MOR previously will be transferred to the CRC. Once the transfer is completed, the actual controlling entity of the Company's largest shareholder will become CRC (See Note 39 for more details).

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

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

As at 31 December 2014, the Company had in total approximately 37,300 employees, representing an increase of 400 as compared with that of 31 December 2013.

The financial statements were authorised for issue by the board of directors of the Company on 28 April 2015.

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

2 PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

(a) New and amended standards adopted by the Group

In the current year, the Group has adopted the following new and revised standards, and amendments to existing standards which are mandatory for the financial year beginning 1 January 2014:

Amendment to IAS 32, *Financial instruments: Presentation* on asset and liability offsetting

The amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

Amendment to IFRS10, IFRS12 and IAS 27, *Consolidation for investment entities*

These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an investment entity definition and which display particular characteristics. Changes have also been made in IFRS12 to introduce disclosures that an investment entity needs to make. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36, *Impairment of assets* on recoverable amount disclosures for non-financial assets

This amendment removed certain disclosures of the recoverable amount of the cash-generating units (CGUs) which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the consolidated financial statements.

IFRIC 21, Levies

The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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Table of Contents**GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**2.1 Basis of preparation (continued)****(a) New and amended standards adopted by the Group (continued)**

Amendment to IAS 39, Financial instruments: Recognition and measurement

This amendment considers legislative changes to over-the-counter derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the group financial statements as a result.

(b) The following new standards, amendments and interpretations have been issued as at 31 December 2014 but are not yet effective for IFRS financial statements for the year ended 31 December 2014:

| | Effective for |
|---|----------------------|
| | annual |
| | periods |
| | beginning |
| | on or after |
| Amendment to IAS19 regarding defined benefit plans: employee contributions | 1 July 2014 |
| Annual improvements to IFRSs 2010-2012 Cycle | 1 July 2014 |
| Annual improvements to IFRSs 2011-2013 Cycle | 1 July 2014 |
| Annual improvements to IFRSs 2012-2014 Cycle | 1 January 2016 |
| IFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations | 1 January 2016 |
| Amendments to IAS 1 Disclosure Initiative | 1 January 2016 |

| | |
|---|----------------|
| Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| Amendments to IAS 16 and IAS 41 on Agriculture: bearer plants | 1 January 2016 |
| Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| Amendment to IAS 27 on equity method in separate financial statements | 1 January 2016 |
| Amendments to IFRS 10 , IFRS 12 and IAS 28 on investment entities: applying the consolidation exception | 1 January 2016 |
| IFRS15 Revenue from Contracts with Customers | 1 January 2017 |
| IFRS 9 Financial Instruments | 1 January 2018 |

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

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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

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

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

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

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

(c) Disposal of subsidiaries

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

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Associates

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

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

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

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

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

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

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

2.5 Foreign currency transaction

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.6 Fixed assets

Fixed assets are 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 the replaced part is derecognised. All other repairs and

maintenance are charged to the comprehensive income statement during the financial period in which they are incurred.

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:

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Table of Contents**GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts expressed in Renminbi unless otherwise stated)

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**2.6 Fixed assets (continued)**

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

Note a:

The estimated useful lives of buildings, tracks, bridges and service roads exceed the initial lease periods of the respective land use right lease grants (the Lease Term); and the initial period of land use right operating leases (the Operating Lease Term), on which these assets are located (Notes 2.8 and 36(b)).

Pursuant to the relevant laws and regulations in the PRC governing the land use right lease grants, the Group has the right to renew the respective leases up to a period not less than 50 years with additional cost paid. This right can be exercised within one year before the expiry of the initial Lease Term, and can only be denied if such renewals are considered to be detrimental to the public interest. Accordingly, the directors of the Company consider that the approval process to be perfunctory. In addition, based on the provision of the land use right operating lease agreement entered into with the single largest shareholder (details contained in Note 36(b)), the Company can renew the lease at its own discretion upon expiry of the Operating Lease Term. Based on the above considerations, the directors have determined the estimated useful lives of these assets to extend beyond the initial Lease Term as well as the Operating Lease Term.

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 2.10).

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.7 Construction-in-progress

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

2.8 Leasehold land payments

The Group acquired the right to use certain parcels of land for certain of its rail lines, stations and other businesses. The payment paid for such land represents pre-paid lease payments, which are amortised over the lease terms of 36.5 to 50 years using the straight-line method. Pursuant to the relevant laws and regulations in the PRC governing the land use right lease grant, the Group has the right to extend and renew the lease for a period not less than 50 years. This right can be exercised within one year before the expiry of the initial Lease Term, and can only be denied if such renewals are considered to be detrimental to the public interest. The Group considers the approval process to be perfunctory and the renewal is reasonably assured.

2.9 Goodwill

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

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

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.11 Financial assets

2.11.1 Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

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

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the comprehensive income statement as gains and losses from investment securities .

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

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

2.12 Offsetting financial instruments

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

be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

Significant financial difficulty of the issuer or obligor;

A breach of contract, such as a default or delinquency in interest or principal payments;

The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

The disappearance of an active market for that financial asset because of financial difficulties; or

Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio;

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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

(b) Assets classified as available for sale

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

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

2.14 Long-term prepaid expenses

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

2.15 Materials and supplies

Materials and supplies are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Materials and supplies are charged as fuel costs and repair and maintenance expenses when consumed, or capitalised to fixed assets when the items are installed with the related fixed assets, whichever is

appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable expenses.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.16 Trade and other receivables

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

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

2.17 Cash and cash equivalents

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

2.18 Share capital

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

2.19 Trade payables

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

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

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings

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

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

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

2.21 Borrowing costs

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

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

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

2.22 Current and deferred income tax

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

(a) Current income tax

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (continued)

(b) Deferred income tax
Inside basis differences

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

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

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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.

(c) Offsetting

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

2.23 Employee benefits

(a) Defined contribution plan

The Group pays contributions to defined contribution schemes operated by the local government for employee benefits in respect of pension and unemployment. The Group 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.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits (continued)

(b) Termination benefits

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

2.24 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

2.25 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of

customer, the type of transactions and the specifics of each arrangement.

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(a) Revenue from railway business

Revenue from railway business includes revenue from passenger and freight services, revenue from railway network usage and other transportation related services. Other transportation related services include the railway transportation management service provided to other railway companies and other service provided in relation to passenger and freight transportation. Revenue from railway business is recognised when the services are rendered and revenue can be reliably measured.

(b) Revenue from other businesses

Revenue from other business principally includes services offered in railway stations, sales of food, beverages and merchandises on board the trains and in the railway stations. Revenue from other business is recognised once the related services or goods are delivered, the related risks and rewards of ownership have been transferred and revenue can be reliably measured.

(c) Rental income

Revenue from operating lease arrangements is recognised on a straight-line basis over the period of the respective leases.

2.26 Interest income

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

2.27 Dividend income

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

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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.28 Government grants

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

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

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

2.29 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

2.30 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factor

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

(a) Market risk

(i) Price risk

The Group is exposed to price risk because of investments held by the Group and classified as available-for-sale on the consolidated balance sheet.

To manage its price risk arising from investments in equity interests, the Group diversifies its portfolio. Diversification of the portfolio is made in accordance with the limits set by the Group.

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(All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.1 Financial risk factor (continued)**

(a) Market risk (continued)

(ii) Foreign currency risk

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

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

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

| | Currency denomination | As at 31 December | |
|---------------------------------|--------------------------|-------------------|-------------------|
| | | 2013 (RMB 000) | 2014 (RMB 000) |
| Monetary assets and liabilities | | | |
| Cash and cash equivalents | HKD | 18,561 | 62,093 |
| Cash and cash equivalents | USD | 69 | |
| Other receivables | HKD | 35 | 93 |
| Other payables | HKD | (109) | |

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

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

As at 31 December 2014, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, profit after tax for the year would have been RMB2,332,000 (2013: RMB693,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HKD-denominated cash in banks. The impact of exchange fluctuations of USD is not significant.

(iii) Cash flow and fair value interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. The average interest rate of deposits held in banks in the PRC throughout the year was approximately 2.59% (2012: 2.86% and 2013: 2.87%). 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 Group's interest rate risk which affects its income and operating cash flows mainly arises from bonds payable. The bonds bear interest at fixed rates, and expose the Group to fair value interest rate risk.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, short-term deposits, trade and other receivables (excluding prepayments) and long-term receivable.

The credit quality of financial assets that are neither past due nor impaired can be analysed by the nature of counterparties as follows:

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.1 Financial risk factor (continued)**

(b) Credit risk (continued)

| | As at 31 December | As at 31 December |
|--|-------------------|-------------------|
| | 2013 | 2014 |
| | RMB 000 | RMB 000 |
| Trade receivables | | |
| Due from CRC Group | 667,650 | 628,576 |
| Due from related parties | 294,827 | 736,737 |
| Due from third parties | 497,910 | 585,572 |
| | 1,460,387 | 1,950,885 |
| Other receivables excluding prepayments | | |
| Due from CRC Group | 711 | 8,904 |
| Due from related parties | 3,315 | 1,076 |
| Due from third parties | 121,540 | 86,034 |
| | 125,566 | 96,014 |
| Long-term receivable | | |
| Due from a third party | 29,588 | 30,197 |

For trade and other receivables, management performs ongoing credit evaluations of its customers/debtors' financial condition and generally does not require collateral from the customers/debtors. After assessing the expected realizability and timing for collection of the outstanding balances, the Group maintains a provision for impairment of receivables and actual losses incurred have been within management's expectation.

As at December 31, As at December 31,

| | 2013 | 2014 |
|---|-----------|-----------|
| | RMB 000 | RMB 000 |
| Cash at bank and short-term deposits | | |
| Placed in listed banks in the PRC | 4,895,992 | 1,769,023 |
| Placed in unlisted banks in the PRC | 250 | |
| | 4,896,242 | 1,769,023 |

Cash and short term liquid investments are placed with reputable banks. There was no recent history of default of cash and cash equivalents and short-term deposits from such financial institutions.

There were no other financial assets carrying a significant exposure to credit risk.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.1 Financial risk factor (continued)**

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserves (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows.

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

| | Less than 1 year RMB 000 | Between 1 and 2 years RMB 000 | Between 2 and 5 years RMB 000 |
|---|---|--|--|
| At 31 December 2013 | | | |
| Bonds payable (including interests) | 3,660,760 | | |
| Trade and other payables excluding statutory liabilities and advances | 1,417,630 | | |
| Dividends payable | 146 | | |
| Payables for fixed assets and construction-in-progress | 856,837 | | |
| At 31 December 2014 | | | |
| Trade and other payables excluding statutory liabilities and advances | 1,942,431 | | |
| Dividends payable | 548 | | |
| Payables for fixed assets and construction-in-progress | 1,094,814 | | |

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by regularly reviewing the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bonds payable less cash and cash equivalents. Total capital is the total equity as shown in the consolidated balance sheet plus net debt.

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(All amounts expressed in Renminbi unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.2 Capital risk management (continued)**

As at 31 December 2014, the Group did not have borrowings and bonds. The directors are of the opinion that the Group's capital risk is low.

The gearing ratio as at 31 December 2013 is as follows:

| | |
|---|-------------------|
| | 2013 |
| | RMB '000 |
| Total bonds payable (Note 24) | 3,492,723 |
| Less: Cash and cash equivalents (Note 20) | (412,678) |
| Net debt | 3,080,045 |
| Total equity | 26,694,365 |
| Total capital | 29,774,410 |
| Gearing ratio | 10% |

3.3 Fair value estimation

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

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2014, the Group did not have any financial instruments that were measured at fair value.

As at 31 December 2014, the fair values of other financial instruments approximated their carrying values.

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GUANGSHEN RAILWAY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts expressed in Renminbi unless otherwise stated)

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.

4.1 Critical accounting estimates and assumptions

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) The estimates of the depreciable lives of fixed assets

The estimate of depreciable lives of fixed assets, especially tracks, bridges and service roads, was made by the directors with reference to the following: (1) the historical usage of the assets; (2) their expected physical wear and tear; (3) results of recent durability assessment performed; (4) technical or commercial obsolescence arising from changes or improvements in production of similar fixed assets; (5) the right of the Group to renew the land use right grants and the land use right lease on which these assets are located (Notes 2.8 and 36(b)); (6) the changes in market demand for, or legal or comparable limits imposed on, the use of such fixed assets. The useful lives and residual values have been reviewed and no change was made in current year.

The current estimated useful lives are stated in Note 2.6. If the estimated depreciable lives of tracks, bridges and service roads had been increased/decreased by 10%, the depreciation expenses of fixed assets for the year ended 31 December 2014 would have been decreased/increased by approximately RMB19,149,000 and RMB23,404,000 respectively (2012: RMB18,524,000 and RMB22,640,000 respectively; 2013: RMB18,502,000 and RMB22,613,000 respectively).

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 9).

(c) Estimated impairment of non-financial assets (other than goodwill)

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

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5 SEGMENT INFORMATION

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

Senior executives consider the business from a perspective of revenues and operating results generated from railroad and related business conducted by the Company (the Company's Business). Other segments mainly include provision of on-board catering services, warehousing services, hotel management services and sales of merchandises provided by the subsidiaries of the Group. Senior executives assess the performance of the operating segments based on a measure of the profit before income tax. Other information provided, except as noted below, to senior executives is measured in a manner consistent with that in the financial statements.

The segment results for 2012, 2013 and 2014 are as follows:

| The Company's Business | | | All other segments | | | Elimination | | | Total | |
|------------------------|------------|------------|--------------------|----------|----------|-------------|----------|----------|------------|------------|
| 2012 | 2013 | 2014 | 2012 | 2013 | 2014 | 2012 | 2013 | 2014 | 2012 | 2013 |
| RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 |
| 14,075,844 | 14,696,255 | 13,783,208 | | | | | | | 14,075,844 | 14,696,255 |
| 621,229 | 664,635 | 586,564 | 394,813 | 464,827 | 473,204 | | (25,040) | (42,195) | 1,016,042 | 1,104,421 |
| 14,697,073 | 15,360,890 | 14,369,772 | 394,813 | 464,827 | 473,204 | | (25,040) | (42,195) | 15,091,886 | 15,800,676 |
| 1,757,476 | 1,706,027 | 869,701 | 1,048 | (5,011) | 13,394 | (388) | 737 | (2,462) | 1,758,136 | 1,701,711 |
| 186,916 | 191,501 | 180,208 | 157 | 185 | 165 | | | | 187,073 | 191,609 |
| 10,906 | 5,228 | 5,048 | | | | | | | 10,906 | 5,228 |
| 1,377,855 | 1,409,325 | 1,423,023 | 4,549 | 4,687 | 6,251 | | | | 1,382,404 | 1,414,001 |
| 15,001 | 15,001 | 18,245 | 987 | 920 | 919 | | | | 15,988 | 15,919 |
| 7,132 | 12,697 | 13,610 | 105 | 201 | 321 | | | | 7,237 | 12,819 |

66,650

66,650

1,464

(5,788)

1,150

112

(49)

1,576

(5,8

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(All amounts expressed in Renminbi unless otherwise stated)

5 SEGMENT INFORMATION (CONTINUED)

A reconciliation of the segment results to profit of 2012, 2013 and 2014 is as follows:

| | The Company's Business | | | All other segments | | | Elimination | | | Total | | |
|------------------|------------------------|-----------|-----------|--------------------|---------|---------|-------------|---------|---------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2012 | 2013 | 2014 | 2012 | 2013 | 2014 | 2012 | 2013 | 2014 |
| | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 |
| Revenue | 1,757,476 | 1,706,027 | 869,701 | 1,048 | (5,011) | 13,394 | (388) | 737 | (2,462) | 1,758,136 | 1,701,753 | 880,000 |
| Cost of sales | (436,671) | (426,445) | (214,389) | (4,480) | (4,225) | (5,118) | | | | (441,151) | (430,670) | (219,500) |
| Operating profit | 1,320,805 | 1,279,582 | 655,312 | (3,432) | (9,236) | 8,276 | (388) | 737 | (2,462) | 1,316,985 | 1,271,083 | 660,500 |

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

| | The Company's Business | | | All other segments | | | Elimination | | | Total | |
|------------------|------------------------|------------|------------|--------------------|---------|---------|-------------|-----------|-----------|------------|------------|
| | 2012 | 2013 | 2014 | 2012 | 2013 | 2014 | 2012 | 2013 | 2014 | 2012 | 2013 |
| | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 |
| Operating profit | 18,371 | 33,183,049 | 30,498,118 | 229,613 | 221,612 | 234,430 | (180,802) | (172,672) | (195,885) | 32,867,182 | 33,231,900 |
| Other income | 36,826 | 142,054 | 147,102 | | | | | | | 136,826 | 142,000 |
| Other expenses | (21,215) | 1,399,997 | 1,376,436 | 9,210 | 16,900 | 3,302 | | | | 1,930,425 | 1,416,800 |

92,559 6,544,338 3,770,778 99,595 105,449 121,647 (121,011) (112,163) (142,222) 6,871,143 6,537,6

Revenues of approximately RMB1,958,375,000 (2012: RMB1,881,292,000 and 2013: RMB1,723,972,000) are derived from Guangzhou Railway Group and its subsidiaries. These revenues are attributable to the Company's Business. Except that, no revenues derived from a single external customer have exceeded 10% of the total revenues.

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Table of Contents**GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2014**

(All amounts expressed in Renminbi unless otherwise stated)

6 FIXED ASSETS

| | 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 2013 | | | | | | |
| Cost | 5,876,441 | 14,917,817 | 7,374,288 | 1,607,556 | 5,217,526 | 34,993,628 |
| Accumulated depreciation | (1,602,648) | (2,388,150) | (2,650,491) | (951,318) | (2,874,000) | (10,466,607) |
| Impairment | | | | | (2,773) | (2,773) |
| Net book amount | 4,273,793 | 12,529,667 | 4,723,797 | 656,238 | 2,340,753 | 24,524,248 |
| Year ended 31 December 2013 | | | | | | |
| Opening net book amount | 4,273,793 | 12,529,667 | 4,723,797 | 656,238 | 2,340,753 | 24,524,248 |
| Additions due to business combination | 96,879 | 10,431 | 48,307 | | 41,198 | 196,815 |
| Other additions | 825 | | 85,495 | 11,330 | 132,299 | 229,949 |
| Transfer from construction-in-progress (Note 7) | 220,601 | 433,487 | 35,342 | 103,342 | 219,812 | 1,012,584 |
| Reclassifications | (64) | | | (3,984) | 4,048 | |
| Disposals | (4,031) | (219,684) | (18,215) | (253) | (4,748) | (246,931) |
| Depreciation charges | (220,219) | (210,429) | (436,430) | (152,775) | (394,159) | (1,414,012) |
| Closing net book amount | 4,367,784 | 12,543,472 | 4,438,296 | 613,898 | 2,339,203 | 24,302,653 |
| At 31 December 2013 | | | | | | |
| Cost | 6,186,344 | 15,114,616 | 7,486,484 | 1,711,693 | 5,579,411 | 36,078,548 |
| Accumulated depreciation | (1,818,560) | (2,571,144) | (3,048,188) | (1,097,795) | (3,237,435) | (11,773,122) |
| Impairment | | | | | (2,773) | (2,773) |
| Net book amount | 4,367,784 | 12,543,472 | 4,438,296 | 613,898 | 2,339,203 | 24,302,653 |

**Year ended 31 December
2014**

| | | | | | | |
|--|-----------|------------|-----------|-----------|-----------|-------------|
| Opening net book amount | 4,367,784 | 12,543,472 | 4,438,296 | 613,898 | 2,339,203 | 24,302,653 |
| Additions due to business combination (Note 37) | 114,062 | 26,948 | | 64 | 10,972 | 152,046 |
| Other additions | 7,513 | | 69,937 | 14,284 | 131,860 | 223,594 |
| Transfer from construction-in-progress (Note 7) | 418,963 | 482,166 | 14,282 | 25,016 | 169,509 | 1,109,936 |
| Reclassifications | 323 | | | (189) | (134) | |
| Disposals | (1,013) | (175,756) | (103) | (1,346) | (1,527) | (179,745) |
| Depreciation charges | (250,291) | (212,208) | (442,015) | (155,389) | (369,371) | (1,429,274) |
| Closing net book amount | 4,657,341 | 12,664,622 | 4,080,397 | 496,338 | 2,280,512 | 24,179,210 |

At 31 December 2014

| | | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Cost | 6,723,551 | 15,433,890 | 7,568,098 | 1,712,493 | 5,810,040 | 37,248,072 |
| Accumulated depreciation | (2,066,210) | (2,769,268) | (3,487,701) | (1,216,155) | (3,528,366) | (13,067,700) |
| Impairment | | | | | (1,162) | (1,162) |
| Net book amount | 4,657,341 | 12,664,622 | 4,080,397 | 496,338 | 2,280,512 | 24,179,210 |

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(All amounts expressed in Renminbi unless otherwise stated)

6 FIXED ASSETS (CONTINUED)

As at 31 December 2014, the ownership certificates of certain buildings of the Group with an aggregate carrying value of approximately RMB1,921,120,000 (2013: RMB1,703,324,000) had not been obtained by the Group. After consultation made with the Company's legal counsel, the directors of the Company consider that there is no legal restriction for the Group to apply for and obtain the ownership certificates of such buildings and it should not lead to any significant adverse impact on the operations of the Group.

As at 31 December 2014, fixed assets of the Group with an aggregate net book value of approximately RMB85,941,000 (2013: RMB76,164,000) had been fully depreciated but they were still in use.

7 CONSTRUCTION-IN-PROGRESS

| | 2013 | 2014 |
|---|-------------|-------------|
| | RMB 000 | RMB 000 |
| At 1 January | 679,528 | 543,350 |
| Additions due to business combination (Note 37) | 2,700 | 1,665 |
| Other additions | 1,021,065 | 995,931 |
| Transfer to fixed assets (Note 6) | (1,012,584) | (1,109,936) |
| Transfer to leasehold land (Note 8) | (147,359) | (29,576) |
| At 31 December | 543,350 | 401,434 |

Construction-in-progress as at 31 December 2013 and 2014 mainly was improvement on the existing railway equipment in the PRC.

For the year ended 31 December 2014, no interest expense (2013: Nil) was capitalised in the construction-in-progress balance as the impact of interest capitalisation was not material.

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(All amounts expressed in Renminbi unless otherwise stated)

8 LEASEHOLD LAND PAYMENTS

The Group's interests in leasehold land represent prepaid operating lease payments in the PRC and its net book value are analysed as follows:

| | RMB 000 |
|------------------------------------|-----------|
| At 1 January 2013 | |
| Cost | 791,054 |
| Accumulated amortisation | (262,758) |
| Net book amount | 528,296 |
| Year ended 31 December 2013 | |
| Opening net book amount | 528,296 |
| Addition | 147,359 |
| Amortisation charges | (15,921) |
| Disposal | (2,141) |
| Closing net book amount | 657,593 |
| At 31 December 2013 | |
| Cost | 935,572 |
| Accumulated amortisation | (277,979) |
| Net book amount | 657,593 |
| Year ended 31 December 2014 | |
| Opening net book amount | 657,593 |
| Addition | 29,576 |
| Amortisation charges | (19,164) |
| Closing net book amount | 668,005 |
| At 31 December 2014 | |
| Cost | 965,148 |
| Accumulated amortisation | (297,143) |

| | |
|-----------------|---------|
| Net book amount | 668,005 |
|-----------------|---------|

As at 31 December 2014, land use right certificates of certain parcels of land of the Group with an aggregate carrying value of approximately RMB228,630,000 (2013: RMB204,075,000) had not been obtained. After consultation made with the Company's legal counsel, the directors consider that there is no legal restriction for the Group 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.

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(All amounts expressed in Renminbi unless otherwise stated)

9 GOODWILL

| | RMB 000 |
|---|---------|
| Year ended 31 December 2013 and 2014 | |
| Opening net book amount | 281,255 |
| Additions | |
| Closing net book amount | 281,255 |
| At 31 December 2013 and 2014 | |
| Cost | 281,255 |
| Accumulated impairment | |
| Net book amount | 281,255 |

The goodwill balance 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.

Prior to 1 January 2009, the goodwill had been allocated to a cash-generating unit (CGU) comprising the Yangcheng Railway Business. The recoverable amount of that CGU is determined based on value-in-use calculations and no impairment losses had been recognised prior to 1 January 2009.

On 1 January 2009, the Group integrated the Yangcheng Railway Business with the Group's railway business in order to improve operation efficiency. As a result, the management considers that the Yangcheng Railway Business and the Group's remaining railway business (collectively the Combined Railway Business) represents the lowest level of CGUs within the Group at which goodwill is monitored for internal management purposes. In addition, the Combined Railway Business is not larger than an operating segment determined under with IFRS 8. Therefore, the Group has reallocated the goodwill to the CGU comprising the Combined Railway Business.

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9 GOODWILL (CONTINUED)

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

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

| | | |
|-------------------|--------|--------|
| Railroad business | 2013 | 2014 |
| Gross margin | 28.77% | 24.64% |
| Growth rate | 2% | 2% |
| Discount rate | 12.44% | 12.44% |

Management estimated the gross margin and growth rate based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflect specific risks relating to the railroad business segment.

If the budgeted growth rate used in the value-in-use calculation for the CGU in railroad business had been 10% lower than management's estimates as at 31 December 2014, the Group would have no impairment recognised against goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows for the CGU in railroad business had been 1% higher than management's estimates as at 31 December 2014, the Group would have no impairment recognised against goodwill.

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10 INVESTMENTS IN SUBSIDIARIES

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries which are incorporated/established and are operating in the PRC:

| Name of the entity | Date of incorporation/ establishment | Percentage of equity interest attributable to the Company | | Paid-in capital | Principal activities |
|--|--------------------------------------|---|------------|-----------------|--|
| | | Directly | Indirectly | | |
| Dongguan Changsheng Enterprise Company Limited | 22 May 1992 | 51% | | RMB38,000,000 | Warehousing |
| Shenzhen Fu Yuan Enterprise Development Company Limited | 1 November 1991 | 100% | | RMB18,500,000 | Hotel management |
| Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited | 11 September 1993 | 100% | | RMB10,000,000 | Cargo loading and unloading, warehousing, freight transportation |
| Shenzhen Nantie Construction Supervision Company Limited | 8 May 1995 | 67.46% | 9.20% | RMB3,000,000 | Supervision of construction projects |
| Shenzhen Railway Property Management Company Limited | 13 November 2001 | | 100% | RMB3,000,000 | Property management |
| Shenzhen Guangshen Railway Travel Service Ltd. | 16 August 1995 | 75% | 25% | RMB2,400,000 | Travel agency |
| Shenzhen Shenhuasheng Storage and Transportation Company Limited | 2 January 1985 | 41.50% | 58.50% | RMB2,000,000 | Warehousing, freight transport and packaging agency services |
| Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited | 7 March 2002 | | 100% | RMB2,000,000 | Catering management |
| Shenzhen Railway Station Passenger Services Company | 18 December 1986 | 100% | | RMB1,500,000 | Catering services and sales of |

| | | | | |
|---|------------------|------|--------------|---|
| Limited | | | | merchandise |
| Guangshen Railway Station Dongqun Trade and Commerce Service Company Limited | 23 November 1992 | 100% | RMB1,020,000 | Sales of merchandises |
| Guangzhou Railway Huangpu Service Company Limited | 15 March 1985 | 100% | RMB379,000 | Cargo loading and unloading, warehousing, freight transportation |

During the year ended 31 December 2014, Guangzhou Tielian Economy Development Company Limited (Guangzhou Tielian), a 50.5% owned subsidiary of the Company was liquidated.

All the above subsidiaries are limited liability companies.

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10 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

As at 31 December 2014, the Company had direct or indirect interests in the following subsidiaries which are incorporated/established and are operating in the PRC: (continued)

In year 2014, Guangzhou Tielian completed its liquidation. The Company received RMB1,943,000 from Guangzhou Tielian and investment income amounting to RMB143,000 was recognised in the comprehensive income statement of the Company.

As at 31 December 2014, the total non-controlling interests was RMB40,617,000 (31 December 2013: RMB43,821,000), which was not material to the Group. Therefore, no information on subsidiaries with material non-controlling interests is disclosed.

11 INVESTMENTS IN ASSOCIATES

| | 31 December | 31 December |
|--|-------------|-------------|
| | 2013 | 2014 |
| | RMB 000 | RMB 000 |
| Share of net assets | 171,743 | 176,791 |
| Less: provision for impairment in value (Note a) | (29,689) | (29,689) |
| | 142,054 | 147,102 |

Note a:

The provision balance at the Group level as at 31 December 2014 represented full provision for impairment loss in investment in Zengcheng Lihua Stock Company Limited (Zengcheng Lihua) of approximately RMB29,689,000 (31 December 2013: RMB29,689,000) made in prior years.

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11 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

| | 2013 RMB 000 | 2014 RMB 000 |
|----------------------------|-----------------|-----------------|
| Beginning of the year | 136,826 | 142,054 |
| Share of results after tax | 5,228 | 5,048 |
| End of the year | 142,054 | 147,102 |

As at 31 December 2014, the Group had direct interests in the following companies which are incorporated/established and are operating in the PRC:

| Name of the entity | Date of incorporation/ establishment | Percentage of equity interest attributable to the Company | Paid-in capital | Principal activities |
|---|---|---|-----------------|--|
| Zengcheng Lihua | 30 July 1992 | 26.98% | RMB107,054,682 | Real estate construction, provision of warehousing, cargo uploading and unloading services |
| Guangzhou Tiecheng Enterprise Company Limited (Tiecheng) | 2 May 1995 | 49% | RMB343,050,000 | Properties leasing and trading of merchandise |
| Shenzhen Guangshen Railway Civil Engineering Company (Shentu) | 1 March 1984 | 49% | RMB64,000,000 | Construction of railroad properties |

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

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

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(All amounts expressed in Renminbi unless otherwise stated)

11 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised balance sheet

| | As at 31 December 2013 | | | As at 31 December 2014 | | |
|---|------------------------|---------------------|-------------------|------------------------|---------------------|-------------------|
| | Zengcheng | | | Zengcheng | | |
| | Lihua RMB 000 | Tiecheng RMB 000 | Shentu RMB 000 | Lihua RMB 000 | Tiecheng RMB 000 | Shentu RMB 000 |
| Current assets | 99,450 | 64,809 | 725,801 | 101,479 | 58,149 | 772,956 |
| Non-current assets | 62,093 | 359,838 | 11,200 | 63,646 | 352,300 | 9,291 |
| Total assets | 161,543 | 424,647 | 737,001 | 165,125 | 410,449 | 782,247 |
| Current liabilities | 406,862 | 226,672 | 645,069 | 414,137 | 207,378 | 685,109 |
| Total liabilities | 406,862 | 226,672 | 645,069 | 414,137 | 207,378 | 685,109 |
| Equity | (245,319) | 197,975 | 91,932 | (249,012) | 203,071 | 97,138 |
| Share of net assets | (66,187) | 97,008 | 45,046 | (67,183) | 99,505 | 47,597 |
| Carrying amount of interest in associates | | 97,008 | 45,046 | | 99,505 | 47,597 |

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

| | Zengcheng Lihua | | Shentu | | Tiecheng | | Total | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2013 RMB 000 | 2014 RMB 000 | 2013 RMB 000 | 2014 RMB 000 | 2013 RMB 000 | 2014 RMB 000 | 2013 RMB 000 | 2014 RMB 000 |
| Summarised financial information | (238,421) | (245,319) | 86,189 | 91,932 | 193,048 | 197,975 | 40,816 | 44,588 |
| Opening net assets | (238,421) | (245,319) | 86,189 | 91,932 | 193,048 | 197,975 | 40,816 | 44,588 |
| Profit for the year | (6,898) | (3,693) | 5,743 | 5,206 | 4,927 | 5,096 | 3,772 | 6,609 |
| Other comprehensive income | | | | | | | | |

| | | | | | | | | |
|----------------------------------|-----------|-----------|--------|--------|---------|---------|---------|---------|
| Closing net assets | (245,319) | (249,012) | 91,932 | 97,138 | 197,975 | 203,071 | 44,588 | 51,197 |
| Percentage of ownership interest | 26.98% | 26.98% | 49% | 49% | 49% | 49% | | |
| Carrying value | | | 45,046 | 47,597 | 97,008 | 99,505 | 142,054 | 147,102 |

According to the accounting policy stated in Note 2.3, the Group has written down the carrying value of its interest in Zengcheng Lihua to zero in previous years and did not recognise any further loss in year 2013 and 2014.

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(All amounts expressed in Renminbi unless otherwise stated)

12 DEFERRED TAX ASSETS/(LIABILITIES)

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

| | As at 31 December 2013 RMB 000 | As at 31 December 2014 RMB 000 |
|---|--------------------------------------|--------------------------------------|
| Deferred tax assets: | | |
| Deferred tax assets to be recovered after more than 12 months | 85,513 | 84,497 |
| Deferred tax assets to be recovered within 12 months | 27,096 | 4,409 |
| | 112,609 | 88,906 |
| Deferred tax liabilities: | | |
| Deferred tax liabilities to crystallise after more than 12 months | (20,954) | (19,976) |
| Deferred tax liabilities to crystallise within 12 months | (428) | (1,346) |
| | (21,382) | (21,322) |
| Deferred tax assets - net | 91,227 | 67,584 |

The gross movement on the deferred income tax account is as follows:

| | 2013 RMB 000 | 2014 RMB 000 |
|---|-----------------|-----------------|
| At 1 January | 109,161 | 91,227 |
| Charged to the comprehensive income statement (Note 31) | (17,934) | (23,643) |
| At 31 December | 91,227 | 67,584 |

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12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

| | At 1 January 2013 RMB 000 | Credited to the comprehensive income statement RMB 000 | At 31 December 2013 RMB 000 | Charged/ (Credited) to the comprehensive income statement RMB 000 | At 31 December 2014 RMB 000 |
|---|------------------------------------|---|-----------------------------------|---|-----------------------------------|
| Deferred tax assets: | | | | | |
| Impairment provision for receivables | 20,803 | (1,518) | 19,285 | 288 | 19,573 |
| Impairment provision for fixed assets and construction-in-progress | 2,546 | (13) | 2,533 | (403) | 2,130 |
| Impairment provision for interests in associates | 7,422 | | 7,422 | | 7,422 |
| Impairment provision for materials and supplies | 4,511 | | 4,511 | | 4,511 |
| Difference in accounting base and tax base of the government grants | 21,985 | (714) | 21,271 | (284) | 20,987 |
| Difference in accounting base and tax base of employee benefits obligations | 77,682 | (23,060) | 54,622 | (20,738) | 33,884 |
| Loss on disposal of fixed assets | 2,915 | | 2,915 | (2,566) | 349 |
| Other | 50 | | 50 | | 50 |
| | 137,914 | (25,305) | 112,609 | (23,703) | 88,906 |

| | Credited/ (Charged) | | Credited/ (Charged) | | |
|--|------------------------|---------------|------------------------|---------------|-------------|
| | At | to the | At | to the | At |
| | 1 January | comprehensive | 31 December | comprehensive | 31 December |
| | 2013 | income | 2013 | income | 2014 |
| | RMB 000 | statement | RMB 000 | statement | RMB 000 |
| | | RMB 000 | | RMB 000 | |
| Deferred tax liabilities: | | | | | |
| Difference in accounting base and tax base in recognition of fixed assets | 19,173 | (8,142) | 11,031 | (166) | 10,865 |
| Others | 9,580 | 771 | 10,351 | 106 | 10,457 |
| | 28,753 | (7,371) | 21,382 | (60) | 21,322 |

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(All amounts expressed in Renminbi unless otherwise stated)

12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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 RMB62,368,000 (2013: RMB59,577,000) that can be carried forward against future taxable income as follows:

| | As at 31 December | As at 31 December |
|--|----------------------|----------------------|
| | 2013 RMB 000 | 2014 RMB 000 |
| Tax losses can be carried forward (Note a) | 46,288 | 49,379 |
| Deductible temporary differences | 13,289 | 12,989 |
| | 59,577 | 62,368 |

Note a:

The tax loss carry-forwards in which no deferred income tax assets were recognised amounting to RMB49,379,000 (2013: RMB46,288,000) will expire in the following years:

| | As at 31 December | As at 31 December |
|------|----------------------|----------------------|
| | 2013 RMB 000 | 2014 RMB 000 |
| 2014 | 2,022 | |
| 2015 | 1,839 | 1,839 |
| 2016 | 10,984 | 10,984 |
| 2017 | 15,405 | 15,405 |
| 2018 | 16,038 | 14,418 |
| 2019 | | 6,733 |

| | | |
|--|--------|--------|
| | 46,288 | 49,379 |
|--|--------|--------|

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(All amounts expressed in Renminbi unless otherwise stated)

13 LONG-TERM PREPAID EXPENSES

The movement of long-term prepaid expenses is set forth as follows:

| | 2013 RMB 000 | 2014 RMB 000 |
|---------------------------------------|-----------------|-----------------|
| At 1 January | | |
| Cost | 48,397 | 54,703 |
| Accumulated amortisation | (8,277) | (21,175) |
| Net book amount | 40,120 | 33,528 |
| Year ended 31 December | | |
| Opening net book amount | 40,120 | 33,528 |
| Additions due to business combination | 450 | |
| Other additions | 5,856 | 2,407 |
| Amortisation | (12,898) | (13,931) |
| Closing net book amount | 33,528 | 22,004 |
| At 31 December | | |
| Cost | 54,703 | 57,110 |
| Accumulated amortisation | (21,175) | (35,106) |
| Net book amount | 33,528 | 22,004 |

14 FINANCIAL INSTRUMENTS BY CATEGORY

| | Loans and receivables RMB 000 | Available- for-sale RMB 000 | Total RMB 000 |
|---|--|--|--------------------------|
| Assets as per consolidated balance sheet | | | |
| <i>As at 31 December 2013:</i> | | | |

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| | | | |
|--|------------------|---------------|------------------|
| Available-for-sale investments (Note 15) | | 53,826 | 53,826 |
| Long-term receivable (Note 16) | 29,588 | | 29,588 |
| Trade and other receivables excluding prepayments (Notes 18 and 19) | 1,725,513 | | 1,725,513 |
| Short-term deposits (Note 20) | 4,483,600 | | 4,483,600 |
| Cash and cash equivalents (Note 20) | 412,678 | | 412,678 |
| Total | 6,651,379 | 53,826 | 6,705,205 |
| <i>As at 31 December 2014:</i> | | | |
| Available-for-sale investments (Note 15) | | 53,826 | 53,826 |
| Long-term receivable (Note 16) | 30,197 | | 30,197 |
| Trade and other receivables excluding prepayments (Notes 18 and 19) | 2,456,619 | | 2,456,619 |
| Short-term deposits (Note 20) | 104,000 | | 104,000 |
| Cash and cash equivalents (Note 20) | 1,665,057 | | 1,665,057 |
| Total | 4,255,873 | 53,826 | 4,309,699 |

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(All amounts expressed in Renminbi unless otherwise stated)

14 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

| | Other financial liabilities RMB 000 |
|--|--|
| Liabilities as per consolidated balance sheet | |
| <i>As at 31 December 2013:</i> | |
| Bonds payable (Note 24) | 3,492,723 |
| Trade and other payables excluding statutory liabilities and advances (Notes 26 and 27) | 1,417,630 |
| Dividends payable | 146 |
| Payables for fixed assets and construction-in-progress | 856,837 |
| Total | 5,767,336 |
| <i>As at 31 December 2014:</i> | |
| Trade and other payables excluding statutory liabilities and advances (Notes 26 and 27) | 1,942,431 |
| Dividends payable | 548 |
| Payables for fixed assets and construction-in-progress | 1,094,814 |
| Total | 3,037,793 |

15 AVAILABLE-FOR-SALE INVESTMENTS

| | 2013 RMB 000 | 2014 RMB 000 |
|-----------------------------------|-----------------|-----------------|
| Beginning and the end of the year | 53,826 | 53,826 |

Most of equity interests held by the Group in these investments are less than 10%. The directors of the Company are of the opinion that no quoted market price in an active market was available for these investments and their fair values could not be reliably measured by alternative valuation methods. In accordance with the provisions under IFRS, the above non-current available-for-sale investments are carried at cost subject to review for impairment loss. As at 31 December 2013 and 2014, no impairment provision was considered necessary by the directors.

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(All amounts expressed in Renminbi unless otherwise stated)

16 LONG-TERM RECEIVABLE

| | 2013 RMB 000 | 2014 RMB 000 |
|---|-----------------|-----------------|
| Opening net book amount | 30,863 | 29,588 |
| Unwinding of interest accrued (Note 29) | 3,725 | 2,609 |
| Repayment received | (5,000) | (2,000) |
| Closing net book amount | 29,588 | 30,197 |

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%.

17 MATERIALS AND SUPPLIES

| | As at 31 December 2013 RMB 000 | As at 31 December 2014 RMB 000 |
|------------------------------------|---|---|
| Raw materials | 183,676 | 167,543 |
| Reusable rail-line track materials | 104,338 | 147,115 |
| Accessories | 100,281 | 83,616 |
| Retailing consumables | 3,652 | 2,235 |
| | 391,947 | 400,509 |

The costs of materials and supplies consumed by the Group during the year were recognised as operating expenses in the amount of approximately RMB1,616,234,000 (2012: RMB1,850,297,000 and 2013: RMB1,925,798,000).

As at 31 December 2014, the balance of the provision for write-down of materials and supplies to net realisable values was approximately RMB18,044,000 (31 December 2013: RMB18,044,000). No additional provision was made in 2014.

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(All amounts expressed in Renminbi unless otherwise stated)

18 TRADE RECEIVABLES

| | As at 31 December | As at 31 December |
|---|----------------------|----------------------|
| | 2013 | 2014 |
| | RMB 000 | RMB 000 |
| Trade receivables | 1,561,109 | 2,320,408 |
| Including: receivables from related parties | 326,826 | 765,098 |
| Less: Provision for impairment of receivables | (6,195) | (7,003) |
| | 1,554,914 | 2,313,405 |

As at 31 December 2014, the Group's trade receivables were all denominated in RMB (31 December 2013: RMB).

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 a one-year credit period being not overdue. The aging analysis of the outstanding trade receivables is as follows:

| | As at | As at |
|---------------------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Within 1 year | 1,460,387 | 1,950,885 |
| Over 1 year but within 2 years | 56,284 | 324,455 |
| Over 2 years but within 3 years | 27,235 | 17,444 |
| Over 3 years | 17,203 | 27,624 |
| | 1,561,109 | 2,320,408 |

As at 31 December 2014, the Group's trade receivables of approximately RMB362,520,000 (31 December 2013: RMB94,527,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

| | As at | As at |
|--------------------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Over 1 year but within 2 years | 56,284 | 324,189 |
| Over 2 year but within 3 years | 27,235 | 17,444 |
| Over 3 years | 11,008 | 20,887 |
| | 94,527 | 362,520 |

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18 TRADE RECEIVABLES (CONTINUED)

As at 31 December 2014, the Group's trade receivables of approximately RMB7,003,000 (2013: RMB6,195,000) had been impaired and provided for. The amount of the provision made by the Group was approximately RMB7,003,000 as at 31 December 2014 (2013: RMB6,195,000). The impaired receivable balances were mainly related to the provision of freight transportation services. The related customers were in unexpected difficult financial conditions. The aging analysis of these receivables is as follows:

| | As at 31 December 2013 RMB 000 | As at 31 December 2014 RMB 000 |
|--------------------------------|--------------------------------------|--------------------------------------|
| Over 1 year but within 2 years | | 266 |
| Over 3 years | 6,195 | 6,737 |
| | 6,195 | 7,003 |

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

| | 2013 RMB 000 | 2014 RMB 000 |
|---------------------------------------|-----------------|-----------------|
| At 1 January | 5,907 | 6,195 |
| Provision for impairment loss | 591 | 808 |
| Reversal of impairment loss provision | (19) | |
| Receivables written-off | (284) | |
| At 31 December | 6,195 | 7,003 |

The creation and release of provision for impaired receivables have been included in operating expenses in the comprehensive income statement. Amounts charged to the allowance account are generally written off against the gross accounts receivable balances when there is no expectation of recovering additional cash.

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

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(All amounts expressed in Renminbi unless otherwise stated)

19 PREPAYMENTS AND OTHER RECEIVABLES

| | As at | As at |
|--------------------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Due from third parties | 155,638 | 141,843 |
| Due from other related parties | 88,735 | 47,733 |
| | 244,373 | 189,576 |

| | As at | As at |
|--|-------------|-------------|
| | 31 December | 31 December |
| | 2013 | 2014 |
| | RMB 000 | RMB 000 |
| Other receivables | 232,317 | 205,274 |
| Less: Provision for impairment loss (Note a) | (61,718) | (62,060) |
| Other receivables, net (Note b) | 170,599 | 143,214 |
| Prepayments (Note c) | 73,774 | 46,362 |
| | 244,373 | 189,576 |

- (a) Included in the amount was a provision of approximately RMB24,965,000 against the principal balance of a deposit placed with a deposit-taking agency, Zeng Cheng City Li Cheng Credit Cooperative (Li Cheng). The Group was unable to recover the deposit from Li Cheng upon maturity and the Group has initiated several legal proceedings against Li Cheng in order to enforce recovery but without success.
- (b) Other receivables mainly represent miscellaneous deposits and receivables arising during the course of the provision of non-railway transportation services by the Group.
- (c) Prepayments mainly represent amounts paid in advance to the suppliers for utilities and other operating expenses of the Group.

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

| | 2013 | 2014 |
|---------------------------------------|---------|---------|
| | RMB 000 | RMB 000 |
| At 1 January | 68,127 | 61,718 |
| Provision for impairment loss | 43 | 346 |
| Reversal of impairment loss provision | (6,452) | (4) |
| At 31 December | 61,718 | 62,060 |

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19 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

| | As at | As at |
|-----|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| RMB | 244,338 | 189,483 |
| HKD | 35 | 93 |
| | 244,373 | 189,576 |

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

20 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

| | As at | As at |
|---|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Cash at bank and on hand | 321,178 | 1,213,057 |
| Term deposits with initial term not more than three months | 91,500 | 452,000 |
| Cash and cash equivalents | 412,678 | 1,665,057 |
| Term deposits with initial term of over three months (Note a) | 4,483,600 | 104,000 |
| | 4,896,278 | 1,769,057 |

Note a: The original effective interest rate of time deposits was 3.05% (2013: 3.05%).

The carrying amounts of the cash and cash equivalents and short-term deposits are denominated in the following currencies:

| | As at | As at |
|-----|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| RMB | 4,877,648 | 1,706,964 |
| HKD | 18,561 | 62,093 |
| USD | 69 | |
| | 4,896,278 | 1,769,057 |

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21 SHARE CAPITAL

As at 31 December 2014, the total authorised number of ordinary shares is 7,083,537,000 shares (31 December 2013: 7,083,537,000 shares) with a par value of RMB1.00 per share (31 December 2013: RMB1.00 per share). These shares are divided into A shares and H shares. They rank pari passu against each other. (2013: divided into A shares and H shares. They rank pari passu against each other (see details below).)

| | As at | | As at | | As at |
|------------------------------------|------------------|----------|------------------|----------|------------------|
| | 31 December | | 31 December | | 31 December |
| | 2013 | Movement | 2013 | Movement | 2014 |
| | RMB 000 | RMB 000 | RMB 000 | RMB 000 | RMB 000 |
| Authorised, issued and fully paid: | | | | | |
| Listed shares | | | | | |
| - H shares | 1,431,300 | | 1,431,300 | | 1,431,300 |
| - A shares | 5,652,237 | | 5,652,237 | | 5,652,237 |
| Total | 7,083,537 | | 7,083,537 | | 7,083,537 |

22 RESERVES

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

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

The statutory surplus reserve, the discretionary surplus reserve and the share premium account could be converted into share capital of the Company provided it is approved by a resolution passed in a shareholders' general meeting with the

provision that the ending balance of the statutory surplus reserve does not fall below 25% of the registered share capital amount. The Company may either allot newly created shares to the shareholders at the same proportion of the existing number of shares held by these shareholders, or it may increase the par value of each share.

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22 RESERVES (CONTINUED)

For the year ended 31 December 2013 and 2014, the directors proposed the following appropriations to reserves of the Company:

| | 2013 Percentage | 2013 RMB 000 | 2014 Percentage | 2014 RMB 000 |
|---------------------------|--------------------|-----------------|--------------------|-----------------|
| Statutory surplus reserve | 10% | 128,481 | 10% | 66,036 |

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

For the year 2013 and 2014, the movement of Special reserve Safety Production Fund of the Group is as below:

| | 2013 RMB 000 | 2014 RMB 000 |
|-----------------------|-----------------|-----------------|
| Beginning of the year | | |
| Appropriation | 200,839 | 208,250 |
| Utilisation | (200,839) | (208,250) |

End of the year

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

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

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22 RESERVES (CONTINUED)

The Safety Production Fund is mainly used for the renovation and maintenance of security equipment and facilities. For the purpose of the consolidated financial statements under IFRS, such reserve is established through an appropriation from retained earnings based on the aforementioned method. When the Safety Production Fund is actually utilised, the actual expenses incurred are charged to comprehensive income statement. Meanwhile, the corresponding Safety Production Fund reserve is released back to retained earnings.

23 DEFERRED INCOME RELATED TO GOVERNMENT GRANTS

| | 2013 | 2014 |
|--|---------|---------|
| | RMB 000 | RMB 000 |
| Beginning of the year | 92,864 | 90,404 |
| Additions | 2,683 | 6,330 |
| Credited to comprehensive income statement | (5,143) | (7,963) |
| Including: amortisation | (3,107) | (3,249) |
| End of the year | 90,404 | 88,771 |

24 BONDS PAYABLE

| | At 1 January | At 31 December | | |
|-----------------------|--------------|----------------|-------------|-------------|
| | 2014 | Amortisation | Repayment | 2014 |
| | RMB 000 | RMB 000 | RMB 000 | RMB 000 |
| 09 Guangshen Tie MTN1 | 3,492,723 | 7,277 | (3,500,000) | |
| | At | Amortisation | Repayment | At |
| | 1 January | RMB 000 | RMB 000 | 31 December |

| | 2013 | | 2013 |
|-----------------------|-----------|-------|-----------|
| | RMB 000 | | RMB 000 |
| 09 Guangshen Tie MTN1 | 3,485,473 | 7,250 | 3,492,723 |

The Company issued bonds of medium terms at a nominal value of RMB3,500,000,000 on 17 December 2009. The bonds was matured in December 2014 at their nominal value of RMB3,500,000,000 and bore a coupon interest rate of 4.79% per annum.

On the issue date, the bonds were recognised based on the residual amounts of the principal after deduction of issuance costs of approximately RMB34,524,000. The bonds are subsequently carried at amortised cost using an average effective interest rate of 5.018% per annum. In December 2014, the bonds were matured and repaid by the Company.

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25 EMPLOYEE BENEFITS OBLIGATIONS

| | As at | As at |
|--|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Employee benefits obligations | 113,733 | 44,928 |
| Less: current portion included in accruals and other payables (Note 27) | (105,824) | (44,928) |
| | 7,909 | |

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

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

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

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

| | 2013 | 2014 |
|------------------------------------|-----------|-----------|
| | RMB 000 | RMB 000 |
| At 1 January | 229,966 | 113,733 |
| Additions (Note 37) | | 32,410 |
| Amortisation of interest (Note 30) | 9,127 | 4,594 |
| Payments | (125,360) | (105,809) |

| | | |
|----------------|---------|--------|
| At 31 December | 113,733 | 44,928 |
|----------------|---------|--------|

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(All amounts expressed in Renminbi unless otherwise stated)

26 TRADE PAYABLES

| | As at | As at |
|-----------------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Payables to third parties | 666,899 | 820,622 |
| Payables to related parties | 273,146 | 617,822 |
| | 940,045 | 1,438,444 |

The aging analysis of trade payables was as follows:

| | As at | As at |
|---------------------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Within 1 year | 844,450 | 1,322,771 |
| Over 1 year but within 2 years | 71,241 | 68,497 |
| Over 2 years but within 3 years | 14,232 | 23,391 |
| Over 3 years | 10,122 | 23,785 |
| | 940,045 | 1,438,444 |

27 ACCRUALS AND OTHER PAYABLES

| | As at | As at |
|------------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Due to third parties | 829,281 | 940,704 |
| Due to related parties | 50,298 | 29,057 |

| | | |
|---|------------------|------------------|
| | 879,579 | 969,761 |
| | As at | As at |
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Advances received from customers | 120,914 | 237,095 |
| Other deposits received | 173,164 | 204,116 |
| Salary and welfare payables | 115,327 | 129,977 |
| Deposits received for construction projects | 116,600 | 124,253 |
| Other taxes payable | 59,929 | 53,774 |
| Employee benefits obligations (Note 25) | 105,824 | 44,928 |
| Deposits received from ticketing agencies | 26,106 | 35,762 |
| Housing maintenance fund | 16,045 | 15,802 |
| Other payables | 145,670 | 124,054 |
| | 879,579 | 969,761 |

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(All amounts expressed in Renminbi unless otherwise stated)

28 LABOUR AND BENEFITS

| | 2012 | 2013 | 2014 |
|---|-----------|-----------|-----------|
| | RMB 000 | RMB 000 | RMB 000 |
| Wages and salaries | 2,786,721 | 3,127,540 | 3,414,192 |
| Provision for medical, housing scheme and other employee benefits (a) | 758,496 | 779,845 | 857,203 |
| Contributions to the defined contribution scheme (b) | 429,721 | 517,807 | 639,493 |
| | 3,974,938 | 4,425,192 | 4,910,888 |

(a) Housing scheme

In accordance with the PRC housing reform regulations, the Group is required to make contributions to a state-sponsored housing fund at 9% or 13% of the salaries of the employees. At the same time, the employees are also required to make a contribution at 9% or 13% of the salaries out of their payroll. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Group has no further legal or constructive obligation for housing benefits of these employees beyond the above contributions made.

(b) Defined contribution pension scheme

All the full-time employees of the Group are entitled to join a statutory pension scheme. The employees would receive pension payments equal to their basic salaries payable upon their retirement up to their death. Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are to be made monthly to a government agency based on 26% of the standard salary set by the provincial government, of which 18% is borne by the Company or its subsidiaries and the remainder 8% is borne by the employees. The government agency is responsible for the pension liabilities due to the employees upon their retirement. The Group accounts for these contributions on an accrual basis and charges the related contributions to expense in the year to which the contributions relate.

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(All amounts expressed in Renminbi unless otherwise stated)

29 OTHER INCOME AND OTHER GAINS NET

| | 2012 | 2013 | 2014 |
|---|----------|-----------|-----------|
| | RMB 000 | RMB 000 | RMB 000 |
| Loss on disposal of fixed assets and leasehold land | (90,024) | (136,986) | (123,567) |
| Interest income from banks | 152,803 | 137,958 | 122,020 |
| Dividend income on available-for-sale investments | 5,254 | 4,904 | 4,904 |
| Government grants (Note 23) | 3,638 | 5,143 | 7,963 |
| Unwinding of interest accrued on long-term receivable (Note 16) | 4,755 | 3,725 | 2,609 |
| Others | (4,611) | 159 | (6,791) |
| | 71,815 | 14,903 | 7,138 |

30 FINANCE COSTS

| | 2012 | 2013 | 2014 |
|---|---------|---------|---------|
| | RMB 000 | RMB 000 | RMB 000 |
| Interest expense | 167,650 | 167,650 | 160,760 |
| Bank charges | 3,609 | 5,522 | 7,332 |
| Amortisation of bonds payable (Note 24) | 6,905 | 7,250 | 7,277 |
| Amortisation of interest for employee benefit obligations (Note 25) | 9,415 | 9,127 | 4,594 |
| Net foreign exchange (gains)/losses | (506) | 2,137 | 410 |
| | 187,073 | 191,686 | 180,373 |

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(All amounts expressed in Renminbi unless otherwise stated)

31 INCOME TAX EXPENSE

In 2014, 2013 and 2012, the applicable income tax rate of the Company was 25%.

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

| | 2012 | 2013 | 2014 |
|-------------------------------|---------|---------|---------|
| | RMB 000 | RMB 000 | RMB 000 |
| Current income tax | 442,233 | 412,736 | 195,864 |
| Deferred income tax (Note 12) | (1,082) | 17,934 | 23,643 |
| | 441,151 | 430,670 | 219,507 |

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

| | 2012 | 2013 | 2014 |
|--|-----------|-----------|---------|
| | RMB 000 | RMB 000 | RMB 000 |
| Profit before tax | 1,758,136 | 1,701,753 | 880,633 |
| Tax calculated at the statutory rate of 25% (2012 and 2013: 25%) | 439,534 | 425,438 | 220,158 |
| Effect of tax rates differentials | 28 | 119 | 118 |
| Effect of income not subject to tax | (4,040) | (2,533) | (2,498) |
| Effect of expenses not deductible for tax purposes | 2,462 | 3,969 | 451 |
| Tax losses for which no deferred tax asset was recognised | 3,851 | 4,010 | 1,683 |
| Utilisation of previously unrecognised tax losses | (684) | (333) | (405) |
| Income tax expense | 441,151 | 430,670 | 219,507 |

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(All amounts expressed in Renminbi unless otherwise stated)

32 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year attributable to equity holders of approximately RMB662,021,000 (2012 and 2013: RMB1,318,938,000 and RMB1,273,841,000), divided by the weighted average number of ordinary shares outstanding during the year of 7,083,537,000 shares (2012 and 2013: 7,083,537,000 shares). There were no dilutive potential ordinary shares during each of the three years in the period ended December 31, 2014. The calculation of earnings per equivalent ADS is based on the net profit for the year attributable to equity holders, divided by the weighted average equivalent ADSs (one ADS represents 50 H Shares) outstanding during the year of 141,670,740 ADSs (2012 and 2013: 141,670,740 ADSs).

| | 2012 RMB 000 | 2013 RMB 000 | 2014 RMB 000 |
|---|-----------------|-----------------|-----------------|
| Profit attributable to owners of the company | 1,318,938 | 1,273,841 | 662,021 |
| Weighted average number of ordinary shares in issue | 7,083,537 | 7,083,537 | 7,083,537 |
| Weighted average equivalent ADSs | 141,670 | 141,670 | 141,670 |
| Basic and diluted earnings per share | RMB0.19 | RMB0.18 | RMB0.09 |
| Basic and diluted earnings per equivalent ADS | RMB9.31 | RMB8.99 | RMB4.67 |

33 DIVIDENDS

The dividends paid to the ordinary shareholders of the Group in 2012, 2013 and 2014 were, RMB566,683,000 (RMB0.08 per share), RMB566,683,000 (RMB0.08 per share) and RMB566,683,000 (RMB0.08 per share) respectively.

| | 2012 RMB 000 | 2013 RMB 000 | 2014 RMB 000 |
|--|-----------------|-----------------|-----------------|
| Final, proposed, of RMB0.05 (2012: RMB0.08 2013: RMB0.08) per ordinary share | 566,683 | 566,683 | 354,177 |

At the meeting of the directors held on 25 March 2015, the directors proposed a final dividend of RMB0.05 per ordinary share for the year ended 31 December 2014, which is subject to the approval by the shareholders in general meeting. This proposed dividend was not reflected as a dividend payable in the financial statements as at 31 December 2014.

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(All amounts expressed in Renminbi unless otherwise stated)

34 CASH FLOW GENERATED FROM OPERATIONS

(a) Reconciliation profit before income tax to shareholders to cash generated from operations:

| | 2012 | 2013 | 2014 |
|--|-----------|-----------|-----------|
| | RMB 000 | RMB 000 | RMB 000 |
| Profit before income tax: | 1,758,136 | 1,701,753 | 880,633 |
| Adjustments for: | | | |
| Depreciation of fixed assets (Note 6) | 1,382,404 | 1,414,012 | 1,429,274 |
| Amortisation of leasehold land payments (Note 8) | 15,988 | 15,921 | 19,164 |
| Loss on disposal of fixed assets and leasehold land (Note 29) | 90,024 | 136,986 | 123,567 |
| Amortisation of long-term prepaid expenses (Note 13) | 7,237 | 12,898 | 13,931 |
| Recognition of employee benefits obligations | 66,650 | | |
| Amortisation of interest for employee benefit obligations (Note 25) | 9,415 | 9,127 | 4,594 |
| Share of results of associates (Note 11) | (10,906) | (5,228) | (5,048) |
| Dividends income on available-for-sale investments (Note 29) | (5,254) | (4,904) | (4,904) |
| Investment income from liquidation of a subsidiary | | | (39) |
| Provision/(Reversal of) for impairment of receivables | 1,576 | (5,837) | 1,150 |
| Write-off of long outstanding of payables | (3,134) | (295) | |
| Amortisation of bonds payable (Note 24) | 6,905 | 7,250 | 7,277 |
| Amortisation of government grants related to property, plant and equipment | (3,158) | (3,107) | (3,249) |
| Interest expense | 167,650 | 167,650 | 160,760 |
| Interest income | (129,688) | (129,711) | (90,112) |
| Operating profit before working capital changes | 3,353,845 | 3,316,515 | 2,536,998 |
| Increase in trade receivables | (386,690) | (550,421) | (752,684) |
| (Increase)/decrease in materials and supplies | (72,158) | 70,264 | 44,909 |
| Decrease/(increase) in prepayments and other receivables | 4,135 | (94,178) | 15,083 |
| Decrease in long-term receivable | 8,000 | 5,000 | 2,000 |
| Increase/(decrease) in trade payables | 66,883 | (282,972) | 514,289 |

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| | | | |
|--|-----------|-----------|-----------|
| Decrease in employee benefits obligations | (54,375) | (105,992) | (7,909) |
| (Decrease)/increase in accrued expenses and other payables | (44,623) | 64,870 | 68,520 |
| Cash generated from operations | 2,875,017 | 2,423,086 | 2,421,206 |

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(All amounts expressed in Renminbi unless otherwise stated)

34 CASH FLOW GENERATED FROM OPERATIONS (CONTINUED)

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

| | 2012 | 2013 | 2014 |
|---|----------|-----------|-----------|
| | RMB 000 | RMB 000 | RMB 000 |
| Net book amount (Note 6 and 8) | 165,499 | 249,072 | 179,745 |
| Receivable arising from disposal of fixed assets and leasehold land | | (12,334) | (2,089) |
| Transfer to inventories | (34,404) | (24,502) | (53,381) |
| Loss on disposal of fixed assets and leasehold land | (90,024) | (136,986) | (123,567) |
| Proceeds from disposal of fixed assets and leasehold land | 41,071 | 75,250 | 708 |

35 CONTINGENCY

There were no significant contingent liabilities as at the date of approval of these financial statements.

36 COMMITMENTS

(a) Capital commitments

As at 31 December 2013 and 2014, the Group had the following capital commitments which are authorised but not contracted for, and contracted but not provided for:

| | As at | As at |
|-----------------------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2014 |
| | RMB 000 | RMB 000 |
| Authorised but not contracted for | 1,305,943 | 1,309,633 |

| | | |
|---------------------------------|---------|---------|
| Contracted but not provided for | 150,677 | 146,979 |
|---------------------------------|---------|---------|

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

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36 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

In connection with the acquisition of Yangcheng Railway Business, the Company signed an agreement on 15 November 2004 with Guangzhou Railway Group for leasing the land use rights associated with the land on which the acquired assets of Yangcheng Railway Business are located. The agreement became effective upon the completion of the acquisition on 1 January 2007 and the remaining lease term is 20 years, renewable at the discretion of the Company. According to the terms of the agreement, the rental for such lease would be agreed by both parties every year with a maximum amount not exceeding RMB74,000,000 per year. During the year ended 31 December 2014, the related lease rental paid and payable was approximately RMB53,962,000 (2012 and 2013: RMB54,800,000 and RMB56,000,000).

37 BUSINESS COMBINATIONS

On 1 June 2014, the Company entered into an agreement to acquire the freight service business and related assets of Guangzhou Railway Economic Technology Development Corporation (GRETDC), the subsidiary of the Guangzhou Railway Group.

The purchase consideration for GRETDC was approximately RMB122,390,000.

On 1 June 2014, control of the assets and operations of GRETDC was transferred to the Company. Accordingly, the directors of the Company determined that the effective date of acquisition was 1 June 2014. The results of the operations of the above-mentioned entity have been included in the Group's consolidated comprehensive income statement from 1 June 2014 onwards.

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(All amounts expressed in Renminbi unless otherwise stated)

37 BUSINESS COMBINATIONS (CONTINUED)

The following table summarises the consideration paid for GRETDC, the fair value of assets acquired and liabilities assumed at the acquisition date:

| | RMB 000 |
|---|----------------|
| Cash consideration paid | 60,000 |
| Cash consideration payable | 62,390 |
| Total consideration | 122,390 |
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Trade and other receivables | 7,092 |
| Inventories | 90 |
| Other current assets | 759 |
| Property, plant and equipment | 152,046 |
| Construction-in-progress | 1,665 |
| Trade payables | (1,771) |
| Accruals and other payables | (5,081) |
| Employee benefits obligations | (32,410) |
| Total identifiable net assets | 122,390 |

Goodwill

Outflow of cash to acquire business, net of cash acquired

| | RMB 000 |
|---|---------|
| - Cash consideration paid for business acquired in 2014 (a) | 60,000 |
| - Cash consideration paid for business acquired in 2013 (b) | 79,897 |
| - Cash and cash equivalents balance acquired | |

- Net cash flows on acquisition

139,897

- (a) In 2014, consideration amounting to RMB60,000,000 in relation to acquisition of GRETDC was paid.
- (b) The Group had paid the remaining consideration of RMB79,897,000 in relation to the freight service business and related assets of China Railway Container Transport Co. Ltd. Dalang Processing Station acquired in year 2013.

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38 RELATED PARTY TRANSACTIONS

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

(a) Related parties that control the Company or are controlled by the Company:
See Note 10 for the subsidiaries.

None of the shareholders is the controlling entity of the Company.

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

| Name of related parties | Relationship with the Company |
|--|--|
| <i>Single largest shareholder and its subsidiaries</i> | |
| Guangzhou Railway Group | Single largest shareholder |
| Guangzhou Railway Group YangCheng Railway Enterprise Development Company | Subsidiary of the single largest shareholder |
| Guangmeishan Railway Company Limited | Subsidiary of the single largest shareholder |
| GEDC | Subsidiary of the single largest shareholder |
| Guangzhou Railway Material Supply Company | Subsidiary of the single largest shareholder |
| Guangzhou Railway Engineer Construction Enterprise Development Company | Subsidiary of the single largest shareholder |
| Yangcheng Construction Company of YangCheng Railway Enterprise Development Company | Subsidiary of the single largest shareholder |
| Guangzhou Railway Real Estate Construction Company | Subsidiary of the single largest shareholder |
| Yuehai Railway Company Limited | Subsidiary of the single largest shareholder |
| Shichang Railway Company Limited | Subsidiary of the single largest shareholder |
| Guangzhou Railway Station Service Centre | Subsidiary of the single largest shareholder |

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| | |
|--|--|
| Changsha Railway Construction Company Limited | Subsidiary of the single largest shareholder |
| Guangdong Sanmao Railway Company Limited | Subsidiary of the single largest shareholder |
| Guangzhou Qingda Transportation Company Limited | Subsidiary of the single largest shareholder |
| Guangzhou Yuetie Operational Development Company | Subsidiary of the single largest shareholder |
| Guangzhou Railway Rolling Stock Works | Subsidiary of the single largest shareholder |
| Foreign Economic & Trade Development Corporation of Guangzhou Railway Group | Subsidiary of the single largest shareholder |
| Shenzhen Guangshen Railway Living Service Centre | Subsidiary of the single largest shareholder |
| Guangzhou Yangcheng Living Service Centre | Subsidiary of the single largest shareholder |
| Pajiangkou Stone Pit | Subsidiary of the single largest shareholder |
| Guangdong Tieqing International Travel Agency Company Limited | Subsidiary of the single largest shareholder |
| Guangdong Sanmao Enterprise Development Company Limited | Subsidiary of the single largest shareholder |
| Guangshengang Passenger Special Line Company Limited (i) | Subsidiary of the single largest shareholder |

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38 RELATED PARTY TRANSACTIONS (CONTINUED)

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

| Name of related parties | Relationship with the Company |
|--|--|
| <i>Single largest shareholder and its subsidiaries</i> <i>(Continued)</i> | |
| Guangdong Guangzhu Intercity Rail Transportation Company Limited (ii) | Subsidiary of the single largest shareholder |
| Huaihua Railway Engineer Construction Company | Subsidiary of the single largest shareholder |
| Lechang Anjie Railway Sleeper Company Limited | Subsidiary of the single largest shareholder |
| Xiashen Railway Guangdong Company Limited | Subsidiary of the single largest shareholder |
| Ganshao Railway Company Limited | Subsidiary of the single largest shareholder |
| GRETDC | Subsidiary of the single largest shareholder |
| <i>Associates of the Group</i> | |
| Zengcheng Lihua | Associate of the Group |
| Tiecheng | Associate of the Group |
| Shentu | Associate of the Group |

- (i) In March 2012, the Guangzhou Railway Group disposed of its investment in Guangshengang Passenger Special Line Company Limited. As a result, Guangshengang Passenger Special Line Company Limited was no longer considered as a related party of the Group since the day Guangzhou Railway Group lost control of Guangshengang Passenger Special Line Company Limited. However, the transactions with Guangshengang Passenger Special Line Company Limited during the period from January 1, 2012 to the date loss of control were still disclosed as related party transactions.
- (ii) In November 2012, the Guangzhou Railway Group disposed of its investment in Guangdong Guangzhu Intercity Rail Transportation Company Limited. As a result, Guangdong Guangzhu Intercity Rail Transportation Company Limited was no longer considered as a related party of the Group since the day Guangzhou Railway Group lost control of Guangdong Guangzhu Intercity Rail Transportation Company Limited. However, the transactions with Guangdong Guangzhu Intercity Rail Transportation Company Limited during the period from January 1, 2012 to

the date loss of control were still disclosed as related party transactions.

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(All amounts expressed in Renminbi unless otherwise stated)

38 RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) Save as disclosed in other notes to the financial statements, during the year, the Group had the following material transactions undertaken with related parties:

| | 2012 RMB 000 | 2013 RMB 000 | 2014 RMB 000 |
|---|-----------------|-----------------|-----------------|
| <i>Provide services and sales of goods</i> | | | |
| <i>Transportation related services</i> | | | |
| Provision of train transportation services to Guangzhou Railway Group and its subsidiaries (i) | 352,973 | 367,745 | 424,743 |
| Revenue collected by CRC for railway network usage and related services provided to Guangzhou Railway Group and its subsidiaries (ii) | 1,238,431 | 1,255,572 | 1,153,630 |
| Revenue from railway operation service provided to Guangzhou Railway Group's subsidiaries (iii) | 278,669 | 76,480 | 359,740 |
| | 1,870,073 | 1,699,797 | 1,938,113 |
| <i>Other services</i> | | | |
| Sales of materials and supplies to Guangzhou Railway Group and its subsidiaries (iv) | 11,218 | 24,174 | 22,579 |
| <i>Receive services and purchase</i> | | | |
| <i>Transportation related services</i> | | | |
| Provision of train transportation services by Guangzhou Railway Group and its subsidiaries (i) | 653,787 | 665,189 | 633,382 |
| Cost settled by CRC for railway network usage and related services provided by Guangzhou Railway Group and its subsidiaries (ii) | 1,578,108 | 1,564,499 | 1,436,711 |
| Operating lease rental paid to Guangzhou Railway Group for the leasing of land use rights (Note 36 (b)) | 54,800 | 56,000 | 53,962 |
| | 2,286,695 | 2,285,688 | 2,124,055 |
| <i>Other services</i> | | | |

| | | | |
|---|-----------|-----------|-----------|
| Social services (employee housing and public security services and other ancillary services) provided by GEDC and Yangcheng Railway (iii) | 93,090 | 67,990 | 12,430 |
| Provision of repair and maintenance services by Guangzhou Railway Group and its subsidiaries (iv) | 240,761 | 346,831 | 295,283 |
| Purchase of materials and supplies from Guangzhou Railway Group and its subsidiaries (v) | 766,309 | 666,771 | 560,034 |
| Provision of construction services by Guangzhou Railway Group and its subsidiaries (vi) | 287,903 | 229,999 | 280,983 |
| Others | | 12,889 | 8,729 |
| | 1,388,063 | 1,324,480 | 1,157,459 |

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38 RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) Save as disclosed in other notes to the Financial Statements, during the year, the Group had the following material transactions undertaken with related parties (continued):
- (i) The service charges are determined based on a pricing scheme set by the MOR or based on negotiation between the contracting parties with reference to full cost principle.
 - (ii) Such revenues/charges are determined by the MOR based on its standard charges applied on a nationwide basis.
 - (iii) The service charges are levied based on contract prices determined based on cost plus a profit margin and explicitly agreed between both contracting parties.
 - (iv) The prices are determined based on mutual negotiation between the contracting parties with reference to full cost principle.
 - (v) The prices are determined based on mutual negotiation between the contracting parties with reference to procurement cost plus management fee ranged from 0.3% to 5%.
 - (vi) Based on construction amount determined under national railway engineering guidelines.
- (d) Key management compensation
During the year ended December 31, 2012, 2013 and 2014, the compensation paid or payable to key management for employee services is RMB3,116,000, RMB2,110,000 and RMB2,686,000 respectively.

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38 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) As at 31 December 2014 and 2013, the Group had the following material balances maintained with related parties:

| | 2013 | 2014 |
|---|----------|----------|
| | RMB 000 | RMB 000 |
| Trade receivables | 326,826 | 765,098 |
| - Guangzhou Railway Group (i) | 196,439 | 260,554 |
| - Subsidiaries of Guangzhou Railway Group (i) | 130,387 | 504,544 |
| Prepayments and other receivables | 88,735 | 47,733 |
| - Guangzhou Railway Group | 40,170 | 5,399 |
| - Subsidiaries of Guangzhou Railway Group | 44,166 | 37,560 |
| - Associates | 16,711 | 17,086 |
| Less: impairment provision (v) | (12,312) | (12,312) |
| Prepayments for fixed assets and construction-in-progress | 1,092 | 1,092 |
| - Guangzhou Railway Group | 1,092 | 1,092 |
| Trade payables | 273,146 | 617,822 |
| - Guangzhou Railway Group (i) | 34,137 | 119,953 |
| - Subsidiaries of Guangzhou Railway Group (ii) | 237,847 | 433,805 |
| - Associates | 1,162 | 64,064 |
| Payables for fixed assets and construction-in-progress | 174,522 | 208,955 |
| - Guangzhou Railway Group | 3,859 | 12,610 |
| - Subsidiaries of Guangzhou Railway Group | 131,170 | 159,381 |
| - Associates | 39,493 | 36,964 |
| Accruals and other payables | 50,298 | 29,057 |
| - Guangzhou Railway Group | 1,179 | 4,133 |
| - Subsidiaries of Guangzhou Railway Group (iii) | 43,963 | 20,600 |
| - Associates (iv) | 5,156 | 4,324 |

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38 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) As at 31 December 2014 and 2013, the Group had the following material balances maintained with related parties (continued):

- (i) The trade balances due from/to Guangzhou Railway Group, subsidiaries of Guangzhou Railway Group mainly represented service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC.
- (ii) The trade payables due to subsidiaries of Guangzhou Railway Group mainly represented payables arising from unsettled fees for purchase of materials and provision of other services according to various service agreements entered into between the Group and the related parties.
- (iii) The other payables due to subsidiaries of Guangzhou Railway Group mainly represented the performance deposits received for construction projects and deposits received from ticketing agencies.
- (iv) The other payables due to associates mainly represented the performance deposits received for construction projects operated by associates.
- (v) Impairment loss provision set up against a receivable balance due from Zengcheng Lihua, which was brought forward from prior years.

As at 31 December 2013 and 2014, all the balances maintained with related parties were unsecured, non-interest bearing and were repayable on demand.

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(All amounts expressed in Renminbi unless otherwise stated)

39 TRANSACTIONS WITH CRC AND OTHER RAILWAY COMPANIES

On 14 March 2013, pursuant to the approved plan on State Council Institutional Reform and Transformation of Government Functions and Approval On Setting Up China Railway Company by the State Council, the previous controlling entity of Guangzhou Railway Group, MOR, had been dismantled. The administrative function of MOR will be transferred to the Ministry of Transport and the newly established National Railway Bureau, and its business functions and all related assets, liabilities and human resources will be transferred to the CRC. Accordingly, the equity interests of Guangzhou Railway Group which was wholly controlled by MOR previously will be transferred to the CRC. Once the transfer is completed, the actual controlling entity of the Company's largest shareholder will become CRC. In the current accounting period, although the transfer has not been completed, the transactions between the Group and CRC together with the subsidiaries which were wholly controlled by MOR previously (CRC Group) are disclosed considering the requirements of the accounting standards. In order to facilitate users' comprehensive understanding of the Company's business transactions, the Company discloses these transactions with CRC Group for 2012, 2013 and 2014. Unless otherwise specified, the transactions disclosed below have excluded the transactions with Guangzhou Railway Group and its subsidiaries disclosed in Note 38.

The Company works in cooperation with the MOR and other railway companies owned and controlled by the MOR for the operation of certain long distance passenger train and freight transportation businesses within the PRC. The revenues generated from these long-distance passenger and freight transportation businesses are collected and settled by the MOR according to its settlement systems. The charges for the use of the rail lines and services provided by other railway companies are also instructed by the MOR and settled by the MOR based on its systems. Since March 2013, the collecting, processing and distribution function of revenues which executed by MOR previously had been transferred to CRC. As at 31 December 2014, the cooperation mode and pricing model did not change.

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(All amounts expressed in Renminbi unless otherwise stated)

39 TRANSACTIONS WITH CRC AND OTHER RAILWAY COMPANY (CONTINUED)

- (a) Save as disclosed in other notes to the financial statements, during the year, the Group had the following material transactions undertaken with the CRC Group:

| | 2012 RMB 000 | 2013 RMB 000 | 2014 RMB 000 |
|--|-----------------|-----------------|-----------------|
| <i>Provide services and sales of goods</i> | | | |
| <i>Transportation related services</i> | | | |
| Provision of train transportation services to CRC Group (i) | 141,664 | 30,450 | 5,229 |
| Revenue collected by CRC for services provided to CRC Group (ii) | 2,235,810 | 2,070,966 | 1,706,558 |
| Revenue from railway operation service provided to CRC Group (iii) | 824,126 | 968,477 | 950,966 |
| | 3,201,600 | 3,069,893 | 2,662,753 |
| <i>Other services</i> | | | |
| Provision of repairing services for cargo trucks to CRC Group (ii) | 247,335 | 286,265 | 259,470 |
| Sales of materials and supplies to CRC Group (iv) | 107,759 | 65,897 | 43,239 |
| Provision of apartment leasing services to CRC Group (iv) | | 780 | 732 |
| | 355,094 | 352,942 | 303,441 |
| <i>Receive services and purchase of goods</i> | | | |
| <i>Transportation related services</i> | | | |
| Provision of train transportation services by CRC Group (i) | 213,755 | 264,372 | 292,866 |
| Cost settled by CRC for services provided by CRC Group (ii) | 1,425,412 | 1,457,451 | 1,265,873 |

| | | | |
|--|-----------|-----------|-----------|
| | 1,639,167 | 1,721,823 | 1,558,739 |
|--|-----------|-----------|-----------|

Other services

Provision of repair and maintenance services by CRC

| | | | |
|------------|--------|--------|--------|
| Group (iv) | 51,810 | 68,963 | 28,531 |
|------------|--------|--------|--------|

Purchase of materials and supplies from CRC Group

| | | | |
|-----|---------|---------|-------|
| (v) | 390,314 | 131,061 | 9,317 |
|-----|---------|---------|-------|

| | | | |
|--|---------|---------|--------|
| | 442,124 | 200,024 | 37,848 |
|--|---------|---------|--------|

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(All amounts expressed in Renminbi unless otherwise stated)

39 TRANSACTIONS WITH CRC AND OTHER RAILWAY COMPANY (CONTINUED)

- (a) Save as disclosed in other notes to the Financial Statements, during the year, the Group had the following material transactions undertaken with the CRC Group (continued):
- (i) The service charges are determined based on a pricing scheme set by the MOR or based on negotiation between the contracting parties with reference to full cost principle.
 - (ii) Such revenues/charges are determined by the MOR based on its standard charges applied on a nationwide basis.
 - (iii) The service charges are levied based on contract prices determined based on cost plus a profit margin and explicitly agreed between both contracting parties.
 - (iv) The prices are determined based on mutual negotiation between the contracting parties with reference to full cost principle.
 - (v) The prices are determined based on mutual negotiation between the contracting parties with reference to procurement cost plus management fee ranged from 0.3% to 5%.
- (b) Revenue collected and settled through the CRC:

| | 2012 RMB 000 | 2013 RMB 000 | 2014 RMB 000 |
|----------------------------|-----------------|-----------------|-----------------|
| - Passenger transportation | 7,522,886 | 7,740,887 | 6,630,629 |
| - Freight transportation | 764,359 | 871,173 | 920,255 |
| - Luggage and parcel | | 100,884 | 148,863 |
| | 8,287,245 | 8,712,944 | 7,699,747 |

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

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(All amounts expressed in Renminbi unless otherwise stated)

39 TRANSACTIONS WITH CRC AND OTHER RAILWAY COMPANY (CONTINUED)

(c) Balances due from/to CRC Group:

| | As at 31 December | |
|---------------------|-------------------|---------|
| | 2013 | 2014 |
| | RMB 000 | RMB 000 |
| Due from CRC Group | | |
| - Trade receivables | 667,800 | 643,182 |
| - Other receivables | 1,452 | 9,411 |
| Due to CRC Group | | |
| - Trade payables | 150,292 | 37,843 |
| - Other payables | 321 | 294 |

40 SUBSEQUENT EVENTS

Save as already disclosed in the notes to the financial statements, the Group had no other significant subsequent event.