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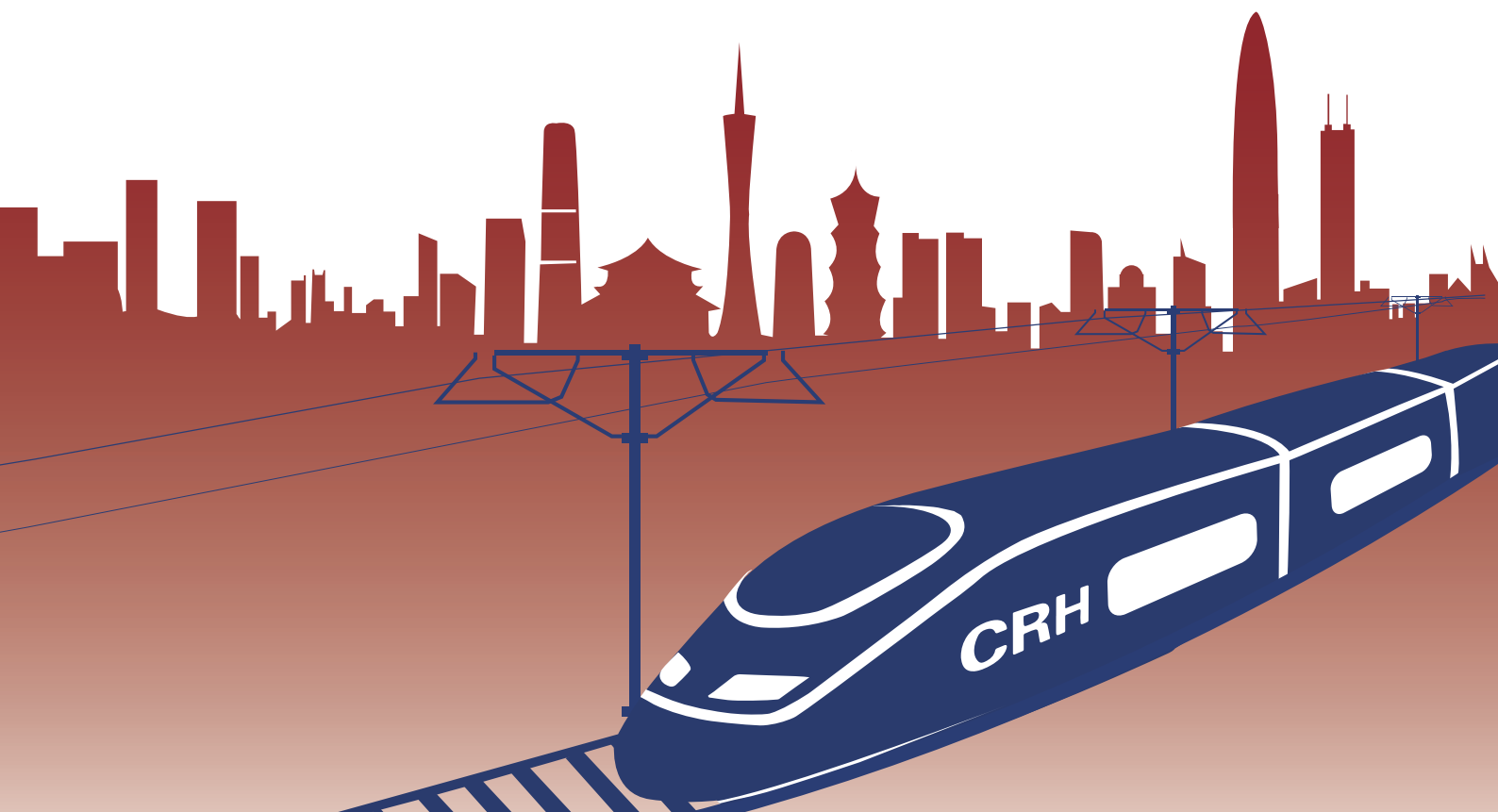
# ANNUAL REPORT

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# ANNUAL REPORT

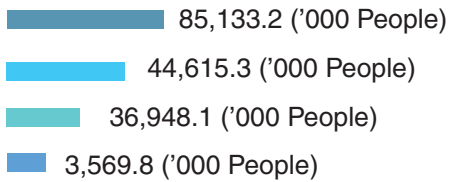
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# 2017 ANNUAL REPORT

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# Guangzhou-Shenzhen, Guangzhou-Pingshi and Canton Kowloon

## Main Stops of Trains



Volume of passenger traffic: 25,529.0 million passenger-kilometers

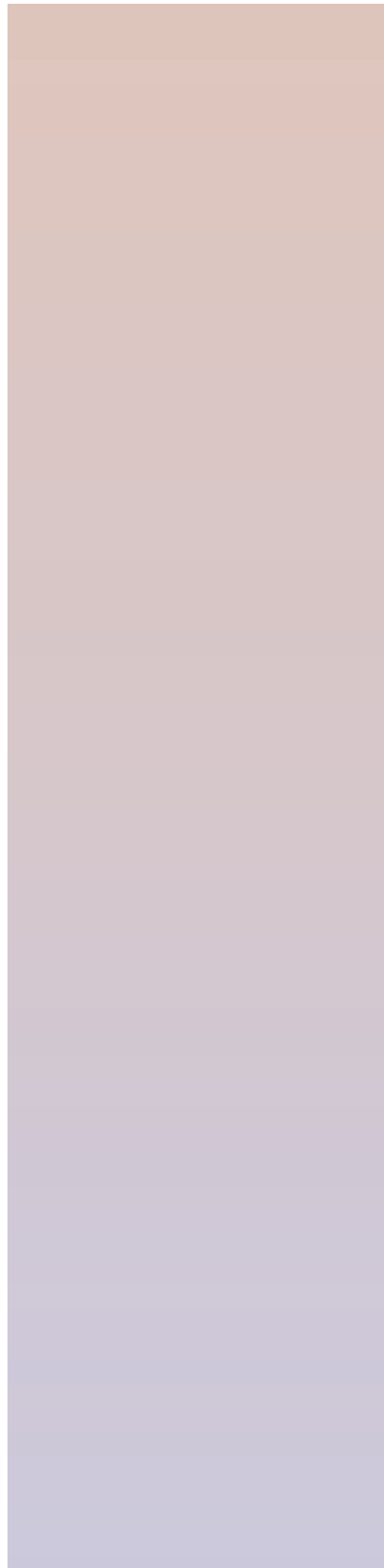
- Total passenger delivery volume of 2017
- Passenger delivery volume of long-distance trains
- Passenger delivery volume of Guangzhou-Shenzhen inter-city trains
- Passenger delivery volume of Hong Kong Through Trains

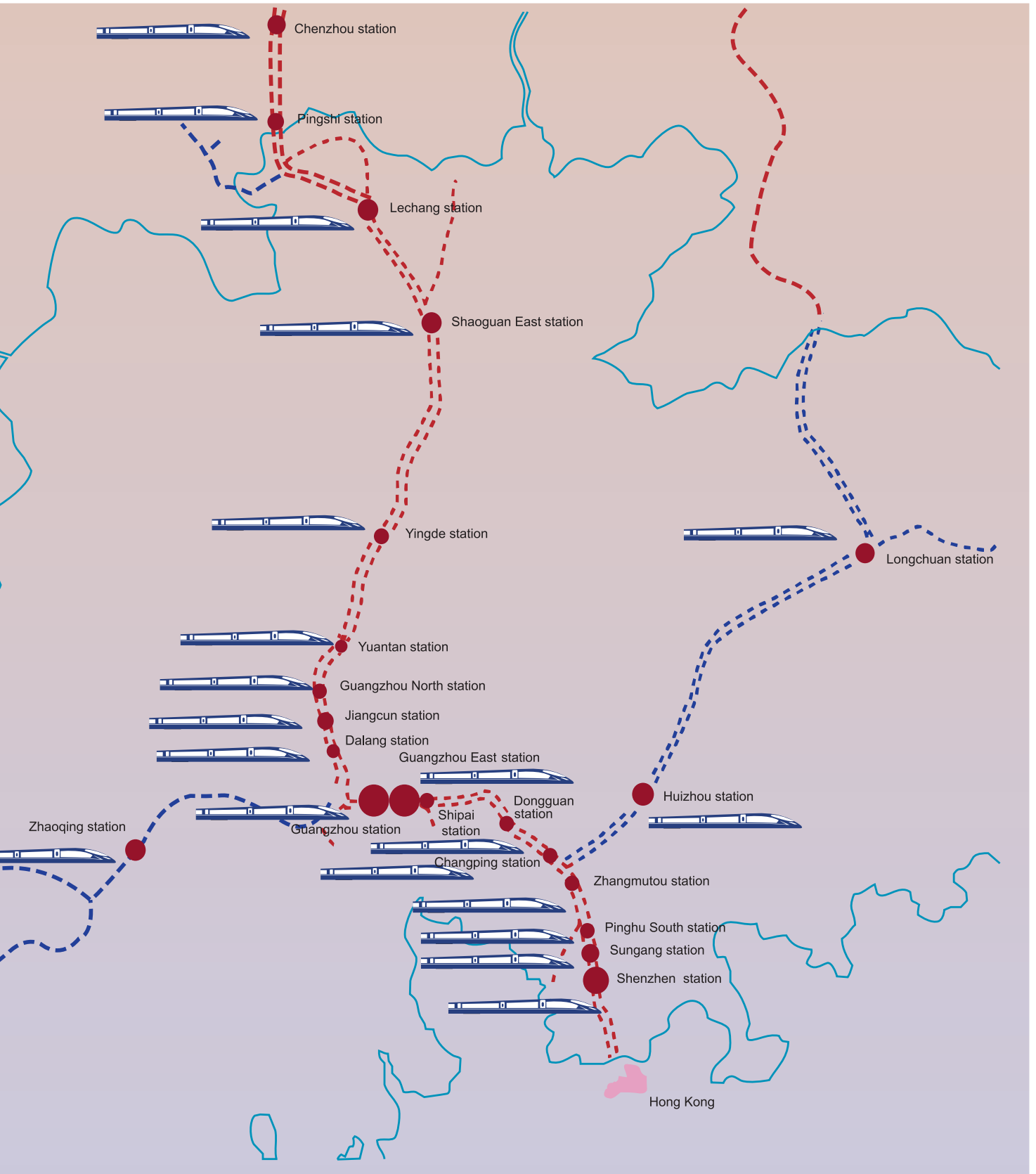


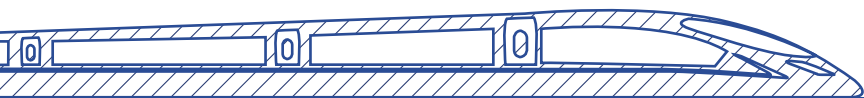
Volume of freight traffic: 10,700.0 million tonne-kilometers

- Total tonnage of freight of 2017
- Outbound freight tonnage
- Inbound freight tonnage (including arrival and pass-through tonnage)

- - - Single-track railways
- - - Double- and multi-track railways
- ..... Railways under construction
- - - Joint venture railways and local railways







## Important Notice

1. The board of directors of the Company (the "Board"), Supervisory Committee, directors, supervisors and senior management of the Company warrant that the contents of this annual report are authentic, accurate and complete, and there are no misrepresentations or misleading statements contained in or material omissions from this annual report, and severally and jointly accept the related legal responsibility.
2. All directors of the Company attended the meeting of the Board considering this annual report.
3. PricewaterhouseCoopers issued an audit report for the Company with standardized and unqualified audit opinions.
4. Mr. Wu Yong, Chairman of the Board, Mr. Hu Lingling, General Manager, Mr. Tang Xiangdong, Chief Accountant, and Mr. Lin Wensheng, Chief of Finance Department hereby declare the authenticity, accuracy and completeness of the financial statements contained in this annual report.
5. **Plans for profits distribution for the reporting period or plan for Common Reserve Capitalization after consideration and discussion by the Board.**

At the fifth meeting of the eighth session of the Board held on March 28, 2018, the Board considered and passed the profit distribution plan of the reporting period, and the Board recommended the payment of a final cash dividend for 2017 of RMB0.08 per share (including tax) to the shareholders of the Company, based on the total share capital of 7,083,537,000 shares as of December 31, 2017, totaling RMB566,682,960. The above proposal is subject to approval at the 2017 annual general meeting.

6. **Declaration of risks with respect to forward-looking statements.**  
Forward-looking statements, including future plans and development strategies contained in the annual report, do not constitute any actual commitments to the investors of the Company. Investors are advised to consider the risks.
7. **Is there any non-regular appropriation of the Company's fund by its controlling shareholders and their related parties?**  
No
8. **Is there any violation of the decision-making procedures with respect to the provision of external guarantee by the Company?**  
No
9. **Notice of Material Risks**

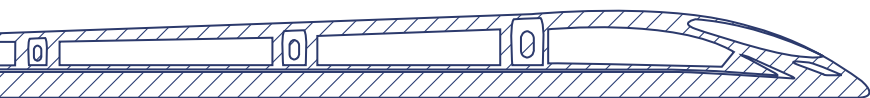
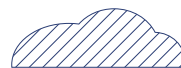
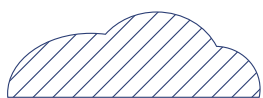
This annual report contains details of future potential risks. Please read "Potential risks" in the chapter "Report of Directors (Including Management's Discussion and Analysis)" for details.





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## Chapter 1

# Definitions

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

Company, The Company, Guangshen Railway	Guangshen Railway Company Limited
Reporting period, this period, this year	12 months from January 1 to December 31, 2017
Same period last year	12 months from January 1 to December 31, 2016
A Share	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 issued in the PRC and listed on the SSE for subscription in Renminbi
H Share	Overseas listed foreign shares of the Company with a par value of RMB1.00 issued in Hong Kong and listed on the SEHK for subscription in Hong Kong dollars
ADS	U.S. dollar-denominated American Depositary Shares representing ownership of 50 H shares issued by trustees in the United States under the authorization of the Company
CSRC	The China Securities Regulatory Commission
SSRB	The Shenzhen Securities Regulatory Bureau of the China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
SEHK	The Stock Exchange of Hong Kong Limited
NYSE	The New York Stock Exchange
SFO	The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
Listing Rules	The listing rules of SEHK and/or the listing rules of SSE (as the case may be)
Articles	The articles of associations of the Guangshen Railway Company Limited
Company Law	The Company Law of the People's Republic of China
Securities Law	The Securities Law of the People's Republic of China
CRC	China Railway Corporation
GRGC (Note), largest shareholder	China Railway Guangzhou Group Co., Ltd. (formerly known as Guangzhou Railway (Group) Company)
GZIR	Guangdong Guangzhou Intercity Rail Transportation Company Limited
WGPR	Wuhan-Guangzhou Passenger Railway Line Co., Ltd.

GSHER	Guangzhou-Shenzhen-Hong Kong Express Rail Link Company Limited
GZR	Guangzhou-Zhuhai Railway Company Limited
XSR	Xiamen-Shenzhen Railway Company Limited
GSR	Ganzhou-Shaoguan Railway Company Limited
GGR	Guiyang-Guangzhou Railway Company Limited
NGR	Nanning-Guangzhou Railway Company Limited
PRDIR	Guangdong Pearl River Delta Inter-city Railway Traffic Company Limited
GMSR	Guangmeishan Railway Limited Company
SR	Guangdong Sanmao Railway Limited Company

Note: On November 19, 2017, Guangzhou Railway (Group) Company (廣州鐵路(集團)公司) ('GRGC'), the largest shareholder of the Company, changed its name to China Railway Guangzhou Group Co., Ltd. (中國鐵路廣州局集團有限公司) in response to the unified deployment of the corporate system reform of the CRC; however, its company name abbreviation remains "GRGC".



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## Chapter 2

# Company Profile and Major Financial Indicators

## I. GENERAL INFORMATION OF THE COMPANY

### (1) Company Information

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

### (2) Contact Person and Contact Information

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

### (3) Basic Information

Registered Address	No. 1052 Heping Road, Luohu District, Shenzhen, Guangdong Province
Postal Code of the Registered Address	518010
Place of Business	No. 1052 Heping Road, Luohu District, Shenzhen, Guangdong Province
Postal Code of the Place of Business	518010
Company Website	<a href="http://www.gsrc.com">http://www.gsrc.com</a>
E-mail	ir@gsrc.com

### (4) Places for Information Disclosure and Reserve Address

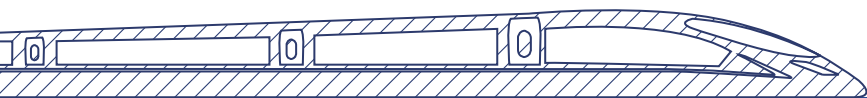
Newspapers for information disclosure of the Company	China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily
Websites specified by CSRC to publish the annual report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.gsrc.com">http://www.gsrc.com</a>
Reserve address of annual report	No. 1052 Heping Road, Luohu District, Shenzhen, Guangdong Province

**(5) Share Information of the Company**

Share Information of the Company			
Types of Shares	Stock Exchange	Stock Short Name	Stock Code
A Share	SSE	廣深鐵路	601333
H Share	SEHK	廣深鐵路股份	00525
ADS	NYSE	—	GSH

**(6) Other Relevant Information**

Auditor engaged by the Company (Domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office Address	11/F PricewaterhouseCoopers Center, Block 2, Link Square 202 Hu Bin Road, Huangpu District, Shanghai, China
Auditor engaged by the Company (International)	Name of signing auditors	Zhou Weiran, Hua Jun
	Name	PricewaterhouseCoopers
Legal advisor to PRC law	Office Address	22nd Floor, Prince's Building, Central, Hong Kong
	Name	Beijing Grandway Law Office
Legal advisor as to Hong Kong law	Office Address	12/F, Block C, Skyworth Building, 8 South One Street, Hi-Tech Zone, Nanshan District, Shenzhen, China
	Name	Cleary Gottlieb Steen & Hamilton (Hong Kong)
Legal advisor as to United States law	Office Address	37th Floor, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong
	Name	Jones Day
Registrar for A Share	Office Address	31st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Registrar for H Share	Office Address	36th Floor, China Insurance Building, No. 166, Lujiazui East Road, Pudong New District, Shanghai, China
	Name	Computershare Hong Kong Investor Services Limited
Depository	Office Address	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
	Name	JPMorgan Chase Bank, N.A.
Principal banker	Office Address	13th Floor, No. 4 New York Plaza, New York, USA
	Name	Construction Bank of China Shenzhen Branch Jiabin Road Sub-branch
	Office Address	1st to 4th Floors, Jinwei Building, Jiabin Road, Shenzhen, Guangdong Province, China



## II. COMPANY PROFILE

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

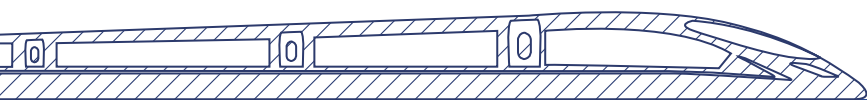
In May 1996, the H shares and American Depositary Shares issued by the Company were listed on the SEHK and the NYSE, respectively. In December 2006, the A Shares issued by the Company were listed on the SSE. In January 2007, the Company used the proceeds from the issue of A Shares to acquire the railway of Guangzhou-Pingshi, taking the coverage of the Company's operations into the national trunk line networks. Currently, the Company is the only PRC railway transportation enterprise with its shares listed in Shanghai, Hong Kong and New York.

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

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

Passenger transportation is the principal business of the Company. As of December 31, 2017, the Company operated 251 pairs of passenger trains each day, including (i) 107 pairs of intercity high-speed passenger trains between Guangzhou and Shenzhen (97 pairs of inter-city trains between Guangzhou East to Shenzhen (including 22 stand-by pairs) and 10 pairs of Guangzhou East to the Chaozhou-Shantou cross-network EMU trains), (ii) 13 pairs of Hong Kong Through Trains (11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Train and 1 pair of Beijing/Shanghai-Kowloon Through Train), and (iii) 131 pairs of long-distance trains (including 12 pairs of Guangzhou-Foshan-Zhaoqing intercity trains, 3 pairs of Guangzhou to Guilin North, Nanning East and Guiyang North cross-network EMU trains). The Company adopts an "as-frequent-as-buses" operation for Guangzhou-Shenzhen inter-city trains, meaning that one pair of China Railway High-speed train (the "CRH") is dispatched every 10 minutes on average during peak hours between Guangzhou and Shenzhen. The through-trains passing through Hong Kong jointly operated by the Company and the MTR Corporation Limited are one of the important transportation means going between Guangzhou and Hong Kong. The Company operates a number of long-distance trains running from and to Guangzhou and Shenzhen, and linking with most of the provinces, autonomous regions and municipals across the nation.





Freight transportation is an important business line of the Company. The Company is well-equipped with comprehensive freight facilities and is able to efficiently transport full load cargo, single load cargo, containers, bulky and overweight cargo, dangerous cargo, fresh and live cargo, and oversized cargo, and the 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 the Company's freight transportation business is domestic mid-to-long-distance transportation, and the Company enjoys competitive advantages in domestic mid-to-long-distance freight transportation in China.

Since WGPR commenced operations in December 2009, it has extended its railway operation service and expanded passenger and freight transportation. So far, the Company has provided this service to WGPR, GZIR, GSHER, GZR, XSR, GSR, NGR, GGR and PRDIR, and such railway operation service has also become a new point for business growth. With the successive completion and commencement of operation of a series of high-speed railways and inter-city railways in "Pan Pearl River Delta", the geographical coverage of the Company's railway operation service will expand.

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

(Unit: RMB thousand)

Income items	2017	2016	Year-on-year increase/decrease (%)	2015	2014	2013
Total revenue	18,331,422	17,280,504	6.08	15,725,309	14,800,781	15,800,677
Total operating expenses	16,932,587	15,637,999	8.28	14,156,735	13,751,961	13,927,369
Profit from operations	1,350,358	1,534,235	(11.98)	1,453,947	1,055,958	1,888,211
Profit before tax	1,347,132	1,544,009	(12.75)	1,451,838	880,633	1,701,753
Profit after tax	1,011,768	1,153,700	(12.30)	1,063,308	661,126	1,271,083
Consolidated profit attributable to shareholders	1,015,361	1,158,253	(12.34)	1,070,822	662,021	1,273,841
Basic earnings per share (RMB/Share)	0.14	0.16	(12.50)	0.15	0.09	0.18
Earnings per ADS (RMB/Unit)	7.17	8.18	(12.35)	7.56	4.67	8.99

Assets and liabilities	At the end of 2017	At the end of 2016	Increase/decrease as at the end of the year compared to the end of last year (%)	At the end of 2015	At the end of 2014	At the end of 2013
Total assets	33,994,238	32,870,258	3.42	31,943,272	30,536,663	33,231,989
Total liabilities	5,337,157	4,840,203	10.27	4,499,010	3,750,203	6,537,624
Shareholders' equity interests (excluding non-controlling interests)	28,684,677	28,054,058	2.25	27,462,488	26,745,843	26,650,544
Net assets per share (RMB)	4.05	3.96	2.27	3.88	3.78	3.76

Note: During the reporting period, indicators including profit from operations, profit before tax, profit after tax and consolidated profit attributable to shareholders of the Company all recorded year-on-year decrease, mainly due to an increase in operating expenses during the reporting period, which exceeded the increase in operating revenues. For details about the reasons for the increase in operating expenses during the reporting period, please refer to the detailed analysis of the table headed "Analysis of Costs" under the section headed "Report of Directors (Including Management's Discussion and Analysis)".

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

Applicable  Not applicable

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## Chapter 3

# Summary of the Company's Business

## I. PRINCIPAL ACTIVITIES, BUSINESS MODEL AND INDUSTRY FACT SHEET DURING THE REPORTING PERIOD

### (1) Principal Activities and Business Model

During the reporting period, as a railway transportation enterprise, the Company has primarily been operating the passenger and freight transportation businesses of the Shenzhen-Guangzhou-Pingshi Railway independently. The Company has operated the Hong Kong Through Train passenger services in cooperation with MTR Corporation Limited, and providing railway operation services for commissioned transportation for other railway companies such as WGPR, GZIR, GSHER, GZR, XSR, GSR, NGR, GGR and PRDIR.

### (2) Industry Fact Sheet

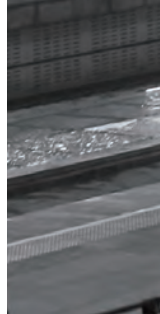
Railway, as the aorta of the nation's economy, the key important infrastructure and the significant project for people's livelihood, the backbone of an integrated transportation system and one of the main means of transportation, is of crucial importance for the nation's economic and social development. Since the state council approved implementation of the Medium to Long Term Plan for Railway Network Development in 2004, railway in China has developed rapidly. The completion and commencement of a series of high-speed railways and inter-city railways in recent years, has alleviated the tight capacity of railway in China, eliminated the bottle-neck restriction, and has helped the country meet its economic and social development needs. By the end of 2017, the national railway operations reached 127,000 kilometers and the high-speed railway spanned over 25,000 kilometers. In 2017, the national railway achieved significant growth in its passenger and freight transportation, with its passenger delivery volume reaching 3.039 billion people throughout the year, representing a year-on-year increase of 9.6%; meanwhile, the outbound freight tonnage reached 2.918 billion tonnes, representing a year-on-year increase of 10.1%.

## II. EXPLANATION OF SIGNIFICANT CHANGES IN THE MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

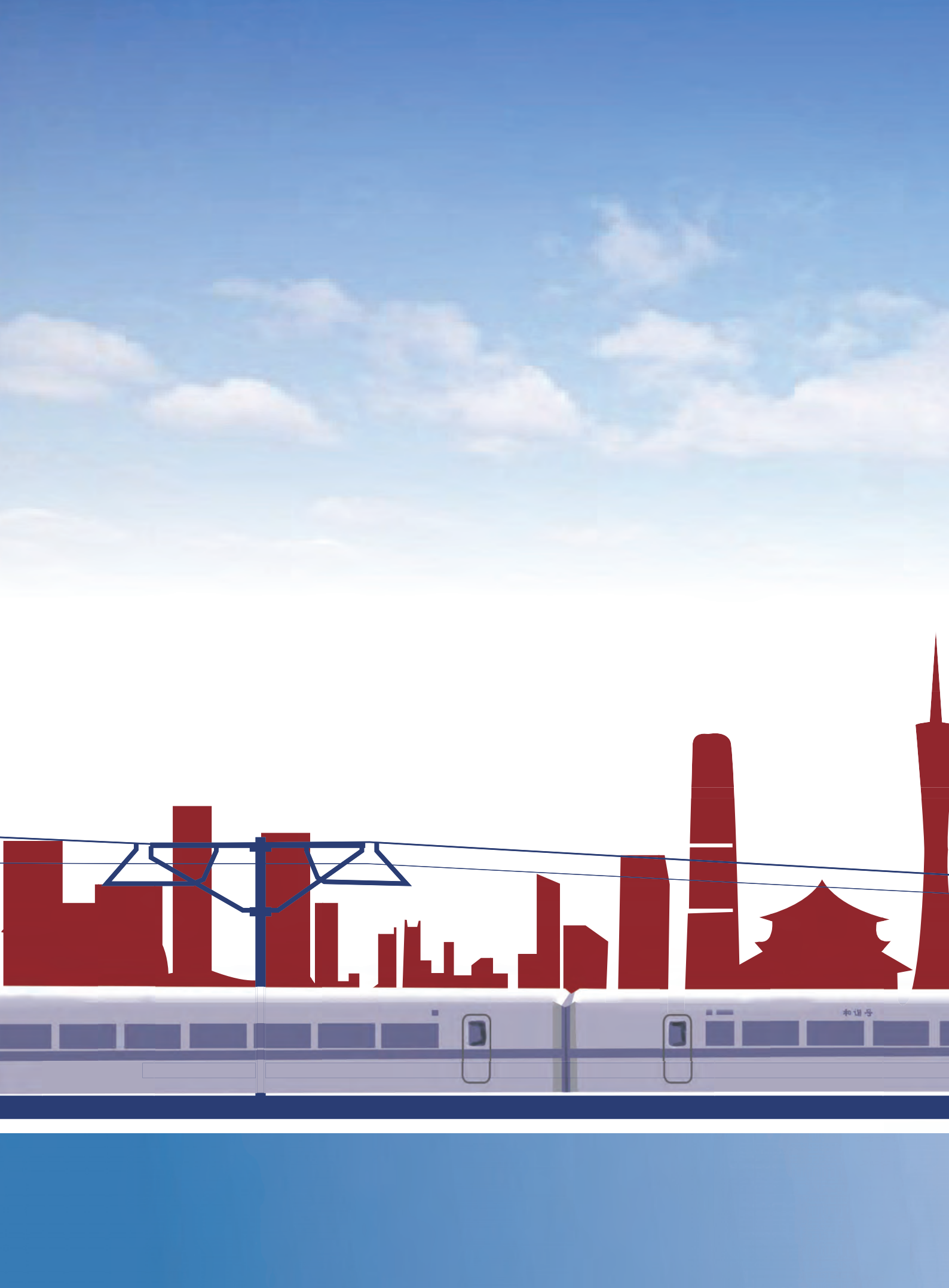
For details on significant changes in the major assets of the Company during the reporting period, please read "Analysis of Assets and Liabilities" in the chapter "Report of Directors (Including Management's Discussion and Analysis)" in this annual report.

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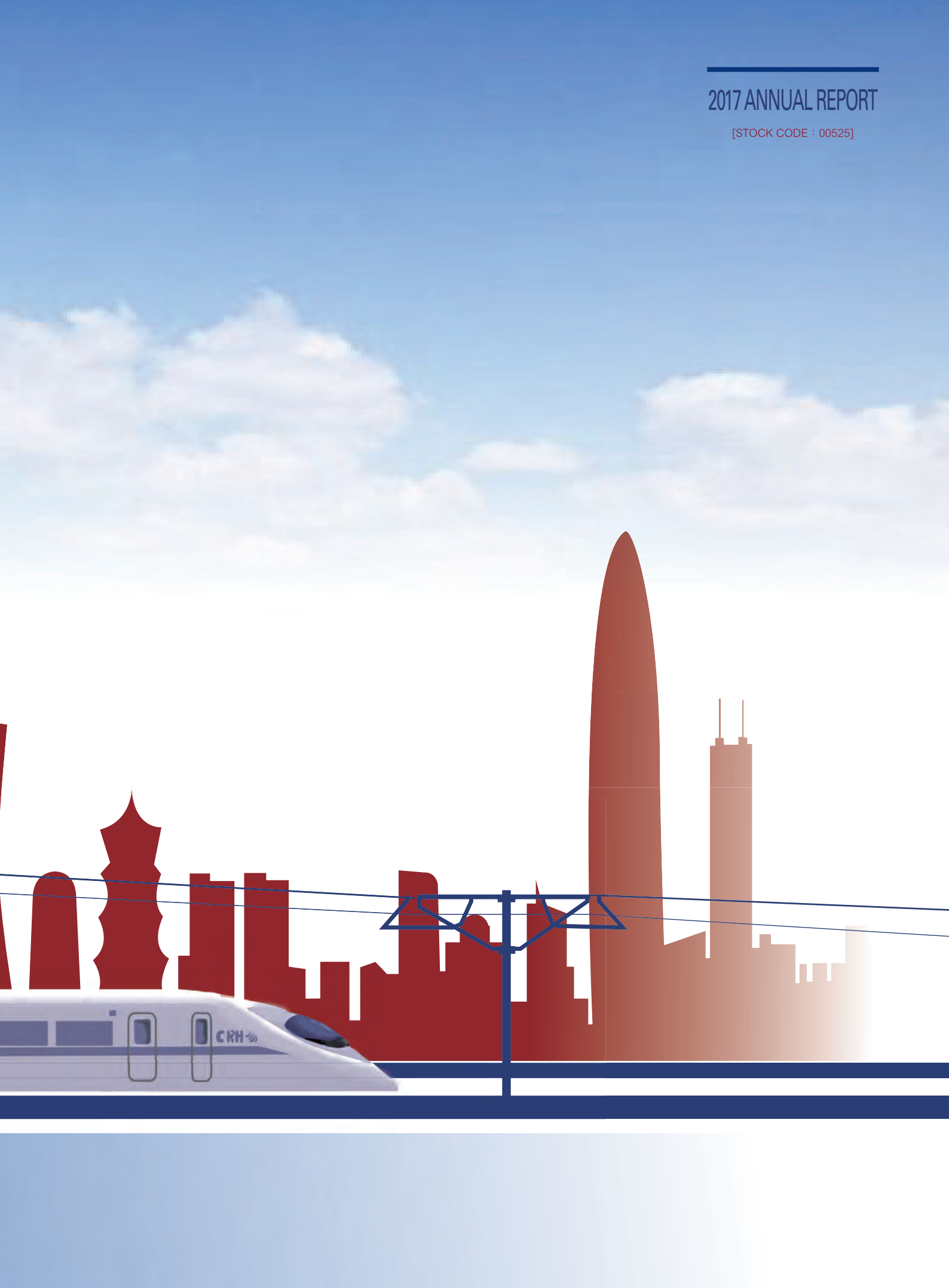




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← [Metro Icon] 地铁 Metro [Accessibility Icon] [Trash Icon] 出口 13 Exit 13 [Taxi Icon] 出租车 Taxi →



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## Chapter 4

# Report of Directors (Including Management's Discussion and Analysis)



Chairman

## I. CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am hereby pleased to present the audited operating results of the Company for 2017 for the shareholders to review.

### (1) Business Review

2017 saw a strong trend of steady and favourable growth in China's economy, in which a rebound in GDP growth rate occurred for the first time since 2011, representing a year-on-year increase of 6.9%. It was also the first time that the GDP exceeded RMB80 trillion, reaching RMB82.71 trillion. Meanwhile, the national railway showed solid improvements both in its passenger and freight transportation, with its passenger delivery volume reaching 3.039 billion people over the course of the year, a year-on-year increase of 9.6%, and outbound freight tonnage reaching 2.918 billion tonnes, a year-on-year increase of 10.1%. Given this sound macroeconomic environment and industrial development, coupled with the sound leadership of the Board and the efforts of employees, the Company managed its operations with a close adherence to its business objectives, while upholding its working theme to "strengthen foundation, obtain achievement, improve quality and raise efficiency". Exploiting the market potential of passenger and freight transportation, the Company also strengthened its core advantages in railway transportation, and effectively accomplished each of its duties and goals as set by the Board at the beginning of the year. During the reporting period, the Company's transportation safety remained stable as a whole, and the passenger and freight delivery volumes both grew, bringing continuous and steady improvements to the operating revenue; nonetheless, with booming labour expenses and maintenance costs for EMU trains, net profits declined to a certain extent as compared to the previous year.

In 2017, the Company achieved a passenger delivery volume of 85,133,200 people, representing a year-on-year growth of 0.28%, while its freight delivery volume was 15,864,200 tonnes, representing a year-on-year increase of 3.31%. Additionally, the Group had achieved operating revenues equal to RMB18.331 billion, representing a year-on-year growth of 6.08%; consolidated profits attributable to shareholders equal to RMB1.015 billion, representing a year-on-year decline of 12.34%; and basic earnings per share equal to RMB0.14.

Throughout 2017, the Board duly performed its duties under the Company's Articles of Association. With their meticulous and conscientious efforts, the directors strived to enhance the Company's corporate governance and operations management. The Company convened 1 general meeting, 6 Board meetings and 6 audit committee meetings during the year, in which the Company made sound decisions in relation to the Company's profit distribution, financial budget, production and operation, connected transactions, establishment of systems, general elections of directors and supervisors to enhance the Company's continuous development.

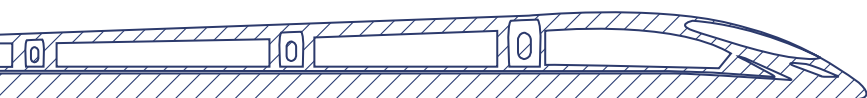
The Company has always striven to enhance its enterprise value. Due to its persistence in ensuring a long-term and stable cash dividend distribution policy, the Company has always taken into consideration long-term as well as the short-term benefits of the investors so as to ensure an ongoing favorable return to shareholders. The Board recommended the payment of final cash dividend of RMB0.08 per share for 2017, representing 57.14% of the basic earnings per share for the year. The proposal above shall be subject to approval at the Company's 2017 annual general meeting.

## **(2) Prospects**

Shareholders are reminded that the Company has made certain forward-looking statements in this annual report in relation to domestic and international economic conditions and the railway transportation market, as well as the Company's work plans in 2018 and in the future. These forward-looking statements are subject to the influences of various uncertainties and risks, and the actual outcome may be greatly different from the forward-looking statements. These statements do not constitute any commitment to the future operating results of the Company. Please be advised to consider the investment risks.

Despite the fact that both the local and global economy remain complicated and subject to change in 2018, in the backdrop of global economic recovery, deepening structural reform in supply and the implementation of the "Belt and Road Initiatives" strategy in China, we are confident that China's economy still has the hope to retain its momentum of progress with stability as a whole, and maintain its GDP growth rate within a reasonable range. With respect to industry developments, with railway being the aorta of the nation's economy and an important component of the country's infrastructure, the State has continuously increased its investments in railway in recent years. Various high-speed railways and inter-city railways will be completed and will commence operations in 2018, and the capacity of railway passenger and freight transportation will continue to grow at a steady pace. Given these factors, we expect that the market demand of railway passenger and freight transportation will accelerate in 2018.





In 2018, facing the abovementioned business circumstances, the Company will follow the lead of the 19th Party Congress and the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era to focus on our historical mission of “building China’s strength in transportation with the railway as the priority”, uphold its operating objectives, and proactively adapt to the new normal of economic development and the unprecedented system of industry management. With its adherence to a market-oriented approach, the Company will focus on economic efficiency, and will put to practice its working theme of “strengthening foundation, obtaining achievement, improving quality and raising efficiency”. The Company aims to enhance its coordination with respect to its workplace safety, explore its operational potentials, enhance service quality, facilitate the consolidated developments of lands and assets, strengthen cost control, standardize its operation management, coordinate and manage its work in the areas of safety, transportation, operation, construction and stability.

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

By order of the Board  
**Wu Yong**  
*Chairman of the Board*

Shenzhen, China  
March 28, 2018

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

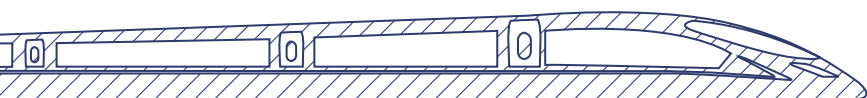
In 2017, the operating revenues of the Company were RMB18,331 million, compared to RMB17,281 million in the previous year, representing an increase of 6.08% over the same period in the previous year. Revenues from passenger transportation, freight transportation, railway network usage and other transportation-related services, and other businesses were RMB7,757 million, RMB1,894 million, RMB7,644 million and RMB1,037 million, respectively, accounting for 42.32%, 10.33%, 41.70% and 5.65% of the total revenues, respectively. Profit from operations amounted to RMB1,350 million, representing a year-on-year decrease of 11.98% from RMB1,534 million of the same period in the previous year; consolidated profit attributable to shareholders was RMB1,015 million, compared to RMB1,158 million in the previous year, representing a year-on-year decrease of 12.34% over the same period in the previous year.

### (1) Analysis of Principal Operations

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

(Unit: RMB thousand)

Item	Current period	Same period last year	Change (%)
Operating revenues	18,331,422	17,280,504	6.08
Operating expenses	16,932,587	15,637,999	8.28
Other losses — net	48,477	108,270	(55.23)
Finance costs	10,170	(2,551)	N/A
Income tax expenses	335,364	390,309	(14.08)
Net cash flows from operating activities	2,634,839	1,641,238	60.54
Net cash flows from investing activities	(2,264,647)	(1,935,702)	N/A
Net cash flows from financing activities	(569,333)	(566,683)	N/A



## 1. Analysis of Revenue and Costs

### (i) Passenger Transportation

Passenger transportation, which is the most important transportation business segment of the Company, includes Guangzhou-Shenzhen inter-city trains (including Guangzhou East to the Chaozhou-Shantou cross-network EMU trains), long-distance trains and Hong Kong Through Trains. As of December 31, 2017, the Company operates a total of 251 pairs of passenger trains on a daily basis, among which there are 107 pairs of Guangzhou-Shenzhen inter-city trains (97 pairs of inter-city trains between Guangzhou East to Shenzhen (including 22 stand-by pairs), 10 pairs of Guangzhou East to the Chaozhou-Shantou cross-network EMU trains); 13 pairs of Hong Kong Through Trains (11 pairs of Canton-Kowloon Through Trains, 1 pair of Zhaoqing-Kowloon Through Train and 1 pair of Beijing/Shanghai-Kowloon Through Train) and 131 pairs of long-distance trains (including 12 pairs of Guangzhou-Foshan-Zhaoqing intercity trains, 3 pairs of Guangzhou to Guilin North, Nanning East and Guiyang North cross-network EMU trains). The table below sets forth the revenues from passenger transportation and passenger delivery volumes for the period in comparison with those from the same period last year:

	2017	2016	Year-on-year increase/ decrease (%)
Passenger transportation revenues (RMB ten thousand)			
— Guangzhou-Shenzhen inter-city trains	775,708	735,885	5.41
— Through trains	256,642	241,298	6.36
— Long-distance trains	52,337	52,825	(0.92)
— Other revenues from passenger transportation	420,620	401,927	4.65
	46,109	39,835	15.75
Passenger delivery volume (Persons)	85,133,187	84,895,722	0.28
— Guangzhou-Shenzhen inter-city trains	36,948,135	36,190,971	2.09
— Through trains	3,569,760	3,464,978	3.02
— Long-distance trains	44,615,292	45,239,773	(1.38)
Total passenger — kilometers (Hundred million passenger-kilometer)	255.29	254.79	0.20

- **The increase in passenger transportation revenues was mainly due to:** (a) the Company's addition of 2 pairs, 3 pairs and 2 pairs of cross-network EMU trains between Guangzhou East to Chaozhou-Shantou on February 1, 2016, May 15, 2016 and September 21, 2017, respectively; and 1 pair of long-distance train between Shenzhen to Urumqi and 1 pair of long-distance train between Guangzhou to Yueyang, both of which commenced their operation on May 15, 2016, resulting in a year-on-year increase in revenues; (b) the recommencement of Guangzhou-Shenzhen inter-city passenger transportation business at Pinghu Railway Station on September 26, 2016, resulting in a year-on-year increase in revenue; and (c) the implementation of an increase in ticket prices on April 21, 2017, for Guangzhou East to Chaozhou-Shantou cross-network EMU trains which led to a revenue increase.

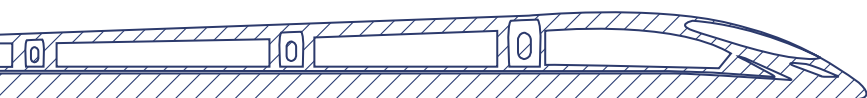
- **The increase in passenger delivery volume was mainly due to:** despite the fact that there was a decline in the passenger flow of long-distance trains under the influence of the high-speed railway's diversion effect and the decrease in the arrival of long-distance trains operated by other railway companies to our stations, the passenger flow of Guangzhou East to the Chaozhou-Shantou cross-network EMU trains achieved a steady increase; meanwhile, the Company's recommencement of its inter-city passenger transportation business at the Pinghu Railway Station and an increase in passenger flow since long-distance trains between Shenzhen to Urumqi and Guangzhou to Yueyang commenced operations. As a result, the overall passenger delivery volume still achieved a growth.

(ii) Freight Transportation

Freight transportation is the important transportation business segment of the Company, including the freight transportation business on the Shenzhen Guangzhou-Pingshi Railway. The table below sets forth the revenues from freight transportation and the freight tonnages for the period in comparison with those in the same period last year:

	2017	2016	Year-on-year increase/decrease (%)
Freight transportation revenues (RMB ten thousand)	189,359	171,826	10.20
— Outbound freight	47,585	47,651	(0.14)
— Inbound freight, including arrival and pass-through freight	126,612	110,506	14.57
— Other revenues from freight transportation	15,162	13,669	10.92
Freight volume (tonnes)	52,239,223	48,603,618	7.48
— Outbound freight	15,864,237	15,356,341	3.31
— Inbound freight, including arrival and pass-through freight	36,374,986	33,247,277	9.41
Total tonne-kilometers ('00 million tonne-kilometers)	107.00	103.02	3.86

- **The increase in freight transportation revenues and freight volumes was mainly due to:** the deepening structural reform in supply, and the steady improvement of domestic economy and our ongoing strengthened marketing efforts in freight transportation, in particular the rebound of the freight volumes of bulk goods through railway delivery, such as iron ore and coal, which contributed to the increase in both the freight transportation revenues and freight volumes.



### (iii) Railway Network Usage and Other Transportation Related Services

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

	2017	2016	Year-on-year increase/ decrease (%)
Railway network usage and other transportation related services (RMB ten thousand)	764,423	709,320	7.77
(a) Railway network usage services	330,647	317,852	4.03
(b) Other transportation related services	433,776	391,468	10.81
— Railway operation services	284,998	261,426	9.02
— Other services	148,778	130,042	14.41

- **The increase in revenue from railway network usage was mainly due to:** the workload for the locomotive towing services provided by the Company increased during the reporting period, resulting in an increase in the related income.
- **The increase in revenue from other transportation services was mainly due to:** the workload for the railway operations and passenger services provided by the Company increased during the reporting period, resulting in an increase in the related income.

### (iv) Other Businesses

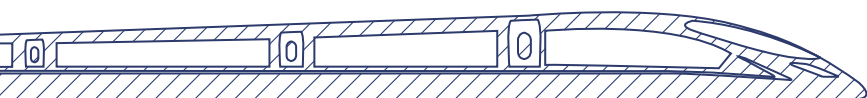
The Company's other services include train repair, on-board catering services, leasing, sales of materials and supplies, sale of goods and other businesses related to railway transportation. In 2017, revenues from other businesses was RMB1,037 million, representing a decline of 6.64% as compared to RMB1,110 million over the same period last year.

## (v) Analysis of Costs

(Unit: RMB thousand)

By Industry	Item	2017	2016	Year-on-year increase/decrease (%)
Railway business	Business tax and surcharges	21,658	38,723	(44.07)
	Employee benefits	6,300,223	5,654,869	11.41
	Equipment leases and services	4,372,330	4,193,555	4.26
	Lease of land use right	57,358	55,090	4.12
	Materials and supplies	1,314,002	1,336,614	(1.69)
	Repairs and facilities maintenance costs (materials and supplies excluded)	879,597	612,484	43.61
	Depreciation of fixed assets	1,632,926	1,488,324	9.72
	Cargo logistics and outsourcing service fees	246,563	206,195	19.58
	Amortization of leasehold land payment	34,348	27,338	25.64
	Social services fees	—	11,297	(100%)
	Utility and office expenses	60,360	55,718	8.33
	Others	930,691	881,586	5.57
	Subtotal	15,850,056	14,561,793	8.85
	Other business	Employee benefits	541,997	564,478
Materials and supplies		313,990	360,552	(12.91)
Depreciation of fixed assets		29,534	30,646	(3.63)
Amortization of leasehold land payment		11,332	11,332	—
Utility and office expenses		34,488	23,051	49.62
Other		151,190	86,147	75.50
Subtotal	1,082,531	1,076,206	0.59	
Total		16,932,587	15,637,999	8.28

- **The increase in the cost of railway business was mainly due to:** (a) the increase in the number of staff for the provision of railway operations and passenger services, as well as the corresponding rise in wages in the industry, resulting in the increase of remuneration and benefits expenses; (b) the increase in the number of pairs of Guangzhou East to the Chaozhou-Shantou cross-network EMU trains, and the commencement of operations of the long-distance trains between Shenzhen to Urumqi and between Guangzhou to Yueyang since May 15, 2016, resulting into the increase in equipment leases and services; (c) the Company's acquisition of part of the operating assets of GMSR and SR at the end of October 2016 and newly added fixed assets during the reporting period, which incurred the increase in the depreciation of fixed assets; and (d) the increase in the workload of the fifth-grade maintenance of the EMU trains, resulting in the increase of the repair costs of trains.



#### (vi) Major Sales Customers and Suppliers

The sales from the top five customers amounted to RMB3,013.62 million, accounting for 16.44% of the total annual sales; of which the sales from related parties amounted to RMB2,662.29 million, accounting for 14.52% of the total annual sales.

The purchases from the top five suppliers amounted to RMB2,013.33 million, accounting for 35.83% of total annual procurement; of which purchases from related parties amounted to RMB929.53 million, accounting for 16.54% of total annual procurement.

## 2. Expenses

(Unit: RMB thousand)

Item	2017	2016	Year-on-year increase/decrease (%)	Major reason for the changes
Other losses — net	48,477	108,270	(55.23)	The decrease in losses from the retirement of fixed assets.
Finance costs	10,170	(2,551)	N/A	The increase in losses from the foreign exchange.
Income tax expenses	335,364	390,309	(14.08)	The decrease in the total profit during the reporting period.

## 3. Cash Flow

In 2017, the principal capital sources of the Company were revenues generated from operating activities. The Company's capital was mainly used for operating and capital expenses, as well as payment of taxes and dividends. The Company has sufficient cash flow and believes that it has sufficient working capital, bank loans and other capital sources to meet its needs for operation and developments.

(Unit: RMB thousand)

Item	2017	2016	Year-on-year increase/decrease (%)	Major reason for the changes
Net cash flows from operating activities	2,634,839	1,641,238	60.54	The increase in the received transportation fee and service fee from the provision of railway operation service.
Net cash flows from investing activities	(2,264,647)	(1,935,702)	N/A	—
Net cash flows from financing activities	(569,333)	(566,683)	N/A	—

**(2) Explanation of significant change in profit caused by non-principal activities**

Applicable  Not applicable

**(3) Analysis of assets and liabilities**

(Unit: RMB thousand)

Item	Amount at the end of current period	Amount at the end of previous period	Changes in amount from the end of previous period to current period (%)
Fixed assets	23,617,138	24,278,032	(2.72)
Construction-in-progress	1,430,671	790,308	81.03
Leasehold land payments	1,980,278	1,624,859	21.87
Available-for-sale investments	296,414	53,826	450.69
Trade receivables	4,142,210	3,364,366	23.12
Cash and cash equivalents	1,160,515	1,359,656	(14.65)
Trade payables	1,325,077	1,143,523	15.88
Payables for fixed assets and construction-in-progress	2,214,547	1,765,185	25.46
Accruals and other payables	1,463,231	1,618,747	(9.61)

The decrease in fixed assets was mainly due to the transferral of the repair and renovation of EMU trains and passenger car(s) from fixed assets to construction-in-progress.

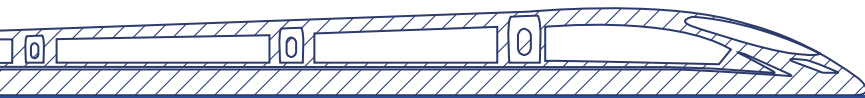
The increase in construction-in-progress was mainly due to the transferral of the repair and renovation of EMU trains and passenger car(s) from fixed assets to construction-in-progress.

The increase in leasehold land payments was mainly due to: completion of construction conducted this year, which had been temporarily transferred into fixed assets in previous years; and the reclassification of part of the costs from land use right into intangible assets.

The increase in available-for-sale investments was mainly due to: a change in accounting of parts of the available-for-sale financial assets to the basis of their fair values in the year.

The increase in trade receivables was mainly due to: the increase in the receivable service fee from the provision of railway operation services and the increase in flow of funds from operational connected transactions.





The decrease in cash and cash equivalents was mainly due to: the decrease in the balance of bank deposits.

The increase in trade payables was mainly due to: the increase in the payables for resource procurement.

The increase in payables for fixed assets and construction-in-progress was mainly due to: the increase of payables for construction works and equipment.

The decrease in accruals and other payables was mainly due to: the decrease in transportation services fees received in advance.

#### **(4) Analysis on investment position**

##### ***1. General analysis on investments in external equity interests***

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

##### **(i) Significant investments in equity interests**

During the reporting period, the Company had no significant investments in equity interests.

## (ii) Significant non-equity investments

During the reporting period, the significant non-equity investment project of the Company mainly included:

(Unit: RMB ten thousand)

Project name	Project amount	Progress of project	Invested amount during the year	Actual amount invested in aggregate
Reconstruction of automatic inter-locking equipment from Guangzhou to Pingshi section	72,651	32%	10,323	22,990
Improvements of system adaptability of the traction power supply system from Pingshi to Guangzhou section of the Beijing-Guangzhou railway	58,499	24%	13,916	13,998
Fifth-grade transformation of uses of CRH1A EMU trains (10 trains)	52,000	100%	52,000	52,000
Phase I construction of the newly built staff apartment in Shipai of the Guangzhou district	45,915	33%	14,778	14,946
Section repair, capacity expansion and renovation project of the Guangzhou North vehicle section	37,600	10%	3,939	3,939
Reconstruction of the section from Guangzhou East to Xintang of Guangshen line III and IV	36,383	64%	6,784	23,352

## (iii) Financial assets at fair value

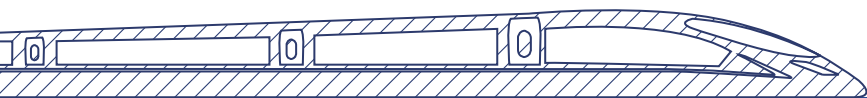
Details of financial assets at fair value which were held by the Company during the reporting period are set out in Note 15 to the financial statements.

**(5) Major assets and disposal of equity interests**

During the reporting period, the Company had no major disposal of assets and equity interests.

**(6) Analysis on the major controlling and invested companies**

During the reporting period, there was no net profit from an individual subsidiary or investment returns from an individual invested company that accounted for over 10% of the Company's net profit.



### III. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

#### (1) Industry landscape and trend

**Industry development trend:** Acting as the aorta of the nation's economy, a vital infrastructure of the nation as well as a popular form of transportation, railway is of crucial importance for the national economic and social development. Since the implementation of Medium to Long Term Plan for Railway Network Development in 2004, China's railway has developed rapidly. Currently, on the whole, the tight capacity of railway in China has been alleviated, and the bottle-neck restriction has also been eliminated, altogether contributing to fulfillment of economic and social development needs. However, when benchmarking with the new general requirements of economic development, other transportation forms and the advanced level of developed countries, China's railway still faces deficiencies such as incomplete layout, low operational efficiency and severe structural conflicts. To expedite the establishment of a modern railway network with reasonable layout, wide coverage, high efficiency and convenience, safety and economic efficiencies, the Medium to Long Term Plan for Railway Network Development (2016-2025) was jointly modified by the National Development and Reform Commission, Ministry of Transport and China Railway Corporation in July 2016, highlighting a more ambitious "Eight East-West Lines and Eight South-North Lines" high-speed railway network for a new era. Consequently, it is estimated that in the long run, the development of railway transportation industry will remain at a high rate, and the passenger and freight transportation capacity and the market competitive position of railway will gradually grow.

**Industry competition scenario:** The national railway is highly concentrated with a unified transportation management system. Competitions in the industry mainly brought by other transportation industries include highways, aviation and water transportation, and are expected to continue to exist in the long run. However, as the marketization reform of the railway industry (including the reformation of the investment and financing system, the transportation management system and the pricing mechanism) gradually deepens, the entry barrier to the industry will be lowered at a gradual pace, investment subject of the industry will become more diversified. Following the completion of construction and operation commencement of the State's high-speed railway network with Four East-West Lines and Four South-North Lines and numerous inter-city railways, the competition structure of the railway transportation industry is expected to experience substantial changes, with more intense competitions not only externally from the highway, aviation and water transportation industries but also from within the industry itself.

#### (2) Development strategies of the Company

Under the sound leadership and scientific decision-making of the Board, the Company will capitalize on the historic opportunity presented by the extensive railway construction, proactively adapt to the policy direction of railway system reform in order to establish a steadfast foothold in the Pan Pearl River Delta, and perfect and enhance its business portfolio centered on railway passenger and freight transportation and complemented by the railway-related businesses. Striving to become a top-notch railway transportation services enterprise in the PRC and to actualize its development objective of scaling up and consolidating its strengths, the Company will also focus on improving its quality of service and on continuing efforts to advance management innovation, service innovation and technology innovation.

### (3) Operating plans

At the fifth meeting of the eighth session of the Board held on March 28, 2018, the Board passed the financial budget for 2018. The Company plans to achieve passenger delivery volume of 82.60 million people (excluding commissioned transportation) and outbound freight tonnes of 15.87 million tonnes. To actualize these objectives, the Company will focus on the following tasks:

1. Production safety: consistently adopting the approach of “safely first, prevention-led, integrated governance” in its construction of route with illustrative standards on safety and quality, while optimizing safety management system, reinforcing control over safe production process, intensifying rectification of safety problems as well as investments in safety facilities and equipment, and enhancing the capability for safety protection.

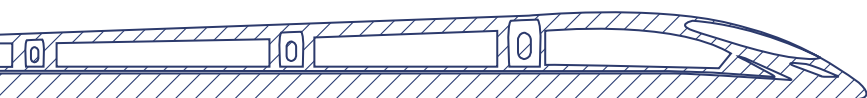
2. Passenger transportation: Firstly, enhancing the passenger traffic volume analysis on Guangzhou-Shenzhen inter-city trains and cross-network EMU trains between Guangzhou East and Chaozhou-Shantou to timely adjust transportation coordination and improve the train routes and schedules, with a view to increase revenues; secondly, strengthening the integrated research on the railway passenger transportation market and using this research to proactively apply to competent industry authorities to add long-distance trains to areas currently not covered by high-speed trains; thirdly, to speed up large scale construction projects, including the reconstruction of the section from Guangzhou East to Xintang of Guangshen line III and IV, as well as the Xintang station district public transport interchange in East Guangzhou, striving to complete and commence operation as soon as possible; fourthly, stepping up efforts to explore new growth points for passenger transportation; and fifthly, improving the service environment of passenger transportation and enhancing customers' service experience, by enhancing quality and increasing efficiencies of passenger transportation.

3. Freight transportation: Firstly, continuing to implement the reform of supply of railway services, strengthening strategic cooperation with large enterprises, establishing strategic cooperative relationship with large enterprises such as steel and electricity plants, stabilising supply of goods and expand bulk goods freight transportation volume; and secondly, continuously developing new trains for “white freight”, strengthening the existing sources and supply organizations and improving the operational efficiency of “white freight”.

4. Operational management: Firstly, strengthening the awareness of operating efficiency, improving budget management, strictly controlling the cost and expenditure; secondly, strengthening the capital and budget management and centralizing the management, ensuring capital availability, reducing the capital costs and improving the efficiency of the use of capital; thirdly, strengthening research about integrated development policies and projects for railway and land in accordance with the standard arrangements for relevant departments in the industry, revitalising the railway and land resources and improving the return on Company's assets.

### (4) Potential risks

Type of risk	Description of risk	Addressing measures
Macro-economic risk	Railway transportation industry is highly related to the macro-economic development condition and greatly affected by macro-economic atmosphere. If the macro-economic atmosphere becomes depressed, the Company's operation results and financial condition may be adversely affected.	The Company will pay close attention to the changes in international and domestic macro-economic conditions, will strengthen analysis and study factors affecting the Company, and is committed to achieving stability in the Company's production and operation by adjusting its development strategies in response to changes in market environment.



Type of risk	Description of risk	Addressing measures
Policy and regulatory risk	Railway transportation industry is greatly affected by policy and regulations. With the changes in domestic and international economic environment, and the reform and development of railway transportation industry, corresponding adjustments may be required for relative laws, regulations and industrial policies. These changes may incur uncertainties to the Company's business development and operation results.	The Company will proactively engage in different seminars for the improvement of industrial polices and regulations development, study the latest changes in policy and regulations, capture the development opportunities brought by the amendments of policy and regulations and adopt a prudent approach in addressing uncertainties caused by changes in policy and regulations.
Transportation safety risk	Transportation safety is the prerequisite and foundation for normal operation and good reputation of railway transportation industry. Bad weather, mechanical failures, human errors and other force majeure incidents may impose adverse impacts on the transportation safety of the Company.	The Company will proactively participate in regular transportation safety meetings held by competent authorities of the industry to understand the transportation safety condition of the Company, deploy resources in transportation safety management, establish and optimize safety risk management and control and intensify the training of safety knowledge and capability of transportation personnel.
Market competition risk	Competition exists in certain markets within aviation, road and water transportation and railway transportation industries. In addition, a range of high-speed railways and inter-city railways have been completed and commenced operation along with the development of railway transportation industry. Internal competitions within railway transportation industry have also intensified. The Company may be subject to greater competitive pressure in the future, which in turn could impact the operation results of the Company.	The Company will take proactive measures to address market competition by leveraging the advantages of "safe, comfortable, convenient, on time" railway transportation, improving service facilities and enhancing service quality. In respect of freight transportation, the Company is committed to increasing the efficiencies of its loaders and the turnover rate of its freight trains to improve the freight train frequency. In addition, the Company will strengthen its analysis and research of the railway transportation market, and proactively apply to competent authorities of the industry to add new long-distance trains in areas not covered by high-speed railways.
Financial risk	The operating activities of the Company are subject to various financial risks, such as exchange risks, interest risks, credit risks and liquidity risks.	The Company has established a set of managerial procedures for financial risks with a focus on the uncertainties of the financial market. It is also dedicated to minimizing to the potential adverse impacts on the financial performance of the Company. For more detailed analysis, please refer to "Note 3 to the financial statements".

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

Applicable  Not applicable

## V. OTHER DISCLOSURES

### (1) Liquidity and Capital Sources

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

As of the end of the reporting period, the Company had no borrowings in any form. The Company's capital commitments and operating lease commitments as of the end of reporting period have been set out in Note 36 to the financial statements.

As of the end of the reporting period, the Company had no charges on any of its assets and had not provided any guarantees, or entrusted deposits. The gearing ratio (calculated by the balance of liabilities divided by total assets as of the end of the reporting period) of the Company was 15.70%.

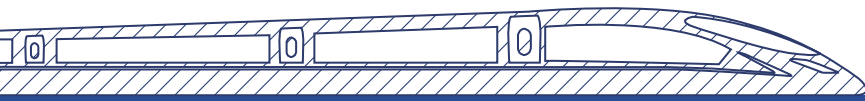
### (2) Risk of exchange rate fluctuations and related hedges

The Company's exposure to foreign exchange risks was mainly related to the U.S. dollar and Hong Kong dollar. Other than import purchase business and dividend payment to overseas investors which are denominated in foreign currencies, all other major businesses of the Company were denominated in Renminbi. Renminbi is not freely convertible into other foreign currencies. The conversion of Renminbi 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 Renminbi would be subject to foreign exchange exposure.

The Company has not used any financial instruments to hedge the foreign exchange risks. The Company has minimized these risks by controlling the sizes of transactions, assets and liabilities in foreign currencies.

### (3) Taxation

Details of income tax applicable to the Company during the reporting period are set out in Note 31 to the financial statements.



#### **(4) Interest Capitalized**

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

#### **(5) Properties and Fixed Assets**

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

#### **(6) Undistributed Profit**

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

#### **(7) Surplus Reserve**

Details of movements in the surplus reserve of the Company during the reporting period are set out in the Statements of Changes in Equity and Note 22 to the financial statements.

#### **(8) Subsidiaries**

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

#### **(9) Material Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associates, and Future Plans of Material Investments or Acquisition of Capital assets**

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

#### **(10) Contingent Liabilities**

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

#### **(11) Fixed Interest Rate**

At the end of the reporting period, the Company has no loan bearing fixed interest rates.

#### **(12) Laws and Regulations**

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

### (13) Directors of Subsidiaries

At the end of the reporting period, except for Dongguan Changsheng Enterprise Company Limited, Shenzhen Nantie Construction Supervision Company Limited and Zengcheng Lihua Stock Company Limited, no other subsidiaries of the Company had set up their board of directors. The members of the boards of directors for the above three subsidiaries are as follows:

Name of Company	Name List of Board Members
Dongguan Changsheng Enterprise Company Limited	Luo Jiancheng, Li Yingtang, Deng Hui, Lin Wensheng, Huang Ruibin, Yin Jinwen, Ren Zhuoquan
Shenzhen Nantie Construction Supervision Company Limited	Mu Anyun, Wu Yuefang, Jin Rong, Fang Lei, Deng Rongjun
Zengcheng Lihua Stock Company Limited	Luo Jiancheng, Deng Hui, Lin Wensheng, Huang Jian, Zhu Xiaoqiang

### (14) Persons of Significant Relationship with the Company

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

### (15) Assessment of Property Interests or Tangible Assets

During the reporting period, the Company did not value its property interests or other tangible assets in accordance with Chapter 5 of the Listing Rules.

### (16) Management Contracts

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

### (17) Loans to Entities

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

### (18) Permitted Compensation Provisions

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



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## Chapter 5

# Matters of Importance



Chairman of the Supervisory Committee

## I. PLANS FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR COMMON RESERVE CAPITALIZATION

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

Pursuant to the related requirements of the “Notice on Further Implementing Issues concerning Cash Dividends Distribution of Listed Companies” by CSRC and SSRB, the Company amended provisions related to profit distribution in the Articles in 2012. The amended Articles clearly stipulate the standards, percentages and related decision-making procedures for cash dividend distribution by the Company, and the detailed conditions, decision-making procedures and mechanisms for adjustments to the profit distribution policy by the Company, which will provide systematic guarantee of the due diligence of the independent directors, the full expression of the minority shareholders’ requests, and full protection of the legal interests of minority shareholders.

Since its listing in 1996, the Company has consistently adhered to a sustained and stable profit distribution policy, emphasizing reasonable returns to investors, and at the same time strived for the sustainable development of the Company. During the reporting period, the Company implemented the profit distribution plan of 2016, pursuant to which the Company distributed a cash dividend of RMB0.80 (tax inclusive) per 10 shares to all shareholders of the Company, totaling RMB566,682,960 on the basis of the total share capital at the end of 2016.

**(2) Plans or budgets for profit distribution of ordinary shares or common reserve capitalization of the Company for the past three years (including the reporting period)**

(Unit: RMB thousand)

Year of distribution	Number of bonus shares per 10 shares (share)	Amount of dividends per 10 shares (incl. tax)	Number of scrip shares per 10 shares (share)	Amount of cash dividends (incl. tax)	Net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements for the year of distribution	Percentage of net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements (%)
2017	0	0.80	0	566,683	1,015,361	55.81
2016	0	0.80	0	566,683	1,158,253	48.93
2015	0	0.80	0	566,683	1,070,822	52.92

Explanation of the profit distribution plan for 2017: The Board recommended the payment of a final cash dividend of RMB0.08 per share (including tax) for 2017 to all shareholders of the Company, based on the total share capital of 7,083,537,000 shares as at December 31, 2017, totaling RMB566,682,960.

The above proposal is subject to approval at the 2017 annual general meeting. The Company will complete the profit distribution within two months after the proposal has been approved.

Holders of A Shares of the Company are reminded to timely and carefully read the announcement to be issued by the Company on distribution of dividends for 2017, which contains details of the distribution of the final cash dividends for 2017.

Holders of H Shares of the Company are reminded to timely and carefully read the notice of the 2017 annual general meeting and the announcement of poll results of the 2017 annual general meeting to be issued by the Company on the HKEXnews website of SEHK (<http://www.hkexnews.hk>) on the date of the annual general meeting, respectively, which contain details of the distribution of the final cash dividends for 2017. The Company expects to complete the distribution of dividends within two months after the date of approval at the general meeting.

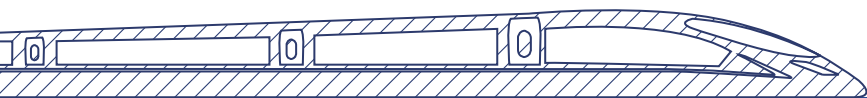
To the best knowledge of the Company, as of the date of publication of this annual report, there are no any arrangements of shareholders waiving or agreeing to waive the proposed distribution of final dividend for 2017.

**(3) Repurchase offer by cash included in cash dividend**

Applicable  Not applicable

**(4) If earnings and distributable profits available for ordinary shareholders during the reporting period are positive while the plan for profit distribution of ordinary shares in cash is not yet proposed, the Company shall disclose in details the reasons and the purposes and proposed applications of undistributed profits**

Applicable  Not applicable



## II. FULFILLMENT OF COMMITMENTS

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

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

**(2) The Company's explanation of whether original profit forecast has been met with respect to assets or projects and the related reasons for profit forecast of assets or projects and in the event of reporting period being with the profit forecast period**

Achieved  Not achieved  Not applicable

### III. APPROPRIATION OF FUND AND PROGRESS OF DEBT CLEARANCE LISTING IN THE REPORTING PERIOD

Applicable  Not applicable

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

Applicable  Not applicable

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

**(1) The Company's explanation of accounting policies, reasons and impacts of changes in accounting estimate**

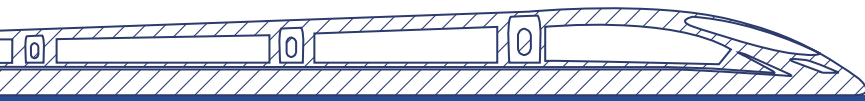
Details of the changes in the Company's accounting policies during the reporting period are set out in Note 2.1.1 to the financial statements.

**(2) The Company's explanations of reasons and impact of rectification of significant accounting errors**

Applicable  Not applicable

**(3) The communication between predecessor accountant**

Applicable  Not applicable



## VI. ENGAGEMENT AND DISMISSAL OF ACCOUNTING FIRMS

(Unit: RMB ten thousand)

Currently engaged		
Name of domestic auditor	PricewaterhouseCoopers Zhong Tian LLP	
Remuneration of domestic auditor		500
Term of engagement of domestic auditor		10
Name of international auditor	PricewaterhouseCoopers	
Remuneration of international Auditor		310
Term of engagement of international auditor		15

	Name	Remuneration
Auditor for internal control	PricewaterhouseCoopers Zhong Tian LLP	30
Financial adviser	Deloitte Touche Tohmatsu	72

### Information of engagement and dismissal of accounting firms

Applicable  Not applicable

### Explanation on change of accountant during the audit period

Applicable  Not applicable

## VII. RISK OF SUSPENSION OF LISTING

Applicable  Not applicable

## VIII. INFORMATION AND REASON FOR DELISTING

Applicable  Not applicable

## IX. BANKRUPTCY AND RESTRUCTURING

Applicable  Not applicable

## X. MATERIAL LITIGATION AND ARBITRATION

The Company had material litigation and arbitration during the year

The Company did not have material litigation and arbitration during the year

## XI. PUNISHMENT OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER, PURCHASER AND THE RECTIFICATION THEREOF

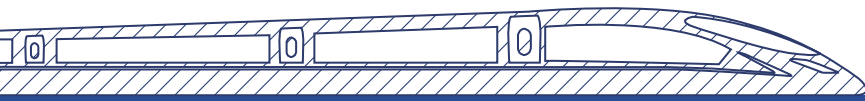
Applicable  Not applicable

## XII. EXPLANATION OF INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the reporting period, there is no explanation of integrity of the Company, its controlling shareholders and de facto controller.

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

Applicable  Not applicable



## XIV. MATERIAL CONNECTED TRANSACTIONS

### (1) Connected transactions related to daily operations

The connected transactions related to daily operations entered into by the Company during the reporting period are set out in Note 37(c) to the financial statements. The Company confirms that the transactions are within the connected transactions (including continuing connected transaction) described under Chapter 14A of the Listing Rules of the SEHK, and at the same time constitute related party transactions described under Note 37(c) to the financial statements. With regard to the following transactions, the Company has complied with the rules and requirements of Chapter 14A of the Listing Rules of the SEHK:

#### 1. Transactions conducted with GRGC and its subsidiaries

(Unit: RMB thousand)

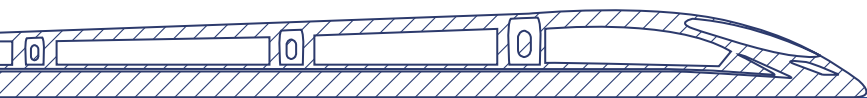
Parties	Relationship	Type of transaction	Description of transaction	Basis of pricing for the transaction	Amount of transaction
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Provision of service	Train service	By consultation according to full cost pricing, or settle according to price determined by CRC	1,505,348
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Provision of service	Railway network settlement service through CRC	Settle according to the prices determined by CRC	1,428,752
Subsidiary of GRGC	Subsidiary of the largest shareholder	Provision of service	Railway operation service	Based on agreement according to cost plus mark-up	660,847
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Sale of goods	Sale of materials and supplies	By consultation according to full cost pricing	23,386
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Service received	Train service	By consultation according to full cost pricing, or settle according to the prices determined by CRC	1,048,524
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Service received	Railway network settlement service through CRC	Settle according to the prices determined by CRC	1,720,849
GRGC	Largest shareholder	Lease of land	Land leasing service	Based on agreement	57,358
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Service received	Repair and maintenance service	By consultation according to full cost pricing	298,040
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Purchase of goods	Purchase of materials and supplies	Based on agreement which determines the price according to purchase amount plus 0.3%-5% management fee	455,716
GRGC and its subsidiaries	Largest shareholder and its subsidiaries	Service received	Construction work service	Settle according to the fixed amount approved by national railway work	272,390

**(2) Transactions conducted with CRC and other enterprises related to railway transport**

(Unit: RMB thousand)

Parties	Relationship	Type of transaction	Description of transaction	Basis of pricing for the transaction	Amount of transaction
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Provision of service	Train service	By consultation according to full cost pricing, or settle according to the prices determined by CRC	81,396
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Provision of service	Railway network settlement service through CRC	Settle according to the prices determined by CRC	1,877,719
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Provision of service	Railway operation service	Based on agreement according to cost plus pricing	1,800,692
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Provision of service	Truck maintenance service	Settle according to the prices determined by CRC	333,917
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Sale of goods	Sale of materials and supplies	By consultation according to full cost pricing	7,185
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Provision of service	Apartment leasing service	By consultation according to full cost pricing	722
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Service received	Train service	By consultation according to full cost pricing, or settle according to the prices determined by CRC	306,208
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Service received	Railway network settlement service through CRC	Settle according to the prices determined by CRC	1,395,591
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Service received	Repair and maintenance service	By consultation according to full cost pricing	31,089
CRC and its transferred subordinate enterprise	De facto controller of the largest shareholder and its subsidiary	Purchase of goods	Purchase of materials and supplies	Based on agreement which determines the price according to purchase amount plus 0.3%-5% management fee	19,258





## (2) Related party transactions related to acquisition or disposal of assets or equity

Applicable  Not applicable

## (3) Material connected transactions in relation to joint external investment

Applicable  Not applicable

## (4) Related claims and debts

(Unit: RMB ten thousand)

Related Parties	Relationship	Fund provided to related party		
		Opening balance	Addition	Closing balance
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited	Wholly-owned subsidiary	908	—	908
Zengcheng Lihua Stock Company Limited	Controlling subsidiary	1,231	—	1,231
Total		2,139	—	2,139
Impact of the related claim and debt on the Company		No significant impact on the operation results and financial position of the Company		

## (5) Contracts entered into with the largest shareholder and its subsidiaries

Except as disclosed in this annual report, during the reporting period none of the Company or its subsidiaries have entered into other material contracts with the largest shareholder or its subsidiaries.

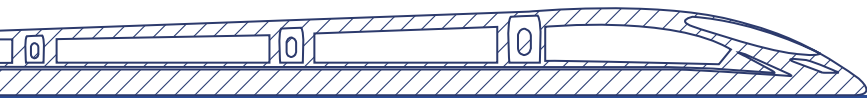
## **(6) Confirmation of continuing connected transactions by independent Directors**

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

## **(7) Confirmation of continuing connected transactions by the auditor**

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

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



## XV. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

### (1) Trust, contracted businesses and leasing affairs

Applicable  Not applicable

### (2) Guarantees or financial assistance

Applicable  Not applicable

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

#### 1. Entrusted investment

Applicable  Not applicable

#### 2. Entrusted loans

Applicable  Not applicable

#### 3. Other investment and derivatives investment

Applicable  Not applicable

### (4) Pledges

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

### (5) Loan agreements and their performance

During the reporting period, the Company and its subsidiaries have not entered into any loan agreements nor violated any terms of loan agreements which had significant impact on its operation.

### (6) Other material contracts

During the reporting period, except as disclosed in this annual report, the Company did not enter into any other material contracts.

## XVI. EXPLANATION OF OTHER MATERIAL EVENTS

Applicable  Not applicable

## XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITY

### (1) Poverty alleviation by listed companies

Applicable  Not applicable

### (2) Social responsibility efforts

During the reporting period, the Company did not have significant environmental protection or other significant social safety issues. For details concerning the Company's fulfillment of social responsibilities in the areas of transportation safety, environmental protection and social welfare in the reporting period, please read the 2017 Social Responsibility Report disclosed on the website of SSE (<http://www.sse.com.cn>), the HKEXnews website of SEHK (<http://www.hkexnews.hk>) and the website of the Company (<http://www.gsrc.com>).

### (3) Environmental protection efforts

Applicable  Not applicable

## XVIII. CONVERTIBLE COMPANY BONDS

Applicable  Not applicable

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## Chapter 6

# Changes in Ordinary Share Capital and Particulars of Shareholders



General Manager

### I. PARTICULARS OF CHANGES TO ORDINARY SHARE CAPITAL

#### (1) Changes in ordinary share capital

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

#### (2) Changes in shares with selling restrictions

Applicable  Not applicable

## II. PARTICULARS OF SECURITIES ISSUED AND LISTINGS

### (1) Particulars of securities issued up to the reporting period

The Company had not issued any securities for the 3 years prior to the end of the reporting period.

Particulars of securities issued up to the reporting period (particulars of bonds with different interest rates during the existing period shall be provided separately):

Applicable  Not applicable

### (2) Changes in the Company's total number of ordinary shares and structure of shareholder and changes in structure of asset and liability of the Company

During the reporting period, there was no change in the total number of ordinary shares and structure of shareholder, asset and liability of the Company as a result of bonuses issued, increases in share capital, placing, allotment of new shares or other reasons.

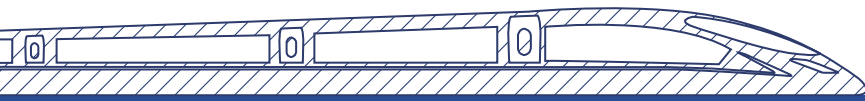
### (3) Existing employee shares

The Company has not issued shares to any of its employees as of the end of the reporting period.

## III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

### (1) Total number of shareholders

Total number of ordinary shareholders as of the end of the reporting period (Number)	233,418
Total number of ordinary shareholders as of the end of the previous month before the date of disclosure of the annual report (Number)	231,891



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

Unit: share

Name of shareholders (in full)	Particulars of the shareholding of the top ten shareholders					Nature of shareholder
	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Shares in pledge or frozen	Status	
China Railway Guangzhou Group Co., Ltd.	2,629,451,300	37.12	—	None	—	State-owned legal person
HKSCC NOMINEES LIMITED (Note)	1,446,317,269	20.42	—	Unknown	—	Foreign legal person
China Securities Finance Corporation Limited	100,714,092	1.42	—	Unknown	—	State-owned legal person
Central Huijin Investment Company Limited	85,985,800	1.21	—	Unknown	—	State-owned legal person
DEUTSCHE BANK AKTIENGESELLSCHAFT	85,653,885	1.21	—	Unknown	—	Foreign legal person
New China Life Insurance Company Ltd. — dividend — group dividend — 018L — FH001Hu	71,744,210	1.01	—	Unknown	—	Other
Zhou Rong	54,015,500	0.76	—	Unknown	—	Domestic natural person
Taiyuan Iron & Steel (Group) Company Limited	30,781,989	0.43	—	Unknown	—	State-owned legal person
Nanhua Futures Co., Ltd. — Nanhua Futures Silver Leaf No.5 Asset Management Plan	28,651,300	0.40	—	Unknown	—	Other
Harvest Fund — Agricultural Bank of China — Harvest CSI Financial Asset Management Plan	28,101,600	0.40	—	Unknown	—	Other
Zhongou Fund — Agricultural Bank of China — Zhongou CSI Financial Asset Management Plan	28,101,600	0.40	—	Unknown	—	Other
Southern Fund — Agricultural Bank of China — Southern CSI Financial Asset Management Plan	28,101,600	0.40	—	Unknown	—	Other

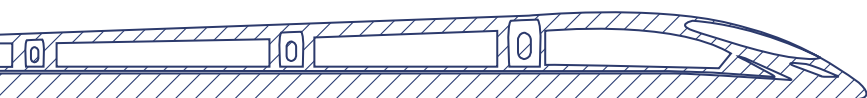
Name of shareholders	Top ten holders of shares without selling restrictions		
	Number of shares held without selling restrictions	Class and number of the Shares	
		Class	Number
China Railway Guangzhou Group Co., Ltd.	2,629,451,300	RMB ordinary shares	2,629,451,300
HKSCC NOMINEES LIMITED (Note)	1,446,317,269	RMB ordinary shares Overseas listed foreign shares	28,773,820  1,417,543,449
China Securities Finance Corporation Limited	100,714,092	RMB ordinary shares	100,714,092
Central Huijin Investment Company Limited	85,985,800	RMB ordinary shares	85,985,800
DEUTSCHE BANK AKTIENGESELLSCHAFT	85,653,885	RMB ordinary shares	85,653,885
New China Life Insurance Company Ltd. — dividend — group dividend — 018L — FH001Hu	71,744,210	RMB ordinary shares	71,744,210
Zhou Rong	54,015,500	RMB ordinary shares	54,015,500
Taiyuan Iron & Steel (Group) Company Limited	30,781,989	RMB ordinary shares	30,781,989
Nanhua Futures Co., Ltd. — Nanhua Futures Silver Leaf No.5 Asset Management Plan	28,651,300	RMB ordinary shares	28,651,300
Harvest Fund — Agricultural Bank of China — Harvest CSI Financial Asset Management Plan	28,101,600	RMB ordinary shares	28,101,600
Zhongou Fund — Agricultural Bank of China — Zhongou CSI Financial Asset Management Plan	28,101,600	RMB ordinary shares	28,101,600
Southern Fund — Agricultural Bank of China — Southern CSI Financial Asset Management Plan	28,101,600	RMB ordinary shares	28,101,600
Statement regarding the connected relationship or concerted action of the above shareholders	The Company is not aware of any of the other shareholders above are connected or acting in concert as defined in "Administrative Measures on Acquisitions of Listed Companies".		

Note: HKSCC NOMINEES LIMITED represents 香港中央結算(代理人)有限公司, holding 28,773,820 A Shares and 1,417,543,449 H Shares of the Company. These shares were held on behalf of various clients respectively.

The shareholdings and selling restrictions of the top 10 shareholders with selling restrictions

Applicable  Not applicable





(3) So far as the directors, supervisors and senior management of the Company are aware, as of the end of the reporting period, the following persons, other than Directors, Supervisors and senior management of the Company, held interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong), as follows:

Unit: share

Name of shareholder	Class of Shares	Number of Shares held	Capacity	Percentage of issued share capital of the same class (%)	Percentage of total share capital (%)
China Railway Guangzhou Group Co., Ltd.	A share	2,629,451,300(L)	Beneficial owner	46.52(L)	37.12(L)
BlackRock, Inc.	H share	272,436,089(L) 13,372,000(S)	Corporate interest controlled by substantial shareholder	19.03(L) 0.93(S)	3.85(L) 0.19(S)
BlackRock Global Funds	H share	214,501,049(L)	Beneficial owner	14.99(L)	3.03(L)
FIL Limited	H share	156,872,000(L)	Corporate interest controlled by substantial shareholder	10.96(L)	2.21(L)

Note: The letter "L" denotes a long position; "S" denotes a short position.

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

Applicable  Not applicable

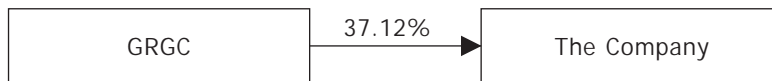
## IV. CHANGES IN THE LARGEST SHAREHOLDER AND DE FACTO CONTROLLER

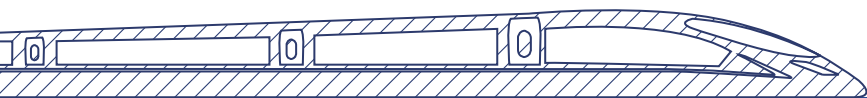
### (1) Information on the largest shareholder

#### 1. Legal person

Name	GRGC
Person in charge or legal representative	Wu Yong
Date of incorporation	2017-11-7
Principal operations	Organization and management of railway passenger and freight transportation, technologies and other industrial development etc.
Equity interests in other domestic and overseas listed controlling and invested companies during the reporting period	Nil

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





## (2) Information on the de facto controller of the largest shareholder

### 1. Legal person

Name	CRC
Person in charge or legal representative	Lu Dongfu
Date of incorporation	2013-03-14
Principal operations	Diversified operations with railway transportation services of passengers and freights as its main business
Equity interests in other domestic and overseas listed controlling and invested companies during the reporting period	CRC is the de facto controller of Daqin Railway Co. Ltd. and China Railway Tielong Container Logistics Co. Ltd. (listed companies on the SSE).

### 2. Chart on the property rights and controlling relationship amongst the Company, the largest shareholder and its de facto controller



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

As of the end of the reporting period, other than the aforementioned largest shareholder, there was no other corporate shareholder with a shareholding of 10% or above in the Company (except for HKSCC NOMINEES LIMITED).

## VI. EXPLANATION OF REDUCED SHAREHOLDING

Applicable  Not applicable

## VII. PUBLIC FLOAT

As of the end of the reporting period, the public float of the Company was 4,454,085,700 shares, representing 62.88% of the total share capital of the Company. Calculated at HK\$5.25 per share, which is equal to the closing price of the Company's H shares as of December 29, 2017, the market capitalization of the public float was approximately HK\$23.384 billion. The public float of the Company was in compliance with the requirements of the relevant rules on the sufficiency of public float.

## VIII. DUPLICATION

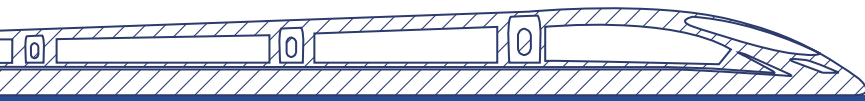
During the reporting period, the directors, chief executives and such other persons of the Company did not have duplicated interests.

## IX. REPURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

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

## X. PRE-EMPTIVE RIGHT

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



## XI. TRANSACTIONS INVOLVING ITS OWN SECURITIES

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

## XII. TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

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

## Chapter 7

# Information Regarding Preference Shares

Information of Preference Shares

Applicable  Not applicable

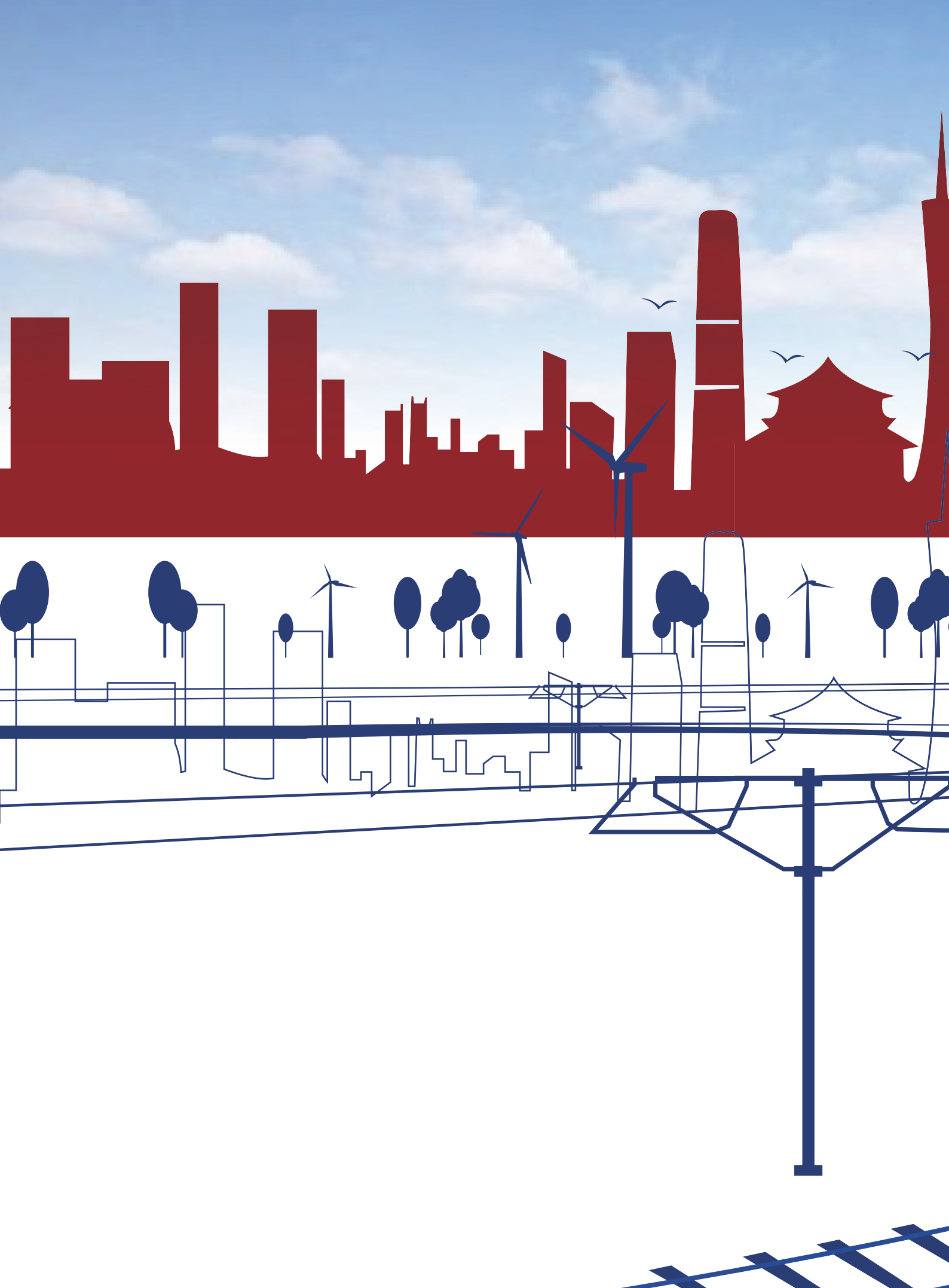




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# 2017 ANNUAL REPORT

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## Chapter 8

# Directors, Supervisors, Senior Management and Employees

### I. CHANGES IN SHAREHOLDINGS AND REMUNERATIONS

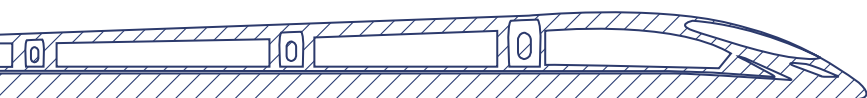
#### (1) Changes in Shareholdings and Remunerations of Directors, Supervisors and Senior Management (Current and Resigned during the reporting period)

Unit: share

Name	Position (Note)	Gender	Age	Beginning of first engagement period	End of engagement period	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in share number during the year	Reason for the change	Total remuneration received from the Company (before tax) during the reporting period (RMB ten thousand)	Received remuneration from related parties of the Company or not
Wu Yong	Chairman Executive Director	male	54	December 18, 2014 December 16, 2014	June 15, 2020	–	–	–	–	–	Yes
Hu Lingling	Executive Director General Manager	male	54	May 26, 2016 December 9, 2015	June 15, 2020	–	–	–	–	44.1	No
Sun Jing	Non-executive Director	male	52	May 22, 2012	June 15, 2020	–	–	–	–	–	Yes
Yu Zhiming	Non-executive Director	male	58	June 26, 2008	June 15, 2020	–	–	–	–	–	Yes
Chen Jianping	Non-executive Director	male	51	May 28, 2015	June 15, 2020	–	–	–	–	–	Yes
Luo Qing	Executive Director	male	53	June 25, 2009	June 15, 2020	–	–	–	–	36.7	No
Chen Song	Independent Non-executive Director	male	45	May 29, 2014	June 15, 2020	–	–	–	–	11.2	No
Jia Jianmin	Independent Non-executive Director	male	60	May 29, 2014	June 15, 2020	–	–	–	–	14.6	No
Wang Yunting	Independent Non-executive Director	male	59	May 29, 2014	June 15, 2020	–	–	–	–	11.2	No
Liu Mengshu	Chairman of the Supervisory Committee	male	54	May 29, 2014	June 15, 2020	–	–	–	–	–	Yes
Chen Shaohong	Supervisor	male	51	June 26, 2008	June 15, 2020	–	–	–	–	–	Yes
Shen Jiancong	Supervisor	male	49	June 2, 2011	June 15, 2020	–	–	–	–	–	Yes
Li Zhiming	Supervisor	male	56	May 12, 2005	June 15, 2020	–	–	–	–	–	Yes
Zhou Shangde	Supervisor representing Employees	male	47	May 28, 2015	June 15, 2020	–	–	–	–	38.7	No
Song Min	Supervisor representing Employees	female	47	May 29, 2014	June 15, 2020	–	–	–	–	32.0	No
Luo Jiancheng	Deputy General Manager	male	45	December 30, 2016	–	–	–	–	–	36.5	No
Guo Xiangdong	Deputy General Manager Secretary of the Board	male	52	December 28, 2010 January 6, 2004	–	–	80,000	80,000	Purchased from the secondary market	36.6	No
Tang Xiangdong	Chief Accountant	male	49	December 19, 2008	–	–	–	–	–	36.6	No
Total	–	–	–	–	–	–	80,000	80,000	–	298.2	–

Note: During the reporting period, except as information disclosed in the above table, none of the directors, supervisors or senior management of the Company has held or dealt in the shares of the Company, or has held the Company's share option or has been granted any shares with selling restrictions.

Name	Biographies
Wu Yong	Male, born in June 1963, is the Chairman of the Board of the Company. Mr. Wu is a graduate with a bachelor's degree and a senior engineer with advanced remuneration. He had served successively as the deputy bureau chief of Benghu Sub-bureau of Shanghai Railway Bureau, the commander chief of Hefei-Wuhan Railway Engineering Construction Headquarters of Shanghai Railway Bureau, the bureau chief assistant and deputy bureau chief of Wuhan Railway Bureau, and the bureau chief and deputy party secretary of Chengdu Railway Bureau, the chairman and general manager of GRGC and deputy secretary of the party committee. He is currently the Chairman of GRGC and secretary of the party committee.
Hu Lingling	Male, born in November 1963, is an executive director and the general manager of the Company. Mr. Hu is a graduate with a bachelor's degree and is an engineer. He had served successively as the deputy chief engineer and the deputy station master of Shaoguan Station (the current Shaoguan East Station) of Yangcheng Company headquarter of GRGC, the deputy chief engineer and the deputy general manager of Yangcheng Company headquarter of GRGC, and the director of the transportation department and the deputy general manager of GRGC. He had also worked in the global business department in the headquarters of International Union of Railways in Paris, France and served as the deputy general manager of Guangzhou-Shenzhen-Hong Kong Express Rail Link Company Limited. He is now an executive director and the general manager of the Company.
Sun Jing	Male, born in July 1965, is a non-executive director of the Company. Mr. Sun is a graduate with a bachelor's degree and also a senior engineer. He had served successively as the chief and deputy secretary of party committee of Yueshan locomotive section of Zhengzhou Sub-bureau of Zhengzhou Railway Bureau, the vice director of locomotive department of Zhengzhou Railway Bureau, the director of locomotive department of Zhengzhou Railway Bureau, the assistant to the director of Zhengzhou Railway Bureau, as well as the deputy general manager of GRGC. He is currently a director and the general manager of China Railway Zhengzhou Group Limited.
Yu Zhiming	Male, born in April 1959, is a non-executive director of the Company. Mr. Yu is a graduate with a bachelor's degree and also a senior accountant. He had served successively as the 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 and the standing vice-director of capital settlement center of MOR. He is currently a director and the chief accountant of GRGC.
Chen Jianping	Male, born in November 1966, is a non-executive director of the Company. Mr. Chen had successively served as the party branch chief secretary for living service centre of the Company, deputy secretary of the party committee and concurrently the secretary of committee for disciplinary inspection of the passenger transportation business unit of the Company, chairman of the trade union of the mechanized line center of Guangzhou Railway of GRGC, the section chief of Guangzhou Passenger Transportation Division of the Company, the general manager of diversified operation and development center, and the director of operation and development offices of GRGC. He had also been the station master of Shenzhen North station, the deputy secretary of the Party Committee of the Company, and the chief of the passenger transport department of GRGC. He is currently the deputy chairman of Beijing Xinhua Airport Aeronautics Food Limited Company of the Hainan Airlines. Mr. Chen had served as the supervisor representing employees of the Company during May 2014 to May 2015.
Luo Qing	Male, born in September 1964, is an executive director of the Company. Mr. Luo is a graduate with a master's degree and is a political engineer. He had served successively as the secretary-general of Locomotive Sports Association of Yangcheng Company of GRGC, the secretary-general of Locomotive Sports Association of GRGC, the chief of the organization department of trade union of GRGC and the chairman of the trade union of the Company. He is currently the deputy secretary of the party and working committee and secretary of the discipline inspection and working commission of the Company and also the chairman of the trade union of the Company.

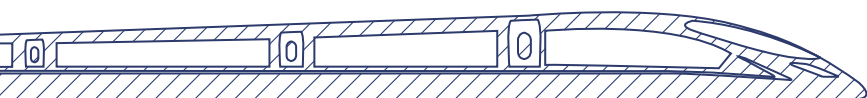


Name	Biographies
Chen Song	Male, born in January 1973, is an independent non-executive director of the Company. Mr. Chen has a doctorate degree majoring in finance and investment from Management School of Sun Yat-sen University, and is a certified public accountant of China, and certified internal auditor registered in the US. He was the teacher in higher mathematics and pharmaceutical machinery in Guangdong Food and Drug Vocational College, the external tutor for MBA and EMBA in Management School of Sun Yat-sen University, a managerial trainee in P&G (China) Investment Limited Company, the financial analysis manager in Crest Oral Department, the financial supervisor of business department, CFO and executive director of Heinz (China) Investment Co., Ltd., the chief financial officer of Ren Coty (China) and a director and general manager of its cosmetics division, the financial supervisor of Greater China Region in Boer Cmc Markets Asia Pacific Pty Ltd., the deputy general manager and chief financial officer of Chongqing Brewery Co., Ltd. (a listed company on the Shanghai Stock Exchange, stock code: 600132). He is currently a director and the general manager of Chongqing Brewery Co., Ltd.
Jia Jianmin	Male, born in August 1957, is an independent non-executive director of the Company. Mr. Jia is a master's degree graduate and holds a doctorate degree in Business School of the University of Texas at Austin, USA. He was a member of advisory committee of experts of department of management of The National Natural Science Foundation, a member of China National MBA Education Supervisory Committee, the Scholar Director of MSI USA. He is currently a professor and the chairman of the Department of Marketing of Faculty of Business Administration of The Chinese University of Hong Kong, and the Changjiang Scholar Professor of the Ministry of Education of PRC.
Wang Yunting	Male, born in July 1958, is an independent non-executive director of the Company. Mr. Wang is a graduate with a bachelor's degree and obtained an EMBA degree from the Guanghua School of Management, Peking University. He was the vice general manager of China Commercial Foreign Trade Corporation, Ltd. (Shenzhen), the vice general manager of Beijing Capital Huayin Group. He is currently the chairman of Shaanxi Fortune Investment Limited.
Liu Mengshu	Male, born in July 1963, is currently the chairman of the Company's supervisory committee. Mr. Liu holds a bachelor's degree and is an engineer. He had served successively as the office director and head of party committee's propaganda department of GRGC Changsha headquarters, and the chief of the party committee's organization department, the chief of the party committee's propaganda department (head of corporate culture department) and the director of the Party committee office of GRGC. He is currently a director, the deputy secretary of the party committee and the secretary of Committee for Discipline Inspection of GRGC.
Chen Shaohong	Male, born in January 1967, is a supervisor of the Company. Mr. Chen holds a bachelor's degree and is a senior economist. He had served successively in GRGC as the vice-director of corporate management office and the vice-director and director of corporate management and legal affairs department of GRGC, the vice-chief economist and the director of corporate and legal affairs department of GRGC. He is currently the chief legal advisor and the director of corporate and legal affairs department of GRGC.
Shen Jiancong	Male, born in September 1968, is a supervisor of the Company. Mr. Shen is a graduate with a bachelor's degree and an economist. He had served successively as the director of division of personnel (party committee personnel) leading personnel department under of GRGC, the deputy director of the division of personnel of GRGC and the deputy director of organization department of Party Committee of GRGC, the secretary of the party committee and the vice station master of Shenzhen station of the Company. He is currently the director of division of human resources and the director of organization department of party committee of GRGC.
Li Zhiming	Male, born in May 1961, is a supervisor of the Company. Mr. Li graduated with a bachelor's degree and is an accountant. He had served as the chief of finance sub-division of Changsha Railway Company of GRGC, the manager of the finance office of GRGC Changsha headquarters, the deputy chief of the audit department of GRGC. He is currently the supervisor and the chief of the audit department of GRGC.

Name	Biographies
Zhou Shangde	Male, born in December 1970, is the Company's Supervisor representing employees. Mr. Zhou graduated with a master's degree and holds a political officer title. He had successively served in the Company as the deputy chief of the organization and human resources department, the director of the Party Committee office, the chairman of the trade union of the integrated service center of the Company. He also served in GRGC as the deputy head of the human resource office, the deputy office manager and the director of the reception office, the chief party secretary of office administration. Additionally, he served successively as the party secretary and station master of Shenzhen station of the Company. He is currently the station master of the Shenzhen North Station and the deputy secretary of the party committee of the Company.
Song Min	Female, born in November 1970, is the Supervisor representing employees of the Company. Ms. Song holds a bachelor's degree and is an accountant. She had served successively as the deputy manager of the operating finance office in the department of finance of Qinghai-Tibet Railway Company, the deputy office director and finance director of Qinghai-Tibet Railway Public Security Bureau, the vice office supervisor of Qinghai-Tibet Railway Company Annuity Council, the vice consultant of the department of financial management of the State Taxation Bureau of Qinghai Province, and the senior manager of Petrol China Guangdong Sales Company Shenzhen Branch. She is currently the chief of Department of Audit of the Company.
Luo Jiancheng	Male, born in January 1973, is a deputy general manager of the Company. Mr. Luo is a graduate with a bachelor's degree and is a senior engineer. He served successively as the chief of Investigation & Inspection Division of the General Office of GRGC, the Shiweitang station master of SR, the deputy chief of the Transportation Department of GRGC, the assistant of the general manager of the Company, the general manager of Guangzhou Tiecheng Industrial Company, the deputy general manager of GMSR and etc. He is currently the deputy general manager of the Company.
Guo Xiangdong	Male, born in November 1965, is the deputy general manager of the Company and the secretary of the Board. Mr. Guo graduated with a bachelor's degree and holds a MBA degree, and is an economist. He had been the deputy director, the deputy head and the head of secretariat of the Board of the Company. He is currently the deputy general manager of the Company and the secretary of the Board.
Tang Xiangdong	Male, born in September 1968, is the chief accountant of the Company. Mr. Tang graduated with a bachelor's degree and holds an MBA degree, and is a senior accountant. He had served as the office supervisor of the Revenue Settlement Center and the director of Finance Department of the Company. He is currently the chief accountant of the Company.

## (2) Share incentives granted to the Directors, Supervisors and Senior Management during the reporting period

Applicable  Not applicable



## II. ENGAGEMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CURRENT OR RESIGNED DURING THE REPORTING PERIOD)

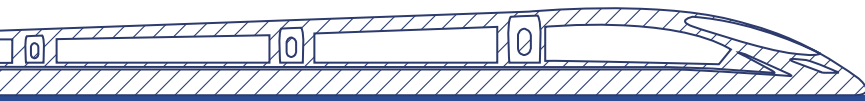
### (1) Engagements in shareholders

Name	Name of shareholder	Position at shareholder	Beginning of engagement	End of engagement
Wu Yong	GRGC	Chairman	August 2014	
Sun Jing	GRGC	Secretary of Party Committee	November 2017	
Yu Zhiming	GRGC	Deputy General Manager	May 2007	September 2017
		Director	November 2017	
Chen Jianping	GRGC	Chief Accountant	April 2008	
		Chief of the Passenger Transport Department	October 2014	December 2017
Liu Mengshu	GRGC	Director	November 2017	
		Deputy Secretary of Party Committee, Secretary of Committee for Discipline Inspection	December 2013	
Chen Shaohong	GRGC	Chief Legal Adviser	December 2017	
		Chief of the Corporate Management Department, Chief of Legal Affairs Department	April 2006	
Shen Jiancong	GRGC	Chief of the HR department, Director of Organization Department of Party Committee	March 2011	
Li Zhiming	GRGC	Supervisor	November 2017	
		Chief of the Audit Department	April 2006	

## (2) Engagements in other companies

Name	Name of other companies	Position at other companies
Wu Yong	GMSR, SR, Shichang Railway Company Limited	Chairman
Sun Jing	China Railway Zhengzhou Group Limited	Director and General Manager
Yu Zhiming	China Railway (HK) Holdings Ltd. Yuehai Railway Company Limited, GZIR, MaoZhan Railway Company Limited, PRDIR	Chairman Chairman of the Supervisory Committee Director
Chen Jiangping	GMSR, SR, Shichang Railway Company Limited, Hukun Passenger Railway Line (Hunan) Company Limited, Huai Shao Heng Railway Co., Ltd., Qian Zhang Chang Railway Company Limited, GSR, China Railway Container Transportation Limited, China Railway Special Goods Transportation Limited	Supervisor
Chen Song	GZR, China Railway Express Co., Ltd. Beijing Xinhua Airport Aeronautics Food Limited Company of the Hainan Airlines	Deputy Chairman General Manager
Jia Jianmin	Chongqing Brewery Co., Ltd. The Chinese University of Hong Kong	Professor and Chairman of the Department of Marketing of Faculty of Business Administration and Changjiang Scholar Professor of the Ministry of Education
Wang Yunting	Shaanxi Fortune Investment Limited	Chairman
Liu Mengshu	GMSR, SR	Chairman of the Supervisory Committee
Chen Shaohong	GMSR, Hainan Railway Co., Ltd., Qian Zhang Chang Railway Company Limited, XSR, Jingyue Railway Company Limited, Guangdong Shenmao Railway Company Limited, Guangdong Meishan Passenger Railway Line Company Limited	Director
	Shichang Railway Company Limited, Hukun Passenger Railway Line (Hunan) Company Limited, Yangcheng Industrial Development Co., Ltd. SR, Hunan Inter-city Railway Company Limited, PRDIR, GSR, China Railway Express Co., Ltd., Guangzhou Electric Locomotive Co., Ltd.	Chairman of the Supervisory Committee Supervisor
Li Zhiming	Hong Kong Qiwen Limited Guangdong Shenmao Railway Company Limited, Guangzhou Tiecheng Enterprise Company Limited, CYTS Tours Guangdong Railway Co., Ltd.	Director Chairman of the Supervisory Committee
	GMSR, SR, Shichang Railway Company Limited, Hainan Railway Co., Ltd., Hukun Passenger Railway Line (Hunan) Co., Ltd., Huai Shao Heng Railway Co., Ltd., XSR, GSR, GGR, NGR, Jingyue Railway Company Limited, GZR, Guangdong Meishan Passenger Railway Line Company Limited, Guangzhou Northeastern Cargo Outer Ring Railway Company Limited, Guangzhou Nanshagang Railway Company Limited	Supervisor
Luo Jiancheng	Guangzhou Tiecheng Enterprise Company Limited, Shenzhen Guangshen Railway Civil Engineering Company	Director
Tang Xiangdong	Guangzhou Tiecheng Enterprise Company Limited, Shenzhen Guangshen Railway Civil Engineering Company	Director





### III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedure of the remuneration of directors, supervisors and senior management	Remuneration or allowance standards of the directors and supervisors of the Company should be submitted for approval at the general meeting of the Company after consideration and discussion by the Board.
Basis for determination of the remuneration of directors, supervisors and senior management	Determined with reference to the level of remuneration in Shenzhen where the Company is located, the job nature of individual staff, as well as the annual objective of the Company, the completion status of work targets and the operating results of the Company.
Actual payment of remuneration of directors, supervisors and senior management	During the reporting period, none of the following directors, namely Mr. Wu Yong, Mr. Sun Jing, Mr. Yu Zhiming and Mr. Chen Jianping and the following supervisors, namely Mr. Liu Mengshu, Mr. Chen Shaohong, Mr. Shen Jiancong and Mr. Li Zhiming has received remuneration from the Company. As far as the Company is aware, as at the date of disclosure of this report, the Company had no arrangements of directors, supervisors and senior management having waived or agreed to waive any plans of remuneration. For details of the payment of remuneration to the directors, supervisors and senior management and details of remuneration by level of remuneration, please see the section "Changes in shareholdings and remunerations of Directors, Supervisors and senior management (current and resigned during the reporting period)" above and the relevant contents of Note 40 to the financial statements of the Company prepared in accordance with the International Financial Reporting Standards.
Total actual amount of remuneration received by all of the directors, supervisors and senior management at the end of the reporting period	During the reporting period, all of the directors, supervisors and senior management received a total remuneration of RMB2.982 million.

### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable  Not applicable

### V. EXPLANATION OF PUNISHMENT BY SECURITIES REGULATORY BODIES FOR THE PAST THREE YEARS

Applicable  Not applicable

## VI. OTHER INFORMATION ON DIRECTORS AND SUPERVISORS AND SENIOR MANAGEMENT

### **(1) Equity interests of Directors, Supervisors or Chief Executives**

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

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

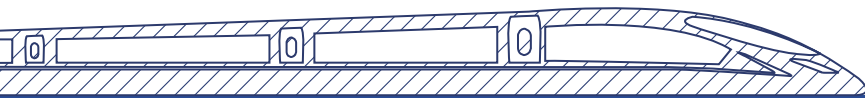
Other companies in which directors and supervisors of the Company were directors or employees did not have interests in shares and underlying shares of the Company required to be disclosed to the Company under Sections 2 and 3 of Part XV of the SFO.

### **(2) Service contracts of Directors and Supervisors**

Each of the directors and supervisors of the Company has entered into a service contract with the Company. The Company and its subsidiaries did not enter into any director's or supervisor's service contract before January 31, 2004 and was waived from complying with the requirements of shareholders' approval under Rule 13.68 of the Listing Rules. None of the directors or supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

### **(3) Interests of Directors and Supervisors in contracts**

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



## VII. INFORMATION OF EMPLOYEES

### (1) Employee information

Total number of current employees	43,767
Number of disengaged and retired employees for whom the parent company and major subsidiaries shall be liable to expenses	68
Professional constitution	
Category of professional constitution	Number of Professionals
Passenger, freight transportation and transit operation personnel	20,022
Engineering personnel	5,467
Driving personnel	4,198
Public works personnel	4,014
Electricity personnel	1,932
Electricity and water supplies personnel	2,176
Building construction personnel	1,149
Various operations and other employees of subsidiaries	125
Technical and administrative personnel	4,669
Other personnel	15
Total	43,767
Level of education	
Category of education level	Number of Person
Postgraduate or above	162
University graduate	4,168
College for professional training	15,217
Others (secondary vocational school, high school and vocational technical school, etc.)	24,220
Total	43,767

## **(2) Remuneration policy**

The Company's salary budget is formulated at the beginning of each year jointly by the budget department and labor department of the Company. Such budget is first discussed and approved at the meeting of the general manager's office, and then is organized for implementation by the labor department of the Company after being considered and approved by the Board of the Company.

Salary for Company's staff is mainly comprised of the basic salary, performance-based salary and benefit plans. The basic salary includes post salary, skill salary and various allowances and subsidies accounted for under salary payable as required. Performance-based salary refers to salary calculated on the basis of economic benefits and social benefits, or piece rates calculated on the basis of workload, or performance based salary calculated on the basis of the performance of the staff at the position. Benefit plans include various social insurance and housing funds paid as required by the relevant policies. Please refer to Note 28 to the financial statements for the total wages and benefits paid by the Company to its employees in the reporting period.

In the process of allocating staff salary, the Company always adheres to the principles of allocation based on labor, efficiency-orientation and fairness. It follows that allocation of staff salary is determined on the premises of macro-control, on the basis of post labor assessment, and on the foundation of staff performance assessment, which fully bring out the importance of allocation arrangement in the incentive system of the Company and motivate the staff's initiative.

## **(3) Training Plan**

During the reporting period, the Company had a total of 95 occupational education management personnel and a total of 803,793 people participating in trainings, which mainly include trainings on post standardization, adaptability, qualification and continuing education. The annual training plan of the Company for the year was 100% completed and the training expenses amounted to approximately RMB40.39 million.

## **(4) Employee insurance and benefits plan**

Pursuant to applicable national policies and industrial regulations, the Company provides its employees with a series of insurance and benefits plan that mainly include: a housing fund, retirement pension (basic medical insurance, supplemental retirement pension), medical insurance (basic medical insurance, supplemental medical insurance, maternity insurance), work-related injury insurance and unemployment insurance.

## **(5) Retirement plan**

As of the end of the reporting period, the Company has not implemented a retirement plan.

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## Chapter 9

# Corporate Governance

### I. INFORMATION REGARDING CORPORATE GOVERNANCE

Since the listing of the Company on the SEHK and the NYSE in 1996 and on the SSE in 2006, the Company has been continuously improving its corporate governance structure, perfecting the internal control and management systems, enhancing information disclosures and regulating its operation in accordance with the relevant domestic and overseas listing rules and regulatory requirements and taking into account the actual state of affairs of the Company. Participants in general meetings, the Board and the Supervisory Committee of the Company have clearly defined powers and duties, each assuming and performing its specific responsibilities and making its own decisions in an independent, efficient and transparent manner. Currently, there are no material differences between the Company's corporate governance structure and the regulatory requirements as set by regulatory authorities in the place of listing of the listed company's stocks.

During the reporting period, pursuant to the regulatory requirements for internal control of listed companies set out by domestic and overseas securities regulatory bodies, the Company has completed the self-assessment on internal control and relevant auditing for the year 2016, and has amended its Articles, taking a further step to improve the Company's corporate governance and internal controls, and promoting the Company's sound and sustainable development.

During the reporting period, in view of the highly centralized systematic transportation management on the nationwide railway network, it was necessary for the Company's largest shareholder, GRGC, to obtain the Company's financial information and the Company's monthly financial data summaries during the reporting period, in order to exercise its administrative function as an industry leader granted by the law and administrative regulations. In view of this, the Company duly followed the regulations set out on the System for the Management of Inside Information and Insiders, enhanced the management of unrevealed information, reminded shareholders of their obligation with respect to confidentiality and prevention of insider trading.

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

Is there any significant difference between corporate governance and requirements of related regulations of CSRCM? If there is significant difference, explanations shall be made.

Applicable     Not applicable

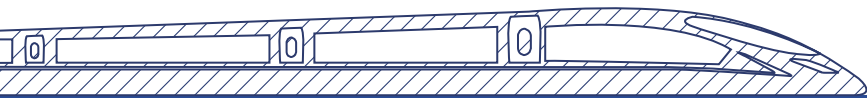
## II. SUMMARY OF GENERAL MEETINGS

### (1) General meetings held during the reporting period

Session of meeting	Date	Media in which resolutions were disclosed	Date of disclosure
Annual General Meeting of 2016	June 15, 2017	Website of SSE ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> ) HKExnews Website of SEHK ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> )	June 16, 2017 June 15, 2017

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

The Company plans to convene the annual general meeting of 2017, during which it will conduct votes and make resolutions on issues including the profit distribution plan. With respect to the specific arrangements for the annual general meeting for the year 2017, investors please timely note and carefully read the "Notice of 2017 Annual General Meeting" which will be published on the website of the SSE (<http://www.sse.com.cn>), the HKExnews website of the SEHK (<http://www.hkexnews.hk>) and the Company's website (<http://www.gsrc.com>) in due course.



### III. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name	Independent Director or not	Number of Board meetings to be attended this year	Number of meetings attended in person	Attendance at Board meetings		Number of absence	Two consecutive Board meetings attended or not	Attendance at general meetings
				Number of meetings attended by way of telecommunication	Number of meetings attended by proxy			Number of general meetings attended
Wu Yong	No	6	6	5	0	0	No	1
Hu Lingling	No	6	6	5	0	0	No	1
Sun Jing	No	6	5	4	1	0	No	1
Yu Zhiming	No	6	5	5	1	0	No	1
Chen Jianping	No	6	5	4	1	0	No	0
Luo Qing	No	6	6	5	0	0	No	0
Chen Song	Yes	6	5	5	1	0	No	0
Jia Jianmin	Yes	6	5	5	1	0	No	0
Wang Yunting	Yes	6	5	5	1	0	No	1

During the reporting period, there was no incident of non-attendance in person by Directors at two consecutive Board meetings.

Number of Board meetings held during the year	6
Including: Number of on-site meetings	1
Number of meeting held by way of telecommunication	5
Number of meetings held in a mixed mode	0

## **(2) Performance of duties by independent directors**

### ***1. Attendance at meetings***

During the reporting period, the Company has held 1 general meeting, 6 board meetings and 6 audit committee meetings. The Company did not hold any remuneration committee meeting. All independent directors attended all the meetings either in person or by proxy. Please read the relevant part of "Attendance at Board meetings and general meetings by Directors" and "Audit Committee" of this chapter for details.

### ***2. Objection to related matters of the Company by independent directors***

During the reporting period, the independent directors of the Company did not raise any objection to the resolutions raised at the meetings of the Board or other matters which were not the resolutions of the Board meetings.

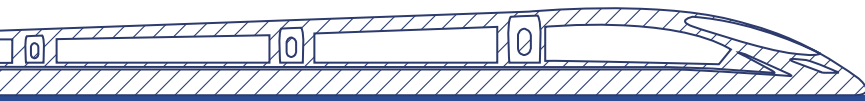
### ***3. Recommendations for the Company and approval***

During the reporting period, all independent directors of the Company faithfully performed their responsibilities and obligations stipulated by laws, regulations, the Articles and Working Rules of Independent Directors with an attitude of responsibility towards all of the shareholders. They showed solicitude for the Company's operation and compliance with laws, proactively attended Board meetings and other related meetings, carefully reviewed resolutions of the meetings, made valuable suggestions and offered opinions on important project investments, operations and management of the Company with their professional knowledge. They also raised independent opinions, according to relevant rules and facts to their knowledge, on material affairs of the Company, such as external guarantees, continuing connected transactions, retirement and election of Directors. During the preparation and disclosure process of the annual report, independent directors of the Company fulfilled their duties required by the security regulatory authorities and the Annual Report Working Rules of the Audit Committee and Independent Directors. They communicated with the Company, finance and auditing firms adequately and carefully and raised useful suggestions. The independent directors exerted their independent functions adequately and ensured the legitimate rights and interests of the shareholders, especially minority shareholders, of the Company.

Firstly, they recommended the Company to cooperate with the external auditor in relation to the auditing of the 2016 annual report in accordance with the agreed audit arrangements. The Company timely provided the accounting information and other relevant information required for the audit to ensure the audit quality of the 2016 annual report.

Secondly, they recommended the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor and PricewaterhouseCoopers as the international auditor of the Company for 2017. The above resolutions for the re-appointment of domestic and international auditors were passed upon consideration at the fifteenth meeting of the seventh session of the Board and the 2016 annual general meeting of the Company.





#### **4. On-site working and inspection**

During the reporting period, the independent directors of the Company mainly attended on-site meetings to understand the daily operation of the Company. They also communicated with other directors, senior management and related staff of the Company through phone and emails as detailed below:

Time	Matter	Venue	Participant
June 15, 2017	Attended 2016 Annual General Meeting	Headquarter of the Company	Wang Yunting

#### **5. Expression of independent opinions**

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

Time	Meeting	Matter	Type of Opinion
March 29, 2017	The fifteenth meeting of the seventh session of the Board	Explanation and independent opinion on the external guarantees of the Company Independent opinion on the nomination of Mr. Wu Yong, Mr. Hu Lingling, Mr. Sun Jing, Mr. Yu Zhiming, Mr. Chen Jianping and Mr. Luo Qing by GRGC as the candidates of the Company's non-independent directors of the eighth session of the Board	During the reporting period, the Company had no external guarantees. It was agreed that the candidates of directors were recommended to the general meeting.

#### IV. IMPORTANT OPINIONS AND SUGGESTIONS OFFERED BY SPECIAL COMMITTEES UNDER THE BOARD IN THE PERFORMANCE OF THEIR DUTIES DURING THE REPORTING PERIOD, AND DISCLOSURES OF DETAILS PROVIDED IN THE EVENT OF OBJECTION

During the reporting period, special committees under the Board did not make important opinions and suggestions in the performance of their duties and there was not matter of objection.

#### V. EXPLANATION OF EXISTENCE OF RISKS BY THE SUPERVISORY COMMITTEE

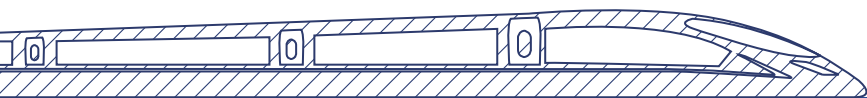
During the reporting period, the supervisory committee made no objection to the matters of supervision.

#### VI. INABILITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS TO ENSURE INDEPENDENCE AND MAINTAIN THEIR CAPACITY AS AN INDEPENDENT OPERATION IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

During the reporting period, the Company maintained autonomy in operation and finance, and maintained independence from the largest shareholder, GRGC, with respect to its business, staff, assets, organization and finance.

#### **Existing peer competitions and the corresponding resolutions, working progress and follow-up works plan of the Company**

Applicable    Not applicable



## VII. ESTABLISHMENT AND IMPLEMENTATION OF THE COMPANY'S APPRAISAL MECHANISM AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

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

## VIII. DISCLOSURE OF THE REPORT OF SELF-ASSESSMENT ON INTERNAL CONTROL

During the reporting period, the Board complied with the relevant domestic and overseas requirements and carried out a self-assessment of the effectiveness of internal control. For details of the assessment report, please read the Report on Internal Control 2017 disclosed on the website of SSE (<http://www.sse.com.cn>), the HKEXnews website of SEHK (<http://www.hkexnews.hk>) and the website of the Company (<http://www.gsrc.com>).

Explanation on significant deficiencies in internal control during the reporting period

Applicable    Not applicable

## IX. INFORMATION ON AUDIT REPORT ON INTERNAL CONTROL

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

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

## X. CORPORATE GOVERNANCE REPORT

### (1) Compliance with the Corporate Governance Code

Apart from the provision of the Corporate Governance Code regarding the establishment of a nomination committee, as far as the Company and its directors are aware, during the reporting period, the Company has complied with the relevant code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules of the SEHK. Meanwhile, the Company has applied the principles set out in the Corporate Governance Code in its corporate governance structure and practices.

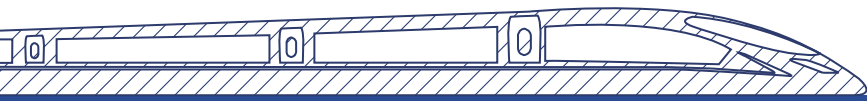
As at the end of the reporting period, the Board decided not to set up a nomination committee after prudent consideration of the policy environment and background of the industry to which the Company engages in as well as the corporate governance structure over time. According to the requirements of the Articles and the Procedures for Shareholders to Propose a Person for Election as Director, upon expiration of the term of a director of the Company or in the event of vacancies for director, shareholders individually or collectively holding three percent or more of the issued shares of the Company may nominate a candidate for non-independent director by way of written proposal to the Company; and shareholders individually or collectively holding one percent or more of the issued shares of the Company may nominate a candidate for an independent director by way of written proposal to the Company. Directors of the Company shall be elected at general meetings for a term of office of three years. Upon expiration of his or her term, directors shall be entitled to be re-elected.

### (2) Securities transactions by Directors, Supervisors and senior management and interests on competitive business

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the SEHK and the Administrative Rules on Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof (Zheng Jian Gong Si Zi [2007] No. 56) of CSRC as its own code of conduct regarding securities transactions of the directors of the Company. The Company formulated the Administrative Rules on Shares Held by the Directors, Supervisors and Senior Management Officers of Guangshen Railway Company Limited and the Changes Thereof, which was approved at the twenty-second meeting of the fourth session of the Board.

After making specific enquiries with all the directors, supervisors and senior management, the Company confirms that during the reporting period, all the directors, supervisors and senior management have complied with the required standard set out in the above-mentioned code, rules and regulations and system requirements.

After making specific enquiries with all the executive directors, non-executive directors and supervisors, the Company confirms that during the reporting period, none of the directors, non-executive directors and supervisors has held any interests in businesses that compete or may compete with the businesses of the Company directly or indirectly.



### **(3) The Board**

The Board leads the Company in a responsible attitude and effective manner. The Board is responsible for devising and reviewing the Company's development strategies and planning, reviewing and approving the annual budget and business plans, recommending the dividend proposal, ensuring the implementation of effective internal control system and supervising the performance of the management in accordance with the Articles, the rules of procedure of the general meetings and the rules of procedure of the Board meetings.

The management of the Company is led by the general manager, who is responsible for the daily operation of the Company. The general manager supervises the daily business operations, development planning and implementation under the assistance of the deputy general manager, and is liable for all businesses of the Company to the Board.

The Board is comprised of nine members, including three independent non-executive directors. The directors' diverse background reflect their different cultural and educational background and extensive experience in various industries. The directors, ranging from 40-60 years old, possess the appropriate qualifications related to the businesses of the Company, and therefore are able to provide recommendations to the management from multiple angles with diversified modes of thinking. The names, biographical details and occupations of the directors of the Company are set out in the relevant part of the chapter "Directors, Supervisors, Senior Management and Employees" in this annual report.

The Company provides information on business development to all directors of the Company, including statements of various forms, documents and minutes of meetings. The independent directors timely obtain in-depth knowledge of operating situation of the Company through reports of the management of the Company regarding production and on-the-spot investigation. The Company undertakes to provide independent directors with working conditions necessary for the performance of their duties. The secretary of the Board actively assists independent directors in performing their duties, and other relevant people of the Company cooperate with the independent directors as needed to perform their duties. The fees required for the engagement of intermediaries and discharge of other duties by the independent directors are borne by the Company so that independent directors can effectively perform their duties.

During the reporting period, the Board held 6 meetings in total. For details of the attendance of the directors at the Board meetings, please read the relevant parts of "Performance of Duties by Directors" in this chapter.

There is no financial, business, family or other material/connected relationship between members of the Board and the chairman of the Board and the general manager.

The Board has established the audit committee and the remuneration committee to supervise relevant affairs of the Company. Each committee has specific responsibilities and reports and gives advice to the Board on a regular basis.

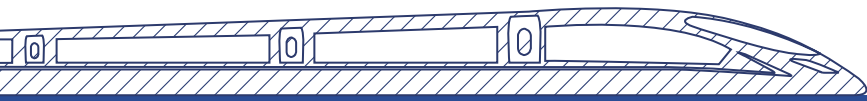
#### **(4) Chairman of the Board and general manager**

Mr. Wu Yong and Mr. Hu Lingling are the chairman of the Board and the general manager of the Company, respectively. The chairman of the Board is responsible for leading the Board and ensuring that all key and appropriate issues are discussed by the Board in a timely manner. The Company does not have a chief executive officer and the relevant duties of a chief executive officer (including the implementation of annual business plan and investment proposal of the Company and decision-making on production, operation and management, etc.) are performed by the general manager of the Company.

#### **(5) Tenure of non-executive directors and confirmation of independence of independent non-executive directors**

For a discussion of the tenure of the existing non-executive directors of the Company, please refer to the relevant part of the section “Directors, Supervisors, Senior Management and Employees” in this annual report.

The Company has received annual confirmation letters for this year from all independent non-executive directors, with respect to their independence pursuant to Rule 3.13 of the Listing Rules of the SEHK. The Company concurs with their finding of independence.



## **(6) Remuneration committee and remuneration of Directors**

Members of the remuneration committee are appointed by the Board. The committee consists of three independent non-executive directors and two executive directors, namely, Mr. Chen Song (chairman of remuneration committee), Mr. Jia Jianmin, Mr. Wang Yunting, Mr. Wu Yong and Mr. Hu Lingling.

According to the requirements of the Terms of Reference of the Remuneration Committee of the 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 the Company, as well as approving the terms and conditions of the executive directors' service contracts. The remuneration policy of the Company seeks to provide, in accordance with the Company's business development strategy, reasonable remuneration to attract and retain high caliber executives. The remuneration committee shall obtain the benchmark information from internal and external sources in relation to market remuneration standard, packages offered in the industry and consider the overall performance of the Company when determining the directors' and the supervisors' emoluments and recommending the directors' and the supervisors' emoluments to the Board. The remuneration committee is provided with adequate resources from the Company to perform its duties.

During the reporting period, the remuneration committee of the Company did not convene any meetings.

At the annual general meeting of 2016 held by the Company on June 15, 2017, it was considered and approved that the remuneration and allowances of each domestic independent non-executive director would be RMB100,000 and RMB12,000 per year, respectively, and the remuneration and allowances of each of overseas independent non-executive directors would be HK\$150,000 and HK\$18,000 per year, respectively. For details of remuneration of directors during 2017, please refer to the relevant parts of the section "Directors, Supervisors, Senior Management and Employees" in this annual report.

## **(7) Audit committee**

Members of the audit committee are appointed by the Board. The committee consists of three independent non-executive directors, namely, Mr. Chen Song (chairman of the audit committee), Mr. Jia Jianmin and Mr. Wang Yunting. They possess appropriate academic and professional qualifications or related financial management expertise. The secretary to the Board of the Company, Mr. Guo Xiangdong is the secretary of the audit committee.

According to the requirements of the Working Rules of the Audit Committee of the Company, the principal duties of the audit committee include but are not limited to reviewing the financial performance of the Company and its subsidiaries, confirming the nature and scope of audit as well as supervising the establishment of the internal control and compliance with the relevant laws and regulations. It shall also discuss matters raised by the internal auditors, external auditors and regulatory authorities to ensure that all appropriate recommendations are implemented. The audit committee has been provided with adequate resources to perform its duties. The Board has no disagreement in relation to the audit committee's advice on the selection, appointment, resignation or removal of auditors.

During the reporting period, the audit committee held 6 meetings to examine, review and supervise the Company's internal control performance related to financial reporting, review the Company's financial statements and auditing results of the auditors, and recommend the appointment of external auditors to the Board.

Attendance of each member of the audit committee is set out as below:

Name of member	Number of meetings to be attended	Number of meetings attended in person	Attendance Rate
Chen Song	6	6	100%
Jian Jianmin	6	6	100%
Wang Yunting	6	6	100%

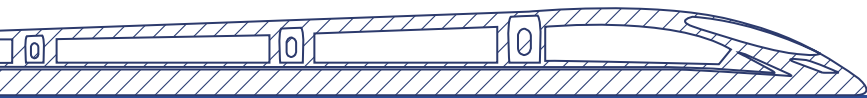
The Audit Committee discussed with external auditors on the audit plan of the annual report and urged the external auditors to submit the auditing report timely. The Audit Committee reviewed the Company's financial and accounting statements before external auditors commenced their work and made written suggestions. When the external auditors drafted an initial opinion, the Audit Committee reviewed the statements and made written suggestions again. The Company's 2017 quarterly financial statements, 2017 interim financial statements, and 2017 annual financial statements and results announcements have been reviewed by the Audit Committee.

#### **(8) Auditors remuneration and related professional fee**

The Company has appointed PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its international auditor for 2017. As of the end of the reporting period, the Company's domestic auditor has served for a term of 10 consecutive years and its international auditor has served for a term of 15 consecutive years. The rotation of people in charge of auditing affairs and endorsing CPA is in compliance with the Requirements on the Regular Rotation of the Endorsing Accountants for Securities and Futures Auditing Services of the CSRC and the Ministry of Finance of the PRC.

During the reporting period, the Company paid a remuneration of RMB5.30 million (including RMB300,000 as audit fee for internal audit) to PricewaterhouseCoopers Zhong Tian LLP and RMB3.10 million to PricewaterhouseCoopers, respectively for their annual auditing services of 2017. In addition, the Company paid a fee of RMB950,000 to PricewaterhouseCoopers Consultants (Shanghai) Limited Beijing Branch for its non-audit services.





## **(9) Training of directors and company secretary**

The Company places high importance on the continuing training of the directors, supervisors and senior management. Upon joining the Board, each director receives materials on training of directors which contains guide on conduct and other important matters related to governance. Apart from this, the Company provides the latest directors' responsibilities handbook to all directors to inform them about the latest requirements and amendments of the Listing Rules, and encourages all directors to participate in related training courses and documents the training record of the directors. During the reporting period, Mr. Guo Xiangdong, the deputy general manager and secretary of the Board, participated in a series of professional trainings jointly organized by the SSE, SEHK and HK Institute of Chartered Secretaries, and participated in no less than 15 hours of relevant professional training.

## **(10) Corporate governance functions**

The Board is responsible for the fulfillment of the following corporate governance responsibilities:

1. developing and reviewing the Company's corporate governance policies and practices;
2. reviewing and monitoring the training and continuing professional developments for the Company's directors and senior management;
3. reviewing and monitoring the Company's policies and regulations with respect to its compliance with the laws and regulatory requirements, which include the Listing Rules, applicable laws, other regulatory requirements, and any policies and practices pertaining to the requirements, guidelines and regulations of applicable organizational governance standards;
4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) for the Company's employees and directors;
5. reviewing the Company's compliance with the corporate governance code as adopted by the Company from time to time, and the disclosure in the corporate governance report in the Company's annual report.

## **(11) Shareholders' rights**

In accordance with the requirements of the Articles, two or more shareholders holding, in aggregate, 10% or more of the shares carrying the right to vote at the proposed general meeting shall have the right, by delivery of one or more written requests signed in counterparts through mail or electronic mail to the Board or the company secretary, to require an extraordinary general meeting or a class meeting to be called by the Board for the business specified in such request. The Board shall proceed as soon as possible to convene the extraordinary general meeting or a class meeting after receiving such request. Shareholder or shareholders individually or collectively holding 3% or more of the shares carrying the right to vote at the proposed general meeting shall have the right, by delivery of one or more written requests signed in counterparts through mail or electronic mail to the Board or the company secretary, to require the proposal set forth in the written request to be considered at the proposed general meeting.

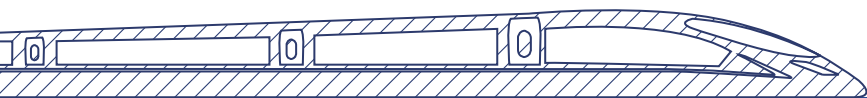
Shareholders shall attend the general meetings to raise questions or opinions in relation to the results, operation, strategies and/or management of the Company. The chairman or deputy chairman of the Board, appropriate management and administrative personnel and the external auditors shall attend the general meetings to answer questions from the shareholders. Each general meeting shall make reasonable arrangements for a questioning session for the shareholders.

Shareholders may raise enquiries to the Board based on the contact information provided by the Company and make proposals at the general meetings. For contact information, please read "Company Profile and major Financial Indicators" in this annual report.

## **(12) Investor relations**

The secretary to the Board of the Company is in charge of the Company's information disclosure and investor relations. The Company has formulated Working Rules of Secretary to the Board, Management Method of Information Disclosure and Management System for Investor Relations. The Company has strictly fulfilled the obligation of information disclosure and commenced management of investor relations in accordance with the relevant requirements.

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



## **1. Information Disclosure**

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

In 2017, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and released various announcements and other shareholders' documents and information, disclosing in detail the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, operating conditions, investment, dividends and distribution, corporate governance, and so forth. Moreover, the Company consistently provided in-depth and comprehensive analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports and interim reports with a view to strengthening investors' understanding about the operation, management, and development trends of the Company.

## **2. Ongoing Communication**

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

- (i) Making the investor hotline, investor relations e-mail box, and the Investors' Message section on the Company's website publicly known, and promptly responding to investors' enquiries.
- (ii) Properly arranging investor visits and research requests, communicating with the investors with an open-minded attitude, and building a direct communication mechanism between investors and the Company.
- (iii) Allowing investors and the public to check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents and profiles of directors, supervisors and the senior management at any time on the Company's website.
- (iv) Timely handling and replying to investors' messages through the "e-interaction" platform developed by the SSE for listed companies and investors.

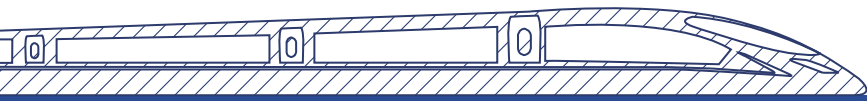
### 3. Shareholder Return

Since its listing, the Company has always insisted on rendering returns to shareholders and has been distributing annual cash dividends for 21 consecutive years with an aggregate cash dividend payment of approximately RMB10.9 billion. The chart of dividend and distribution over the years since the listing of the Company in 1996 is as follows:

(Unit: RMB)

Year	Earnings per Share	Dividend per Share	Dividend payout ratio (dividend per share/earnings per share)
1996	0.28	0.10	35.71%
1997	0.19	0.12	63.16%
1998	0.15	0.10	66.67%
1999	0.12	0.12	100.00%
2000	0.11	0.10	90.91%
2001	0.12	0.10	83.33%
2002	0.13	0.10	76.92%
2003	0.12	0.105	87.50%
2004	0.13	0.11	84.62%
2005	0.14	0.12	85.71%
2006	0.16	0.08	50.00%
2007	0.20	0.08	40.00%
2008	0.17	0.08	47.06%
2009	0.19	0.08	42.11%
2010	0.22	0.09	40.91%
2011	0.25	0.10	40.00%
2012	0.19	0.08	42.11%
2013	0.18	0.08	44.44%
2014	0.09	0.05	55.56%
2015	0.15	0.08	53.33%
2016	0.16	0.08	50.00%
Total	3.45	1.955	56.67%

The Board of the Company has recommended the payment of cash dividend of RMB0.08 (including tax) for 2017. This recommendation shall be subject to approval at the 2017 annual general meeting. For details of the dividends, the cash dividend policy of the Company and its implementation, please read the relevant part in the section "Matters of Importance" in this annual report.



### **(13) Accountability and auditing**

The directors of the Company acknowledge their responsibility for preparing the accounts and supervising the preparation of the accounts for each financial period, so that the accounts can truly and fairly reflect the business position, results and cash flow of the Company during the period. During the preparation of the accounts for the year ended December 31, 2017, the directors adopted and consistently applied appropriate accounting policies, made scrupulous judgments and estimates, and prepared the accounts on a going concern basis.

The Company announced its annual and interim reports in a timely manner within the limits of 4 months and 2 months, respectively after the end of the relevant period in accordance with the Listing Rules of the SEHK. The Company also announced its annual, interim and quarter reports timely in accordance with the Rules Governing the Listing of Stocks of SSE.

The responsibility statements of the directors and the auditors as to the preparation of the financial statements of the Company are set out in the “Audit Report” in Chapter 11 — Financial Statements in this annual report.

### **(14) Risk Management and Internal Controls**

Optimized and practicable risk management and internal control system is the foundation of sound corporate governance. The Board is responsible for the establishment of sound and effective of internal controls, assessment of its effectiveness and true disclosures of internal control assessment report. In accordance with the requirements of laws and regulations such as Company Law, Securities Law, the Basic Regulations on Enterprise Internal Control and its related guidelines, Guidelines for Internal Control of Listed Companies, and the United States Sarbanes-Oxley Act, the Board established and enhanced risk control measures of each part of the operation and management of the Company on the basis of risk-oriented approach, i.e. the internal control management system of risk management. Such system aims at managing instead of eliminating the risk of failure to achieve business objectives, and the Board shall only give reasonable but not absolute assurance against material misstatements or loss.

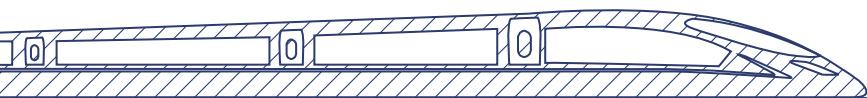
Under the risk management oriented approach, the Company has strived to establish an internal control system in compliance with international standards and regulatory requirements. Since 2006, the Company has started to establish and assessment of the efficacy of internal control related to financial reporting in accordance with the requirements of the United States Sarbanes-Oxley Act. Since 2011, the Company has started to consistently apply the Basic Regulations on Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control jointly promulgated by five departments of the PRC, and has formed an internal control system that centers around the different departments and units under the group companies, encompassing finance management, information disclosure, budget management, fund management, contract management, project management, procurement and payment, sales and payment collection, costs and expenses, personnel management and preparation of financial reports. The Company has basically built up an internal control system that strings up decision-making, implementation and supervision, an equalizing system that separates different positions, and a management regulation and workflow that adapts to the operation characteristics of the Company to form a relatively comprehensive assessment system for internal control.

The Board is responsible for continuous supervision over the Company's risk management and internal control system. The Board reviews the efficiencies of the Company and its subsidiaries, its internal control system (including finance and budgeting matters, operation, compliance, and risk management) at least once a year, ensures adequacy of resources, the qualification and experience of the accounting staff, the internal audit functions and financial reporting functions, and the staff training sessions received by staff and related budgets. Such systems seek to manage rather than eliminate the risk of failure in achieving business objectives, and allow for only reasonable but not absolute assurance against material misstatements or loss.

The audit committee was established under the Board with the responsibilities of inspecting and supervising the financial reporting and internal control of the Company, inspecting and assessing the overall risk management of the Company (particularly risk management and control system of decision-markings, events and business of significance), and supervising implementation thereof. In 2017, the audit committee held 6 meetings, each with the attendance of senior management, external auditor and internal auditor. The audit committee shall examine report results of external auditor and internal auditors, the compliance of the accounting policies and internal controls adopted by the Company with requirements of Listing Rules, as well as review of the audits, internal control, risk management and financial statements. The Company's 2017 first quarterly results, interim results, the third quarterly results and annual results will be recommended to the Board for approval after the meeting and discussion of the audit committee.

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

The Company established an internal control system of material information, process and internal control measures for addressing and disseminating price-sensitive information. The Company has established systems relating to information disclosure, registration and management of inside information and prevention of misuse and dissemination of sensitive information. The Company has established comprehensive procedures and internal control measures ranging from report, identification, audit and disclosures to the final announcement of inside information, for the purpose of inside information processing and dissemination. The secretary of the Board assists the Board in managing relative information in relation to inside information. Meanwhile, the Company carries out information disclosure in a true, accurate, complete, and timely manner pursuant to the laws and regulations and requirements under the Listing Rules, the Articles, and Administrative Measures for the Disclosure of Information of Listed Companies, so as to ensure equal opportunities of all investors to timely access relevant Company information.



In 2017, the Company continued to implement the coordination and corporation of the three lines of defense: “the self-evaluation of the effectiveness of internal controls of business and functional departments, the independent evaluation of the audit department, and the internal audit conducted by the appointed auditors” in accordance with the requirements of laws and regulations of the State and various regulatory institutions, coupled with its own management needs. Meanwhile, the Company provided trainings and carried out tests for the staff as a whole regarding risk management and internal control system, in order to enhance risk management awareness of the staff as a whole, strengthen the business departments’ ability to directly assume the responsibilities of risk management and control and achieve a daily operation system for internal control relating to risk management of “risk control awareness for all, internal control participation for all, and compliance responsibility for all”, safeguarding the smooth operation of internal control system as a whole.

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

#### **(15) Material changes in the Articles of Association**

On June 15, 2017, the Company convened its 2016 annual general meeting, in which the proposal for amendments to the Articles were approved. For details of the amendments, please read “2016 Annual General Meeting Information” disclosed on the website of the SSE (<http://www.sse.com.cn>) on April 27, 2017, and “Proposed re-election of directors and shareholder representative supervisors, proposed amendment to the articles of association and notice of 2016 Annual Meeting” disclosed on the HKEXnews website of the SEHK (<http://www.hkexnews.hk>) on April 26, 2017.

## Chapter 10

# Information Regarding Corporate Bonds

Information of Corporate Bonds

Applicable  Not applicable

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## Chapter 11

# Financial Statements

### INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

### OPINION

#### What we have audited

The consolidated financial statements of Guangshen Railway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 198, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated comprehensive income statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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羅兵咸永道

## BASIS FOR OPINION

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

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

### **Independence**

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

## KEY AUDIT MATTERS

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



A key audit matter is identified in our audit and our audit procedures performed to address this key audit matter are set out as below:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Provision for impairment of trade receivables</b></p> <p>Refer to notes 4 and 18 to the consolidated financial statements.</p> <p>As at 31 December 2017, the gross trade receivables of the Group were approximately RMB4,148 million, including balances aged more than one year of approximately RMB1,343 million, which were assessed by management of the Company as past due but not yet impaired. The majority of the trade receivables were due from related parties of the Group, other state-owned railroad companies or companies in the transportation industry. A provision for impairment of trade receivables amounting to RMB6 million had been recorded thereon.</p> <p>Impairment provision of trade receivables is made based on an assessment of the recoverability of the amounts. Provision for impairment of trade receivables involves management judgement and the actual outcome may be different from original estimation.</p> <p>We focused on this area because of the significance of the gross trade receivable balance to the consolidated financial statements and the estimation and judgement involved in the determination of the recoverability of these trade receivables.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> <li>(i) We understood, evaluated and validated the key controls relating to management assessment performed on of the recoverability of the trade receivables, including aging analysis review and regular assessment performed on collectability of the receivable balances;</li> <li>(ii) We sent audit confirmation on major balances including past due ones and also on certain small balances outstanding at year end.</li> <li>(iii) We tested the accuracy of aging analysis of receivable balances prepared by management on a sample basis;</li> <li>(iv) We obtained management’s assessment on the collectability of individual significant outstanding balances, focusing on those aged more than one year. We corroborated management’s assessment against available evidence, including searching customers’ background, reviewing their current operational and cash flow status; and their historical transactions enacted with the Group and the respective collection pattern etc.;</li> <li>(v) For those items with impairment provision being made, we corroborated management’s assessment against evidence of significant financial difficulties encountered by the customers and we checked the mathematical accuracy of the impairment charge calculations. We also noted for third party evidence which demonstrates that the Group no longer possess the right to recover the outstanding balance to corroborate the trade receivables being written off.</li> </ul> <p>Based on the work performed, we considered management’s judgements made in relation to the impairment assessment of trade receivables were supported by the evidence we obtained.</p>



羅兵咸永道

## OTHER INFORMATION

The directors of the Company are responsible for the other information set out in the Company's 2017 Annual Report. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

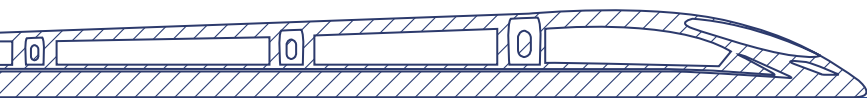
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.



羅兵咸永道

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

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

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

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



羅兵咸永道

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

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

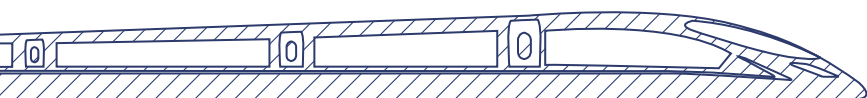
We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 28 March 2018



## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

(All amounts in Renminbi thousands)

	Note	As at 31 December 2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets — net	6	<b>23,617,138</b>	24,278,032
Construction-in-progress	7	<b>1,430,671</b>	790,308
Prepayments for fixed assets and construction-in-progress		<b>54,368</b>	60,095
Leasehold land payments	8	<b>1,980,278</b>	1,624,859
Goodwill	9	<b>281,255</b>	281,255
Investments in associates	11	<b>174,548</b>	167,604
Deferred tax assets	12	<b>37,005</b>	79,929
Long-term prepaid expenses	13	<b>33,401</b>	7,824
Available-for-sale investments	15	<b>296,414</b>	53,826
Long-term receivable	16	<b>31,274</b>	31,406
		<b>27,936,352</b>	27,375,138
<b>Current assets</b>			
Materials and supplies	17	<b>330,727</b>	332,607
Trade receivables	18	<b>4,142,210</b>	3,364,366
Prepayments and other receivables	19	<b>314,251</b>	330,491
Short-term deposits	20	<b>108,000</b>	108,000
Cash and cash equivalents	20	<b>1,160,515</b>	1,359,656
Assets classified as held for sale		<b>2,183</b>	—
		<b>6,057,886</b>	5,495,120
<b>Total assets</b>		<b>33,994,238</b>	32,870,258
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	21	<b>7,083,537</b>	7,083,537
Share premium		<b>11,562,738</b>	11,562,738
Other reserves	22	<b>3,109,516</b>	2,825,593
Retained earnings		<b>6,928,886</b>	6,582,190
		<b>28,684,677</b>	28,054,058
<b>Non-controlling interests</b>		<b>(27,596)</b>	(24,003)
<b>Total equity</b>		<b>28,657,081</b>	28,030,055

	<i>Note</i>	As at 31 December 2017	2016
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	<b>66,391</b>	68,883
Deferred income	23	<b>105,791</b>	106,810
		<b>172,182</b>	175,693
<b>Current liabilities</b>			
Trade payables	25	<b>1,325,077</b>	1,143,523
Payables for fixed assets and construction-in-progress		<b>2,214,547</b>	1,765,185
Dividends payable		<b>12,893</b>	15,542
Income tax payable		<b>149,227</b>	121,513
Accruals and other payables	26	<b>1,463,231</b>	1,618,747
		<b>5,164,975</b>	4,664,510
<b>Total liabilities</b>		<b>5,337,157</b>	4,840,203
<b>Total equity and liabilities</b>		<b>33,994,238</b>	32,870,258

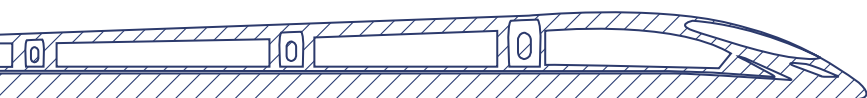
The accompanying notes form an integral part of these financial statements.

The financial statements on pages 110 to 198 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf.

**Wu Yong**  
*Director*

**Hu Lingling**  
*Director*





## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Note	Year ended 31 December 2017	2016
<b>Revenue from Railroad Businesses</b>			
Passenger		7,757,077	7,358,851
Freight		1,893,594	1,718,260
Railway network usage and other transportation related services		7,644,230	7,093,198
		<b>17,294,901</b>	16,170,309
<b>Revenue from Other Businesses</b>			
		<b>1,036,521</b>	1,110,195
Total revenue		<b>18,331,422</b>	17,280,504
<b>Operating expenses:</b>			
<b>Railroad Businesses</b>			
Business tax and surcharge		(21,658)	(38,723)
Employee benefits	28	(6,300,223)	(5,654,869)
Equipment leases and services		(4,372,330)	(4,193,555)
Land use right leases	36(b)	(57,358)	(55,090)
Materials and supplies		(1,314,002)	(1,336,614)
Repairs and facilities maintenance costs, excluding materials and supplies		(879,597)	(612,484)
Depreciation of fixed assets	6	(1,632,926)	(1,488,324)
Cargo logistics and outsourcing service charges		(246,563)	(206,195)
Amortisation of leasehold land payments	8	(34,348)	(27,338)
Social services expenses		—	(11,297)
Utility and office expenses		(60,360)	(55,718)
Others		(930,691)	(881,586)
		<b>(15,850,056)</b>	(14,561,793)
<b>Other Businesses</b>			
Employee benefits	28	(541,997)	(564,478)
Materials and supplies		(313,990)	(360,552)
Depreciation of fixed assets	6	(29,534)	(30,646)
Amortisation of leasehold land payments	8	(11,332)	(11,332)
Utility and office expenses		(34,488)	(23,051)
Others		(151,190)	(86,147)
		<b>(1,082,531)</b>	(1,076,206)
Total operating expenses		<b>(16,932,587)</b>	(15,637,999)
Other losses — net	29	(48,477)	(108,270)
<b>Operating Profit</b>		<b>1,350,358</b>	1,534,235
Finance (costs)/income — net	30	(10,170)	2,551
Share of results of associates, net of tax	17	6,944	7,223
<b>Profit before income tax</b>		<b>1,347,132</b>	1,544,009
Income tax expense	31	(335,364)	(390,309)
<b>Profit for the year</b>		<b>1,011,768</b>	1,153,700

	<i>Note</i>	Year ended 31 December 2017	2016
<b>Profit for the year</b>		<b>1,011,768</b>	1,153,700
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair values of available-for-sale financial assets	22	<b>242,588</b>	—
Deferred tax liabilities for the changes in the fair values of available-for-sale financial assets	22	<b>(60,647)</b>	—
<b>Total comprehensive income for the year, net of tax</b>		<b>1,193,709</b>	1,153,700
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>1,015,361</b>	1,158,253
Non-controlling interests		<b>(3,593)</b>	(4,553)
		<b>1,011,768</b>	1,153,700
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>1,197,302</b>	1,158,253
Non-controlling interests		<b>(3,593)</b>	(4,553)
		<b>1,193,709</b>	1,153,700
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>			
— Basic	32	<b>RMB 0.14</b>	RMB 0.16
— Diluted	32	<b>RMB 0.14</b>	RMB 0.16

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

**Wu Yong**  
Director

**Hu Lingling**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in Renminbi thousands)

	Attributable to equity holders of the Company						Total	Non-controlling interests	Total equity
	Share capital (Note 21)	Share premium	Statutory surplus reserve (Note 22)	Discretionary surplus reserve (Note 22)	Other reserves (Note 22)	Retained earnings			
Balance at 1 January 2016	7,083,537	11,562,738	2,404,484	304,059	—	6,107,670	27,462,488	(18,226)	27,444,262
Total comprehensive income	—	—	—	—	—	1,158,253	1,158,253	(4,553)	1,153,700
Profit for the year	—	—	—	—	—	1,158,253	1,158,253	(4,553)	1,153,700
Special reserve - Safety Production Fund (Note 22)	—	—	—	—	—	—	—	—	—
Appropriation	—	—	—	—	204,792	(204,792)	—	—	—
Utilisation	—	—	—	—	(204,792)	204,792	—	—	—
Appropriations from retained earnings (Note 22)	—	—	117,050	—	—	(117,050)	—	—	—
Transaction with owners:	—	—	—	—	—	(566,683)	(566,683)	(1,224)	(567,907)
Dividends relating to 2015 (Note 33)	—	—	—	—	—	(566,683)	(566,683)	(1,224)	(567,907)
Balance at 31 December 2016	7,083,537	11,562,738	2,521,534	304,059	—	6,582,190	28,054,058	(24,003)	28,030,055
Balance at 1 January 2017	7,083,537	11,562,738	2,521,534	304,059	—	6,582,190	28,054,058	(24,003)	28,030,055
Total comprehensive income	—	—	—	—	181,941	1,015,361	1,197,302	(3,593)	1,193,709
Profit for the year	—	—	—	—	—	1,015,361	1,015,361	(3,593)	1,011,768
Other comprehensive income (Note 22)	—	—	—	—	181,941	—	181,941	—	181,941
Special reserve - Safety Production Fund (Note 22)	—	—	—	—	—	—	—	—	—
Appropriation	—	—	—	—	227,250	(227,250)	—	—	—
Utilisation	—	—	—	—	(227,250)	227,250	—	—	—
Appropriations from retained earnings (Note 22)	—	—	101,982	—	—	(101,982)	—	—	—
Transaction with owners:	—	—	—	—	—	(566,683)	(566,683)	—	(566,683)
Dividend relating to 2016 (Note 33)	—	—	—	—	—	(566,683)	(566,683)	—	(566,683)
Balance at 31 December 2017	7,083,537	11,562,738	2,623,516	304,059	181,941	6,928,886	28,684,677	(27,596)	28,657,081

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

**Wu Yong**  
Director

**Hu Lingling**  
Director

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in Renminbi thousands)

	<i>Note</i>	Year ended 31 December	
		2017	2016
<b>Cash flows from operating activities</b>			
Cash generated from operations	<i>34(a)</i>	<b>2,962,704</b>	2,212,863
Income tax paid		<b>(327,865)</b>	(571,625)
Net cash generated from operating activities		<b>2,634,839</b>	1,641,238
<b>Cash flows from investing activities</b>			
Proceeds from disposal of fixed assets	<i>34(b)</i>	<b>527</b>	17,950
Government grants received		—	6,082
Interest received		<b>1,779</b>	1,949
Dividends received		<b>6,473</b>	14,214
Increase in short-term deposits with maturities more than three months, net		—	(2,000)
Payments for acquisition of fixed assets and construction-in-progress; and prepayments for fixed assets, net of related payables		<b>(2,273,426)</b>	(1,973,897)
Net cash used in investing activities		<b>(2,264,647)</b>	(1,935,702)
<b>Cash flows from financing activities</b>			
Dividends paid to the Company's shareholders		<b>(569,333)</b>	(566,683)
Net cash used in financing activities		<b>(569,333)</b>	(566,683)
<b>Net decrease in cash and cash equivalents</b>		<b>(199,141)</b>	(861,147)
<b>Cash and cash equivalents at beginning of year</b>		<b>1,359,656</b>	2,220,803
<b>Cash and cash equivalents at end of year</b>	<i>20</i>	<b>1,160,515</b>	1,359,656

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

**Wu Yong**  
Director

**Hu Lingling**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

*(All amounts expressed in Renminbi unless otherwise stated)*

## 1. GENERAL INFORMATION

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

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

On 14 March 2013, pursuant to the approved plan of State Council Institutional Reform and Transformation of Government Functions and Approval On Setting Up China Railway Company by the State Council, the previous controlling entity of Guangzhou Railway Group, MOR, was dissolved. The administrative functions of MOR were transferred to the Ministry of Transport and a newly established authority called the National Railway Administration; while the business functions were transferred to the China Railway Corporation (“CRC”). Accordingly, the equity interests of Guangzhou Railway Group which was wholly controlled by MOR previously were also transferred to the CRC (“Reform”). The Reform was completed on 1 January 2017 and CRC has become the controlling entity of the Company’s principal shareholder since that date, Guangzhou Railway Group, CRC, together with subsidiaries which were wholly controlled by MOR previously (hereinafter collectively as “CRC Group”) became related parties of the Group.

## 1. GENERAL INFORMATION *(continued)*

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

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

The financial statements were authorised for issue by the board of directors of the Company on 28 March 2018.

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

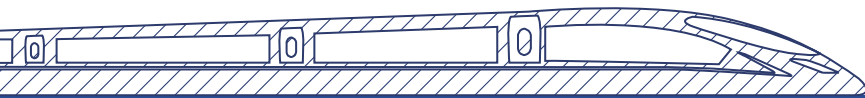
## 2. PRINCIPAL ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention except for certain available-for-sale investments.

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



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

#### 2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

- Income taxes — Amendments to IAS 12;
- Statement of cash flows — Amendments to IAS 7; and
- Disclosure of interest in other entities — Amendment to IFRS 12

The directors of the Company consider that the adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

(b) The following new standards, amendments and interpretations have been issued as at 31 December 2017 but are not effective for the financial statements for the year ended 31 December 2017:

<b>Title of standard</b>	<b>Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions</b>
Nature of change	The amendments relate to the following areas: (1) the accounting for the effects of vesting conditions on cash-settled share-based payment transactions; (2) the classification of share-based payment transactions with net settlement features for withholding tax obligations; (3) the accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled.
Impact	Management has assessed the effects of applying the new standard on the Group's financial statements. Given there were no share based payment transactions undertaken by the Company and the Group, no significant impact has been identified.
Date of adoption by Group	These amendments will be effective for annual periods beginning on or after 1 January 2018.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

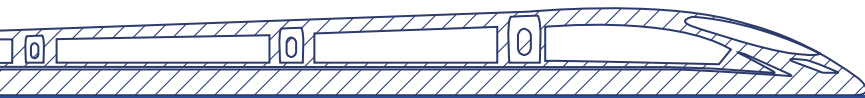
### 2.1 Basis of preparation *(continued)*

#### 2.1.1 Changes in accounting policy and disclosures *(continued)*

- (b) The following new standards, amendments and interpretations have been issued as at 31 December 2017 but are not effective for the financial statements for the year ended 31 December 2017: *(continued)*

<b>Title of standard</b>	<b>IFRS 9 Financial Instruments</b>
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	<p>The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:</p> <p>(i) The majority of the Group's equity instruments that were currently classified as available-for-sale investments as at 31 December 2017 will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no significant change to the accounting for these assets. The other financial assets held by the Group which include loans and receivables, will meet the conditions for classification as financial instruments recorded at amortised cost under IFRS9. Accordingly, the Group does not expect the new provision of the new standard would affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss upon sales of the instruments, but instead be reclassified from the FVOCI reserve to retained earnings.</p> <p>(ii) There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.</p>





## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

#### 2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) The following new standards, amendments and interpretations have been issued as at 31 December 2017 but are not effective for the financial statements for the year ended 31 December 2017: *(continued)*

- (iii) The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39 Financial Instruments: Recognition and Measurement. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects an increase in the provision for impairment by approximately 1% of debt balances.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of adoption of the new standard.

Date of adoption by Group	Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules using modified retrospective method from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.
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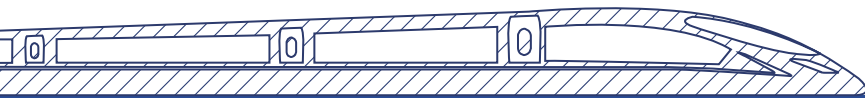
## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

#### 2.1.1 Changes in accounting policy and disclosures *(continued)*

- (b) The following new standards, amendments and interpretations have been issued as at 31 December 2017 but are not effective for the financial statements for the year ended 31 December 2017: *(continued)*

<b>Title of standard</b>	<b>IFRS 15 Revenue from Contracts with Customers</b>
Nature of change	<p>The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
Impact	<p>Management has assessed the effects of applying the new standard on the group's financial statements. Given the nature and mode of provision of services, revenue transactions are expected not to trigger significant differences in the accounting treatments under the requirements of the new standards, no significant impact has been identified.</p>
Date of adoption by group	<p>Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.</p>



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

#### 2.1.1 Changes in accounting policy and disclosures *(continued)*

- (b) The following new standards, amendments and interpretations have been issued as at 31 December 2017 but are not effective for the financial statements for the year ended 31 December 2017: *(continued)*

<b>Title of standard</b>	<b>IFRS 16 Leases</b>
Nature of change	<p>IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.</p> <p>The accounting for lessors will not significantly change.</p>
Impact	<p>The standard will affect primarily the accounting for the Group's operating leases. Management is currently assessing the impact of applying the new standard on the Group's financial statements.</p>
Date of adoption by group	<p>Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.</p>
<b>Title of standard</b>	<b>Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture</b>
Nature of change	<p>The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are within a subsidiary.</p>

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

#### 2.1.1 Changes in accounting policy and disclosures *(continued)*

- (b) The following new standards, amendments and interpretations have been issued as at 31 December 2017 but are not effective for the financial statements for the year ended 31 December 2017: *(continued)*

Impact	Management has assessed the effects of applying the new standard on the Group's financial statements and no significant impact has been identified.
Date of adoption by Group	The effective date of these amendments is to be determined pending the outcome of the IASB's research project on equity accounting.

### 2.2 Subsidiaries

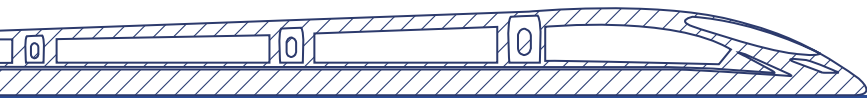
#### 2.2.1 Consolidation

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.

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

(a) *Business combinations*

The 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.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.2 Subsidiaries *(continued)*

#### 2.2.1 Consolidation *(continued)*

##### *(a) Business combinations (continued)*

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred 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 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 profit or loss (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.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.2 Subsidiaries *(continued)*

#### 2.2.1 Consolidation *(continued)*

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

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

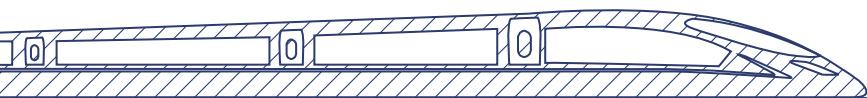
*(c) Disposal of subsidiaries*

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

#### 2.2.2 Separate financial statements

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

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



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.3 Associates

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

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

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

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

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

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

## 2. 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 of the Company 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 profit or loss.

Foreign exchange gains and losses are presented in the consolidated comprehensive income statement within "Finance (costs)/income-net".

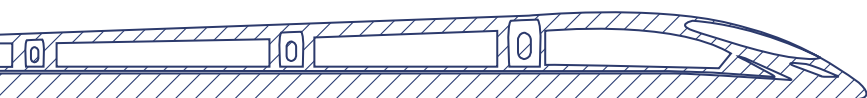
### 2.6 Fixed assets

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

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





## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.6 Fixed assets *(continued)*

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

- (a) The estimated useful lives of some buildings, tracks, bridges and service roads exceed the initial lease periods of the land use rights from operation lease (details contained in Note 36(b)); and the initial period of certain land use right acquired (Note 2.8), on which these assets are located.

The Group will renew the term of land use right upon its expiry in strict compliance with requirements of relevant laws and regulations. There is no substantive impediment for the renewal except for public interests. In addition, based on the provision of the land use right operating lease agreement entered into with Guangzhou Railway Group (Note 36(b)), the Company can renew the lease at its own discretion upon expiry of the operating lease term. Based on the above consideration, the directors of the company consider the current estimated useful lives of those assets to be reasonable.

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

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

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

### 2.7 Construction-in-progress

Construction-in-progress represents buildings, tracks, bridges and service roads under construction, and mainly includes the construction related costs for the associated facilities of the existing railway lines of the Group. Construction-in-progress is stated at cost, which includes all expenditures and other direct costs, site restoration costs, prepayments attributable to the construction and interest charges arising from borrowings used to finance the construction during the construction period, less impairment loss. Construction-in-progress is not depreciated until such assets are completed and ready for their intended use. From time to time, certain railway assets of the Group require major modifications and improvements. The carrying amounts are transferred from fixed assets to construction-in-progress. The carrying amounts, including costs of modifications, are transferred back to fixed assets upon completion of the improvement projects.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.8 Leasehold land payments

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

### 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 consolidated balance sheet.

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

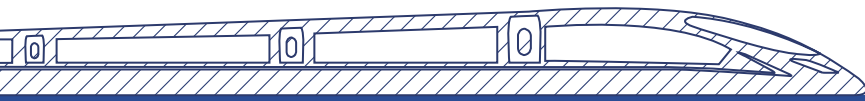
Goodwill impairment reviews are undertaken at least annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment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

### 2.10 Impairment of non-financial assets other than goodwill

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

### 2.11 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.11 Non-current assets held for sale *(continued)*

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

### 2.12 Financial assets

#### 2.12.1 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 consolidated balance sheet.

#### (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.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.12 Financial assets *(continued)*

#### **2.12.2 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.

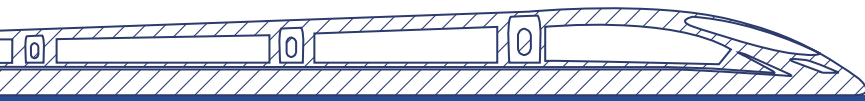
When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as “other gain/losses — net”.

Dividends on available-for-sale equity instruments are recognised in profit or loss 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 reasonable valuation techniques, they are measured at cost, subject to impairment review.

### 2.13 Offsetting financial instruments

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



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.14 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.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.14 Impairment of financial assets *(continued)*

#### *(a) Assets carried at amortised cost (continued)*

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 profit or loss. 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.

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 profit or loss.

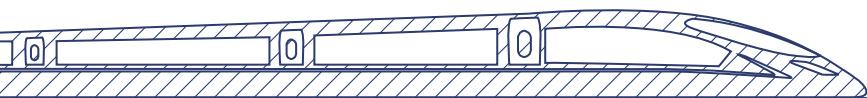
#### *(b) Assets classified as available for sale*

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 an evidence that the assets are impaired. If any such evidence exists the cumulative loss, which is 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 profit or loss on equity instruments are not reversed through profit or loss.

### 2.15 Long-term prepaid expenses

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



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.16 Materials and supplies

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

### 2.17 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.

### 2.18 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.

### 2.19 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.

### 2.20 Trade payables

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

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.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.21 Current and deferred income tax

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

#### **(a) Current income tax**

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

#### **(b) Deferred income tax**

##### *Inside basis differences*

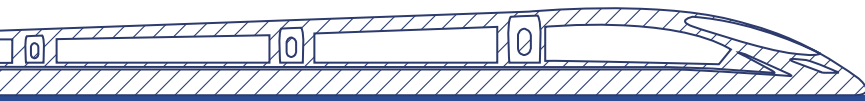
Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition 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 substantively 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.

##### *Outside basis differences*

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





## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.21 Current and deferred income tax *(continued)*

#### *(b) Deferred income tax (continued)*

##### *Outside basis differences (continued)*

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

#### *(c) Offsetting*

Deferred 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.

### 2.22 Employee benefits

#### *(a) Defined contribution plan*

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

#### *(b) Termination benefits*

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.23 Provisions

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

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

Provisions are measured at the present value of the 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.

### 2.24 Revenue recognition

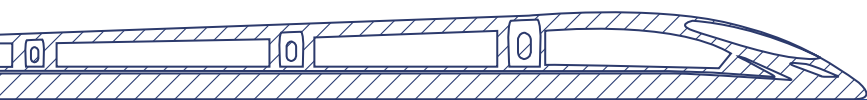
Revenue comprises the fair value of the consideration received or receivable for the sales of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

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

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

The operations of the railway business of the Group form part of the nationwide railway system in the PRC and they are supervised and governed by CRC. The Group renders the passenger transportation and freight transportation services in cooperation with other railway companies and the related service fees and charges are collected either by the Group itself or by other railway companies.

In addition, the Group also receives service fees and charges for on behalf of other railway companies. The respective fares and charges of the services, fee sharing basis, and processing of the respective revenue sharing among different railway companies are done centrally by a central clearance system operated by CRC.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.24 Revenue recognition *(continued)*

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

##### *Revenue from passenger transportation*

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

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

##### *Revenue from freight transportation*

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.24 Revenue recognition *(continued)*

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

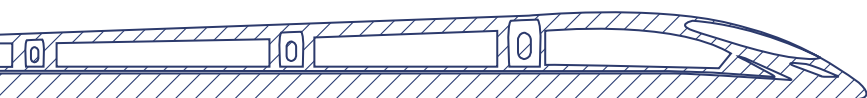
##### *Revenue from railway network usage and other transportation related services*

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

The Group records revenues based on the amounts of attributable revenue approved and notified in the CRC Monthly Statement for services undertaken by the Group completed within the specific month, upon then the revenues can be reliably measured and collectability is certain. The respective share of revenues, in excess of amount collected by the Group itself, are credited by CRC to bank accounts maintained by the Group. In the case that the attributable amount is less than the amount collected by the Group, the Group remits the surplus to CRC.

#### **(b) Revenue from other businesses**

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



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.25 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.

### 2.26 Dividend income

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

### 2.27 Government grants

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

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

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

### 2.28 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 profit or loss on a straight-line basis over the period of the lease.

### 2.29 Dividend distribution

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

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factor

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

##### (a) Market risk

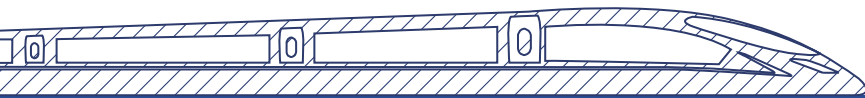
###### (i) Foreign currency risk

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

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

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

Monetary assets	Currency denomination	As at 31 December	
		2017	2016
Cash and cash equivalents	HKD	32,650	115,680
Cash and cash equivalents	USD	146	96
Other receivables	HKD	67	66
		<b>32,863</b>	115,842



### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.1 Financial risk factor *(continued)*

##### **(a) Market risk** *(continued)*

###### *(i) Foreign currency risk (continued)*

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

As at 31 December 2017, 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 RMB1,232,000 (2016: RMB4,340,000) 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 expected to be significant.

###### *(ii) Cash flow and fair value interest rate risk*

Other than deposits held in banks, the Group does not have significant interest-bearing assets or liabilities. The average interest rate of deposits held in banks in the PRC throughout the year was approximately 1.54% (2016: 1.38%) per annum. Any change in the interest rate promulgated by the People's Bank of China from time to time is not considered to have a significant impact to the Group.

As at 31 December 2017 and 2016, the Group had no interest bearing debts, which may expose the Group to any interest rate risk.

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.1 Financial risk factor *(continued)*

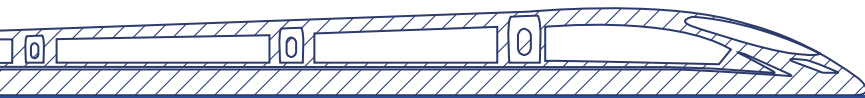
##### *(b) Credit risk*

Credit risk is managed on a group basis. Credit risk arises from bank balances, trade and other receivables (excluding prepayments) and long-term receivable.

The credit quality of financial assets that are neither past due nor impaired can be analysed by the identity of counterparties as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Trade receivables</b>		
Due from Guangzhou Railway Group and its subsidiaries	1,261,244	721,557
Due from CRC Group (excluding Guangzhou Railway Group and its subsidiaries)	1,106,311	1,314,352
Due from third parties	431,473	481,372
	<b>2,799,028</b>	2,517,281
<b>Other receivables excluding prepayments</b>		
Due from Guangzhou Railway Group and its subsidiaries	9,460	2,619
Due from CRC Group (excluding Guangzhou Railway Group and its subsidiaries)	381	3,846
Due from third parties	194,245	220,035
	<b>204,086</b>	226,500





### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.1 Financial risk factor *(continued)*

##### *(b) Credit risk (continued)*

	2017 RMB'000	2016 RMB'000
<b>Long-term receivable</b>		
Due from a third party	<b>31,274</b>	31,406

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 realisability 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.

	2017 RMB'000	2016 RMB'000
<b>Cash at bank and short-term deposits</b>		
Placed in listed banks in the PRC	<b>1,268,478</b>	1,467,616

Cash and short term deposits are placed with reputable banks. There was no recent history of default of cash and cash equivalents and short-term deposits from such financial institutions.

There were no other financial assets carrying a significant exposure to credit risk.

None of the financial assets that are fully performing has been renegotiated in the current year.

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

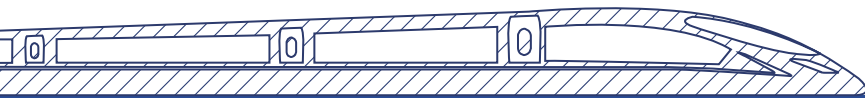
#### 3.1 Financial risk factor *(continued)*

##### *(c) Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the ability to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserves (comprising cash and cash equivalents) on the basis of expected cash flows.

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 <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>
<b>At 31 December 2017</b>			
Trade and other payables excluding other tax payables, employee salary and benefits payables and advances	2,356,953	—	—
Payables for fixed assets and construction-in-progress	2,214,547	—	—
Dividends payable	12,893	—	—
<b>At 31 December 2016</b>			
Trade and other payables excluding other tax payables, employee salary and benefits payables and advances	2,201,483	—	—
Payables for fixed assets and construction-in-progress	1,765,185	—	—
Dividends payable	15,542	—	—



### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.2 Capital risk management

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

As at December 2017 and 2016, the directors considered that the Group's capital risk is manageable as the Group is continuously able to generate sufficient working capital from its daily operation.

#### 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 2017, the Group did not have any financial instruments that were measured at fair value except for certain available-for-sale financial assets (Note 15). As at 31 December 2016, the Group did not have any financial instrument that were measured at fair value.

As at 31 December 2017 and 2016, the fair values of other financial instruments approximated their carrying values.

##### (i) Fair value hierarchy

	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>At 31 December 2017</b>					
Availableforsale financial assets	15	—	—	280,088	280,088

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

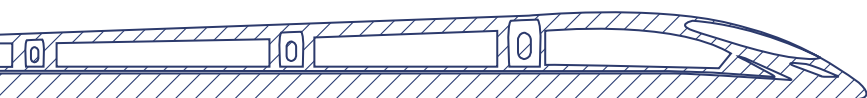
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities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

### **Impairment of receivables**

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

### **Estimation of the fair value of certain available-for-sale financial assets**

The Group makes estimates of the fair value of the available-for-sale financial assets with consideration of the assessed enterprise value, which is regarded as the best estimate of the fair value. The assessment of fair value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of available-for-sale financial assets and changes in the fair value of available-for-sale financial assets recorded in other comprehensive income.



## 5. SEGMENT INFORMATION

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

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

The segment results during 2017 and 2016 are as follows:

	The Railway Transportation Business		All other segments		Eliminations		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Segment revenue								
— Railroad Businesses	17,294,901	16,170,309	—	—	—	—	17,294,901	16,170,309
— Other Businesses	705,423	663,418	395,661	487,097	(64,563)	(40,320)	1,036,521	1,110,195
<b>Total revenue</b>	<b>18,000,324</b>	<b>16,833,727</b>	<b>395,661</b>	<b>487,097</b>	<b>(64,563)</b>	<b>(40,320)</b>	<b>18,331,422</b>	<b>17,280,504</b>
Segment result	1,341,601	1,549,120	14,519	3,548	(8,988)	(8,659)	1,347,132	1,544,009
Finance costs/(income) — net	10,011	(2,728)	159	177	—	—	10,170	(2,551)
Share of results of associates, net of tax	6,944	7,223	—	—	—	—	6,944	7,223
Depreciation of fixed assets	1,655,657	1,511,570	6,803	7,400	—	—	1,662,460	1,518,970
Amortisation of leasehold land payments	34,348	27,338	11,332	11,332	—	—	45,680	38,670
Amortisation of long-term prepaid expenses	3,256	6,729	(88)	239	—	—	3,168	6,968
Impairment of fixed assets	11,185	—	—	—	—	—	11,185	—
Impairment of construction-in-progress	—	5,662	—	—	—	—	—	5,662
Provision for/(reversal of) impairment of materials and supplies	7,844	(5,209)	—	—	—	—	7,844	(5,209)

## 5. SEGMENT INFORMATION *(continued)*

A reconciliation of the segment results to profit for the year of 2017 and 2016 is as follows:

	The Railway Transportation Business		All other segments		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment result	<b>1,341,601</b>	1,549,120	<b>14,519</b>	3,548	<b>(8,988)</b>	(8,659)	<b>1,347,132</b>	1,544,009
Income tax expense	<b>(328,727)</b>	(385,840)	<b>(6,637)</b>	(4,469)	—	—	<b>(335,364)</b>	(390,309)
Profit/(loss) for the year	<b>1,012,874</b>	1,163,280	<b>7,882</b>	(921)	<b>(8,988)</b>	(8,659)	<b>1,011,768</b>	1,153,700

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

	The Railway Transportation Business		All other segments		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment assets	<b>33,621,101</b>	32,483,625	<b>535,840</b>	586,519	<b>(162,703)</b>	(199,886)	<b>33,994,238</b>	32,870,258
Total segment assets include:								
Investment in associates	<b>174,548</b>	167,604	—	—	—	—	<b>174,548</b>	167,604
Additions to non-current assets (other than financial instruments and deferred tax assets)	<b>2,415,143</b>	2,817,557	<b>1,083</b>	3,279	—	—	<b>2,416,226</b>	2,820,836
Total segment liabilities	<b>4,908,103</b>	4,398,759	<b>545,500</b>	588,128	<b>(116,446)</b>	(146,684)	<b>5,337,157</b>	4,840,203

Revenues of approximately RMB3,595,959,000 (2016: RMB3,407,998,000) were derived from Guangzhou Railway Group and its subsidiaries. These revenues are attributable to the Railway Transportation Business. Except that, no revenues derived from a single external customer have exceeded 10% of the total revenues.

## 6. FIXED ASSETS-NET

	Buildings RMB'000	Tracks, bridges and service roads RMB'000	Locomotives and rolling stock RMB'000	Communications and signalling systems RMB'000	Other machinery and equipment RMB'000	Total RMB'000
<b>At 1 January 2016</b>						
Cost	6,989,242	15,615,264	7,657,021	1,807,311	6,022,269	38,091,107
Accumulated depreciation	(2,336,451)	(2,980,811)	(3,587,690)	(1,341,344)	(3,769,890)	(14,016,186)
Impairment	—	—	—	—	(1,162)	(1,162)
Net book amount	4,652,791	12,634,453	4,069,331	465,967	2,251,217	24,073,759
<b>Year ended 31 December 2016</b>						
Opening net book amount	4,652,791	12,634,453	4,069,331	465,967	2,251,217	24,073,759
Additions due to business combination	—	—	565,493	11,859	71,538	648,890
Other additions	6,294	—	446,754	42,182	154,100	649,330
Transfer in from construction-in-progress (Note 7)	485,087	88,128	36,584	77,808	330,106	1,017,713
Transfer out to construction-in-progress for improvements/ modifications (Note 7)	(4,743)	—	(189,888)	(2,958)	(8,797)	(206,386)
Transfer in from construction-in-progress after repair	10,451	2,088	430,050	6,613	21,833	471,035
Reclassifications	(10,141)	(94)	—	172	10,063	—
Reclassified to leasehold land payments	—	(715,003)	—	—	—	(715,003)
Disposals	(946)	(92,586)	(42,618)	(1,621)	(4,565)	(142,336)
Depreciation charges	(293,503)	(216,765)	(460,387)	(107,148)	(441,167)	(1,518,970)
Closing net book amount	4,845,290	11,700,221	4,855,319	492,874	2,384,328	24,278,032
<b>At 31 December 2016</b>						
Cost	7,468,977	14,887,093	8,557,841	1,917,478	6,514,493	39,345,882
Accumulated depreciation	(2,623,687)	(3,186,872)	(3,702,522)	(1,424,604)	(4,129,003)	(15,066,688)
Impairment	—	—	—	—	(1,162)	(1,162)
Net book amount	4,845,290	11,700,221	4,855,319	492,874	2,384,328	24,278,032
<b>Year ended 31 December 2017</b>						
Opening net book amount	4,845,290	11,700,221	4,855,319	492,874	2,384,328	24,278,032
Other additions	1,849	—	69,311	13,086	123,436	207,682
Transfer in from construction-in-progress (Note 7)	345,676	179,842	843,489	80,867	203,557	1,653,431
Transfer out to construction-in-progress for improvement/ modifications (Note 7)	(305,208)	—	(987,236)	(299)	(18,903)	(1,311,646)
Transfer in from construction-in-progress after repair	310,885	—	875,497	299	16,697	1,203,378
Reclassifications	1,342	7,116	25	—	(8,483)	—
Reclassified to leasehold land payments	—	(403,282)	—	—	—	(403,282)
Disposals	(15,942)	(69,516)	(234,830)	(744)	(15,780)	(336,812)
Depreciation charges	(332,581)	(216,075)	(571,640)	(115,870)	(426,294)	(1,662,460)
Impairment charge	—	—	(9,865)	—	(1,320)	(11,185)
Closing net book amount	4,851,311	11,198,306	4,840,070	470,213	2,257,238	23,617,138
<b>At 31 December 2017</b>						
Cost	7,441,605	14,588,338	7,903,204	1,993,168	6,628,084	38,554,399
Accumulated depreciation	(2,590,294)	(3,390,032)	(3,053,269)	(1,522,955)	(4,368,375)	(14,924,925)
Impairment	—	—	(9,865)	—	(2,471)	(12,336)
Net book amount	4,851,311	11,198,306	4,840,070	470,213	2,257,238	23,617,138

## 6. FIXED ASSETS-NET *(continued)*

- (a) As at 31 December 2017, the ownership certificates of certain buildings of the Group with an aggregate carrying value of approximately RMB 1,858,288,000 (2016: RMB1,819,505,000) 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.
- (b) As at 31 December 2017, fixed assets of the Group with an aggregate net book value of approximately RMB155,125,000 (2016: RMB116,953,000) had been fully depreciated but they were still in use.

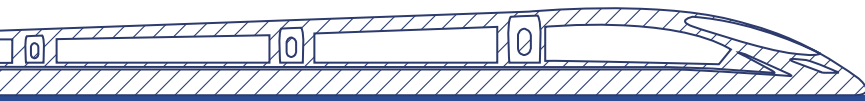
## 7. CONSTRUCTION-IN-PROGRESS

	2017 RMB'000	2016 RMB'000
At 1 January	<b>790,308</b>	569,573
Additions due to business combination	—	59,992
Transfer in from fixed assets for improvement/modifications (Note 6)	<b>1,311,646</b>	206,386
Other additions	<b>2,185,526</b>	1,448,767
Transfer to fixed assets (Note 6)	<b>(1,653,431)</b>	(1,017,713)
Transfer out to fixed assets after improvement/modifications (Note 6)	<b>(1,203,378)</b>	(471,035)
Impairment	—	(5,662)
At 31 December	<b>1,430,671</b>	790,308

Construction-in-progress as at 31 December 2017 mainly comprise of improvement projects for road existing railway equipment in the PRC.

For the year ended 31 December 2017, no interest expense (2016: Nil) had been capitalised in the construction-in-progress balance as there were no third party borrowings during the year.





## 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:

	<i>RMB'000</i>
<b>At 1 January 2016</b>	
Cost	1,274,082
Accumulated amortisation	(325,556)
Net book amount	948,526
<b>Year ended 31 December 2016</b>	
Opening net book amount	948,526
Transfer from fixed assets ( <i>Note 6</i> )	715,003
Amortisation charges	(38,670)
Closing net book amount	1,624,859
<b>At 31 December 2016</b>	
Cost	1,989,085
Accumulated amortisation	(364,226)
Net book amount	1,624,859
<b>Year ended 31 December 2017</b>	
Opening net book amount	1,624,859
Transfer from fixed assets ( <i>Note 6</i> )	403,282
Assets classified as held for sale	(2,183)
Amortisation charges	(45,680)
Closing net book amount	1,980,278
<b>At 31 December 2017</b>	
Cost	2,388,326
Accumulated amortisation	(408,048)
Net book amount	1,980,278

## 8. LEASEHOLD LAND PAYMENTS *(continued)*

As at 31 December 2017, land use right certificates of certain pieces of land of the Group with an aggregate carrying value of approximately RMB1,318,686,000 (2016: RMB936,304,000) had not been obtained. After consultation made with the Company's legal counsel, the directors of the Company consider that there is no legal restriction for the Group or the Company to apply for and obtain the land use right certificates and it should not lead to any significant adverse impact on the operations of the Group or the Company.

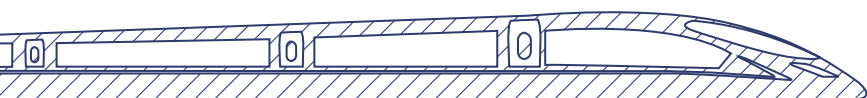
The remaining lease period of leasehold land as at 31 December 2017 was as follows:

	2017 RMB'000	2016 RMB'000
Lease of between 10 to 20 years	1,257,346	873,411
Lease of between 20 to 30 years	722,932	751,448
	<b>1,980,278</b>	1,624,859

## 9. GOODWILL

	RMB'000
<b>Year ended 31 December 2016 and 2017</b>	
Opening net book amount	281,255
Additions	—
Impairment	—
Closing net book amount	281,255
<b>At 31 December 2016 and 2017</b>	
Cost	281,255
Accumulated impairment	—
Net book amount	281,255

As at 31 December 2017 and 2016, the outstanding balance of goodwill arose from the excess of a purchase consideration paid by the Company over the aggregate fair values of the identifiable assets, liabilities and contingent liabilities of the Yangcheng Railway Business acquired by the Company in 2009.



## 9. GOODWILL *(continued)*

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

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

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

Railroad business	2017	2016
Gross margin	<b>17.76%</b>	18.92%
Growth rate	<b>2.00%</b>	2.00%
Discount rate	<b>12.44%</b>	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.

Even 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 2017, the Group would not need to recognise impairment charges against goodwill.

Even 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 2017, no impairment charges had to be recognised by the Group against goodwill.

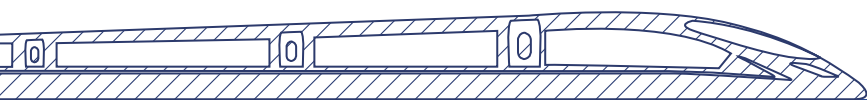
## 10. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2017:

Name of the entity	Place of incorporation and nature of legal entity	Principal activities and place of operation	Proportion of equity interests held by the Company (%)	Proportion of equity interests held by the Group (%)	Proportion of equity interests held by non-controlling interests (%)
Dongguan Changsheng Enterprise Company Limited	China, limited liability company	Warehousing in the PRC	51%	51%	49%
Shenzhen Fu Yuan Enterprise Development Company Limited	China, limited liability company	Hotel management in the PRC	100%	100%	—
Shenzhen Pinghu Qun Yi Railway Store Loading and Unloading Company Limited	China, limited liability company	Cargo loading and unloading, warehousing, freight transportation in the PRC	100%	100%	—
Shenzhen Nantie Construction Supervision Company Limited	China, limited liability company	Supervision of construction projects in the PRC	67.46%	76.66%	23.34%
Shenzhen Railway Property Management Company Limited	China, limited liability company	Property management in the PRC	—	100%	—
Shenzhen Shenhuasheng Storage and Transportation Company Limited	China, limited liability company	Warehousing, freight transport and packing agency services in the PRC	41.50%	100%	—
Shenzhen Guangshen Railway Economic and Trade Enterprise Company Limited	China, limited liability company	Catering management in the PRC	—	100%	—
Shenzhen Railway Station Passenger Services Company Limited	China, limited liability company	Catering services and sales of merchandise in the PRC	100%	100%	—
Guangshen Railway Station Dongqun Trade and Commerce Service Company Limited	China, limited liability company	Sales of merchandises in the PRC	100%	100%	—
Guangzhou Railway Huangpu Service Company Limited	China, limited liability company	Cargo loading and unloading, warehousing, freight transportation in the PRC	100%	100%	—
Zengcheng Lihua Stock Company Limited (*Zengcheng Lihua*)(i)	China, limited liability company	Real estate construction, provision of warehousing, cargo uploading and unloading services in the PRC	44.72%	44.72%	55.28%

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

As at 31 December 2017, the non-wholly owned subsidiaries individually and in aggregate is not significant to the Group. Therefore, financial information of the non-wholly owned subsidiaries are not disclosed.



## 11. INVESTMENTS IN ASSOCIATES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Share of net assets	<b>174,548</b>	167,604
Less: provision for impairment	—	—
	<b>174,548</b>	167,604

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Beginning of the year	<b>167,604</b>	168,711
Share of results after tax	<b>6,944</b>	7,223
Dividend	—	(8,330)
End of the year	<b>174,548</b>	167,604

As at 31 December 2017, the Group had direct interests in the following companies which are incorporated/established and are operating in the PRC:

Name of the entity	Percentage of equity interest attributable to the Company	Paid-in capital	Principal activities
Guangzhou Tiecheng Enterprise Company Limited ("Tiecheng")	49%	RMB343,050,000	Properties leasing and trading of merchandise
Shenzhen Guangzhou Railway Civil Engineering Company ("Shentu")	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.

## 11. INVESTMENTS IN ASSOCIATES *(continued)*

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

### Summarised balance sheets

	Tiecheng		Shentu	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Current assets	<b>105,556</b>	87,733	<b>780,104</b>	921,761
Non-current assets	<b>333,602</b>	339,409	<b>12,151</b>	7,614
<b>Total assets</b>	<b>439,158</b>	427,142	<b>792,255</b>	929,375
Current liabilities	<b>210,546</b>	210,553	<b>664,646</b>	803,713
Non-current liabilities	—	202	—	—
<b>Total liabilities</b>	<b>210,546</b>	210,755	<b>664,646</b>	803,713
<b>Equity</b>	<b>228,612</b>	216,387	<b>127,609</b>	125,662
Share of net assets	<b>112,020</b>	106,030	<b>62,528</b>	61,574
Carrying amount of interest in associates	<b>112,020</b>	106,030	<b>62,528</b>	61,574

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

Summarised financial information	Tiecheng		Shentu		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Opening net assets	<b>216,387</b>	207,587	<b>125,662</b>	136,721	<b>342,049</b>	344,308
Profit for the year	<b>12,225</b>	8,800	<b>1,947</b>	5,941	<b>14,172</b>	14,741
Dividend	—	—	—	(17,000)	—	(17,000)
<b>Closing net assets</b>	<b>228,612</b>	216,387	<b>127,609</b>	125,662	<b>356,221</b>	342,049
Percentage of ownership interest	<b>49%</b>	49%	<b>49%</b>	49%	<b>49%</b>	49%
<b>Carrying value</b>	<b>112,020</b>	106,030	<b>62,528</b>	61,574	<b>174,548</b>	167,604

## 12. DEFERRED TAX ASSETS/(LIABILITIES)

	2017 RMB'000	2016 RMB'000
Deferred tax assets	115,716	98,862
Less: Offsetting of deferred tax liabilities	(78,711)	(18,933)
Deferred tax assets (net)	<b>37,005</b>	79,929
Deferred tax liabilities	(145,102)	(87,816)
Less: Offsetting of deferred tax assets	78,711	18,933
Deferred tax liabilities (net)	<b>(66,391)</b>	(68,883)
	<b>(29,386)</b>	11,046

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

	2017 RMB'000	2016 RMB'000
<b>Deferred tax assets:</b>		
— Deferred tax assets to be recovered after more than 12 months	114,387	97,706
— Deferred tax assets to be recovered within 12 months	1,329	1,156
	<b>115,716</b>	98,862
<b>Deferred tax liabilities:</b>		
— Deferred tax liabilities to be recovered after more than 12 months	(142,159)	(83,937)
— Deferred tax liabilities to be recovered within 12 months	(2,943)	(3,879)
	<b>(145,102)</b>	(87,816)

## 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 2016 RMB'000	(Charged)/ Credited to the comprehensive income statement RMB'000	At 31 December 2016 RMB'000	(Charged)/ Credited to the comprehensive income statement RMB'000	At 31 December 2017 RMB'000
<b>Deferred tax assets:</b>					
Impairment provision for receivables	7,828	(825)	7,003	(2,230)	4,773
Impairment provision for fixed assets and construction-in-progress	2,739	1,416	4,155	2,793	6,948
Impairment provision for materials and supplies	11,837	(5,843)	5,994	1,126	7,120
Differences in accounting base and tax base of government grants	24,952	768	25,720	(201)	25,519
Differences in accounting base and tax base of employee benefits obligations	35,207	4,448	39,655	992	40,647
Loss on disposal of fixed assets	30,805	(14,520)	16,285	14,424	30,709
Others	50	—	50	(50)	—
	113,418	(14,556)	98,862	16,854	115,716
<b>Deferred tax liabilities:</b>					
Differences in accounting base and tax base in recognition of fixed assets	9,607	(1,340)	8,267	(404)	7,863
Differences in accounting base and tax base in recognition of leasehold land payments	71,376	(2,493)	68,883	(2,493)	66,390
Changes in the fair value of available-for-sale financial assets	—	—	—	60,647	60,647
Others	10,562	104	10,666	(464)	10,202
	91,545	(3,729)	87,816	57,286	145,102





## 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 RMB95,370,000 (2016: RMB89,630,000) arising from operations of subsidiaries which do not foresee to have enough tax deductible assessable profits in the near future.

	2017 RMB'000	2016 RMB'000
Tax losses that can be carried forward (Note a)	<b>82,918</b>	77,328
Deductible temporary differences	<b>12,452</b>	12,302
	<b>95,370</b>	89,630

Note a:

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

	2017 RMB'000	2016 RMB'000
2017	—	15,405
2018	<b>13,499</b>	14,307
2019	<b>6,371</b>	6,516
2020	<b>18,478</b>	18,478
2021	<b>22,325</b>	22,622
2022	<b>22,245</b>	—
	<b>82,918</b>	77,328

### 13. LONG-TERM PREPAID EXPENSES

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

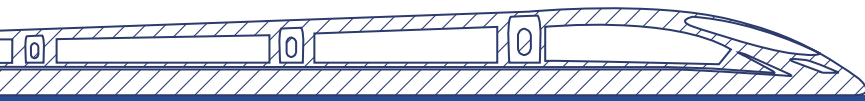
	2017 RMB'000	2016 RMB'000
<b>At 1 January</b>		
Cost	64,077	63,770
Accumulated amortisation	(56,253)	(49,285)
Net book amount	7,824	14,485
<b>Year ended 31 December</b>		
Opening net book amount	7,824	14,485
Additions	28,745	307
Amortisation	(3,168)	(6,968)
Closing net book amount	33,401	7,824
<b>At 31 December</b>		
Cost	92,822	64,077
Accumulated amortisation	(59,421)	(56,253)
Net book amount	33,401	7,824

## 14. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables <i>RMB'000</i>	Available- for-sale <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Financial assets as at 31 December 2017</b>			
Available-for-sale investments ( <i>Note 15</i> )	—	296,414	296,414
Long-term receivable ( <i>Note 16</i> )	31,274	—	31,274
Trade and other receivables excluding prepayments ( <i>Notes 18 and 19</i> )	4,417,317	—	4,417,317
Short-term deposits ( <i>Note 20</i> )	108,000	—	108,000
Cash and cash equivalents ( <i>Note 20</i> )	1,160,515	—	1,160,515
<b>Total</b>	<b>5,717,106</b>	<b>296,414</b>	<b>6,013,520</b>
<b>Financial assets as at 31 December 2016</b>			
Available-for-sale investments ( <i>Note 15</i> )	—	53,826	53,826
Long-term receivable ( <i>Note 16</i> )	31,406	—	31,406
Trade and other receivables excluding prepayments ( <i>Notes 18 and 19</i> )	3,665,646	—	3,665,646
Short-term deposits ( <i>Note 20</i> )	108,000	—	108,000
Cash and cash equivalents ( <i>Note 20</i> )	1,359,656	—	1,359,656
<b>Total</b>	<b>5,164,708</b>	<b>53,826</b>	<b>5,218,534</b>

14. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Other Financial liabilities <i>RMB'000</i>
<b>Financial liabilities as at 31 December 2017</b>	
Trade and other payables excluding other tax payables, employee salary and benefits payables and advances <i>(Notes 25 and 26)</i>	2,356,953
Payables for fixed assets and construction-in-progress	2,214,547
Dividends payable	12,893
<b>Total</b>	<b>4,584,393</b>
<b>Financial liabilities as at 31 December 2016</b>	
Trade and other payables excluding other tax payables, employee salary and benefits payables and advances <i>(Notes 25 and 26)</i>	2,201,483
Payables for fixed assets and construction-in-progress	1,765,185
Dividends payable	15,542
<b>Total</b>	<b>3,982,210</b>



## 15. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Investments in unlisted companies	<b>296,414</b>	53,826

The available-for-sale investments mainly represent equity interests held by the Group in certain unlisted companies with percentage ownership less than 2% individually.

- (i) In 2017, one substantial investee company within available-for sale instruments sent a written proposal to all its shareholders, requesting for additional capital injections to be made according to the respective percentage of equity interests held by each investor at the assessed enterprise value of that investee company ("Assessed Fair Value"). Accordingly, the carrying amount of the whole investment in this investee company as at 31 December 2017 had been stated at fair value (RMB280,088,000) determined based on the Assessed Fair Value and an amount of fair value changes of RMB242,588,000 had been included in other comprehensive income (Note 22).

The following table presents the changes in level 3 items for the periods ended 31 December 2017:

	Investments in unlisted companies RMB'000
<b>Closing balance 31 December 2016</b>	—
Transfer from cost	37,500
Fair value changes recognised in other comprehensive income	242,588
<b>Closing balance 31 December 2017</b>	<b>280,088</b>

- (ii) Due to the fact that there is no quoted market price in an active market available for the assessment of the fair values of other remaining investments, the directors of the Company are of the opinion that their fair values could not be reliably measured by any reasonable valuation methods. As a result, the investments in other unlisted companies had been carried at cost, subject to review for impairment loss. As at 31 December 2017, no impairment provision was considered necessary by the directors.

## 16. LONG-TERM RECEIVABLE

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

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

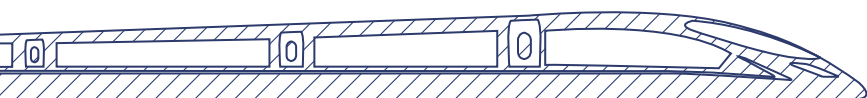
The balance approximated its fair value as at 31 December 2017.

## 17. MATERIALS AND SUPPLIES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Raw materials	<b>185,639</b>	184,520
Reusable rail-line track materials	<b>76,017</b>	79,311
Accessories	<b>67,493</b>	67,236
Retailing consumables	<b>1,578</b>	1,540
	<b>330,727</b>	332,607

The costs of materials and supplies consumed by the Group during the year were recognised as "operating expenses" in the amount of RMB1,627,992,000 (2016: RMB1,697,166,000).

As at 31 December 2017, the balance of the provision for writing down the materials and supplies to their net realisable values was approximately RMB28,466,000 (2016: RMB23,976,000). During the year, additional provision of RMB7,844,000 was made and RMB3,354,000 was written off arising from realization of losses in the disposal of these assets (2016: RMB18,163,000).



## 18. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	<b>4,148,413</b>	3,369,331
Including: receivables from related parties	<b>2,808,052</b>	2,173,333
Less: Provision for impairment of receivables	<b>(6,203)</b>	(4,965)
	<b>4,142,210</b>	3,364,366

As at 31 December 2017 and 2016, the Group's trade receivables were all denominated in RMB. The majority of the trade receivable were from state-owned railroad companies or companies in transportation industry.

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

	2017 RMB'000	2016 RMB'000
Within 1 year (Note 3.1(b))	<b>2,799,028</b>	2,517,281
Over 1 year but within 2 years	<b>763,812</b>	588,640
Over 2 years but within 3 years	<b>522,122</b>	223,675
Over 3 years	<b>63,451</b>	39,735
	<b>4,148,413</b>	3,369,331

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 realisability and timing for collection of the outstanding balances, the Group maintains a provision for impairment of trade receivables and actual losses incurred have been within management's expectation.

## 18. TRADE RECEIVABLES *(continued)*

As at 31 December 2017, the Group's trade receivables of approximately RMB1,343,182,000 (2016: RMB847,085,000) were past due but not impaired. These relate to a number of independent customers that are state-owned companies engaged in the railroad and transportation business, including High Speed train operations in the PRC. There had been continuous businesses transactions carried out with the Group with these customers and there was continuous repayment made and no history of default. The aging analysis of these trade receivables is as follows:

	2017 RMB'000	2016 RMB'000
Over 1 year but within 2 years	758,141	588,640
Over 2 years but within 3 years	522,122	223,675
Over 3 years but within 5 years	62,919	34,770
	<b>1,343,182</b>	847,085

As at 31 December 2017, the Group's trade receivables of approximately RMB6,203,000 (2016: RMB4,965,000) had been impaired and provided for. The related customers were in significant financial difficulties. The aging analysis of these receivables is as follows:

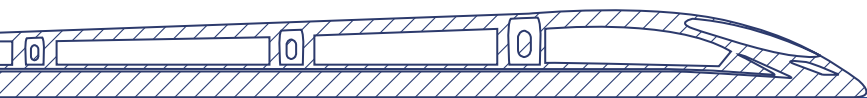
	2017 RMB'000	2016 RMB'000
Over 1 year but within 2 years	5,671	—
Over 5 years	532	4,965
	<b>6,203</b>	4,965

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

	2017 RMB'000	2016 RMB'000
<b>At 1 January</b>	<b>4,965</b>	8,395
Provision for impairment loss	5,904	6
Written-off	(4,666)	(3,436)
<b>At 31 December</b>	<b>6,203</b>	4,965

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.





## 19. PREPAYMENTS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Due from third parties	268,715	299,858
Due from related parties	45,536	30,633
	<b>314,251</b>	330,491

	2017 RMB'000	2016 RMB'000
Other receivables	288,432	314,616
Less: Provision for impairment loss	(13,325)	(13,336)
Other receivables, net ( <i>Note a</i> )	275,107	301,280
Prepayments ( <i>Note b</i> )	39,144	29,211
	<b>314,251</b>	330,491

- (a) Other receivables mainly represent miscellaneous deposits and receivables arising from the course of provision of non-railway transportation services by the Group. As of 31 December 2017, the input VAT with related invoices not been received or verified amounted to RMB122,190,000 (2016: RMB 156,072,000).

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

	2017 RMB'000	2016 RMB'000
<b>At 1 January</b>	<b>13,336</b>	13,377
Reversal of impairment loss provision	(3)	(1)
Written-off	(8)	(40)
<b>At 31 December</b>	<b>13,325</b>	13,336

- (b) Prepayments mainly represent amounts paid in advance to the suppliers for utilities and other operating expenses of the Group.

## 19. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

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

	2017 RMB'000	2016 RMB'000
RMB	314,184	330,425
HKD	67	66
	<b>314,251</b>	330,491

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

	2017 RMB'000	2016 RMB'000
Cash at bank and on hand	1,108,015	1,007,156
Term deposits with initial term not more than three months	52,500	352,500
Cash and cash equivalents	1,160,515	1,359,656
Term deposits with initial term of over three months <i>(Note)</i>	108,000	108,000
	<b>1,268,515</b>	1,467,656

*Note:* The original effective interest rate of term deposits was 1.56% per annum (2016: 1.65% per annum).

The carrying amounts of the cash and cash equivalents and short-term deposits are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
RMB	1,235,719	1,351,880
HKD	32,650	115,680
USD	146	96
	<b>1,268,515</b>	1,467,656



## 21. SHARE CAPITAL

As at 31 December 2017 and 2016, the total authorised number of ordinary shares is 7,083,537,000 shares with a par value of RMB1.00 per share. These shares are divided into A shares and H shares. They rank pari passu against each other and they were fully paid up.

	As at 31 December 2016 RMB'000	Movement RMB'000	As at 31 December 2017 RMB'000
Authorised, issued and fully paid:			
Listed shares			
— H shares	1,431,300	—	<b>1,431,300</b>
— A shares	5,652,237	—	<b>5,652,237</b>
Total	7,083,537	—	<b>7,083,537</b>

## 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.

## 22. RESERVES (continued)

For the year ended 31 December 2017 and 2016, the directors proposed the following appropriations to reserves of the Company:

	2017 Percentage	2017 RMB'000	2016 Percentage	2016 RMB'000
Statutory surplus reserve	10%	101,982	10%	117,050

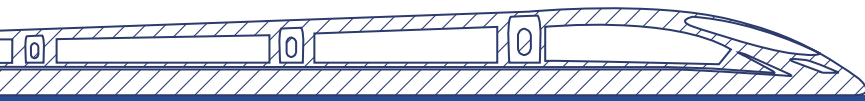
In accordance with the provisions of the Articles of Association of the Company, the profit after appropriation to reserves and available for distribution to shareholders shall be the lower of the retained earnings determined under (a) PRC GAAP or (b) IFRS. Due to the fact that the statutory financial 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 2017 and 2016, the movement of "Special reserve — Safety Production Fund" of the Group are as below:

	2017 RMB'000	2016 RMB'000
Beginning of the year	—	—
Appropriation for retained earnings	227,250	204,792
Utilisation	(227,250)	(204,792)
End of the year	—	—

The Company is engaged in passenger and freight transportation business. In accordance with the regulations issued by Ministry of Finance and State Administration of Work Safety of the PRC, the 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.



## 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 profit or loss.

For the year 2017 and 2016, the movement of other comprehensive income of the Group are as below:

	2017 RMB'000	2016 RMB'000
Beginning of the year	—	—
Addition due to fair value changes on available-for-sale investments	242,588	—
Addition due to deferred liabilities related to fair value changes on available-for-sale investments	(60,647)	—
End of the year	181,941	—

The additions of other comprehensive income in current year is attributable to the fair value changes of investment in an available-for-sale financial instrument as mentioned in Note 15.

## 23. DEFERRED INCOME

	2017 RMB'000	2016 RMB'000
Government grants	105,754	106,810
Others	37	—
<b>Total</b>	<b>105,791</b>	106,810

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

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

## 24. EMPLOYEE BENEFITS OBLIGATIONS

	2017 RMB'000	2016 RMB'000
Employee benefits obligations ( <i>Note 26</i> )	<b>30,745</b>	34,043
Less: current portion included in accruals and other payables	<b>(30,745)</b>	(34,043)
	—	—

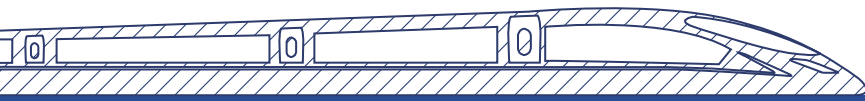
Pursuant to a redundancy plan implemented by the Group in 2006, selected employees who had met certain specified criteria and accepted voluntary redundancy were provided with an offer of early retirement benefits, up to their official age of retirement. Such arrangements required specific approval granted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

With the acquisition of the Yangcheng Railway Business in 2007 and Guangmeishan Railway Company Limited ("GRCL") Business and Guangdong Sanmao Railway Company Limited ("GSRC") Business in 2016, the Group has also assumed certain retirement and termination benefits obligations associated with the operations of Yangcheng Railway Business, GSRL Business and GSRC Business. These obligations mainly include the redundancy termination benefits similar to those mentioned above, as well as the obligation for funding post-retirement medical insurance premiums of retired employees before the respective acquisitions.

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

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

	2017 RMB'000	2016 RMB'000
At 1 January	<b>34,043</b>	13,380
Additions	—	24,727
Payments	<b>(3,298)</b>	(4,064)
At 31 December	<b>30,745</b>	34,043



## 25. TRADE PAYABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Payables to third parties	<b>614,822</b>	572,894
Payables to related parties	<b>710,255</b>	570,629
	<b>1,325,077</b>	1,143,523

The aging analysis of trade payables was as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 1 year	<b>1,075,298</b>	860,315
Over 1 year but within 2 years	<b>180,294</b>	258,227
Over 2 years but within 3 years	<b>49,359</b>	7,477
Over 3 years	<b>20,126</b>	17,504
	<b>1,325,077</b>	1,143,523

## 26. ACCRUALS AND OTHER PAYABLES

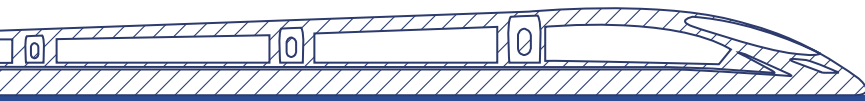
	2017 RMB'000	2016 RMB'000
Due to third parties	1,017,309	1,172,515
Due to related parties	445,922	446,232
	<b>1,463,231</b>	<b>1,618,747</b>

	2017 RMB'000	2016 RMB'000
Payables to GEDC assumed by business combination with Zengcheng Lihua	377,703	368,560
Advances received from customers	152,010	295,088
Other deposits received	226,453	242,104
Deposits received for construction projects	203,886	207,877
Salary and welfare payables	178,427	172,299
Amount received on behalf of Labour Union	73,463	68,914
Other taxes payable	70,173	59,357
Deposits received from ticketing agencies	34,298	36,018
Employee benefits obligations (Note 24)	30,745	34,043
Housing maintenance fund	15,740	15,692
Other payables	100,333	118,795
	<b>1,463,231</b>	<b>1,618,747</b>

## 27. AUDITORS' REMUNERATION

Auditors' remuneration in respect of audit and non-audit services provided by the auditors for the year ended 31 December 2017 were RMB8,400,000 and RMB950,000 respectively (2016: RMB8,080,000 and RMB190,000 respectively).





## 28. EMPLOYEE BENEFITS

	2017 RMB'000	2016 RMB'000
Wages and salaries	<b>4,848,830</b>	4,362,506
Provision for medical, housing scheme and other employee benefits (a)	<b>1,220,708</b>	1,114,918
Contributions to the defined contribution scheme (b)	<b>772,682</b>	741,923
	<b>6,842,220</b>	6,219,347

### (a) Housing scheme

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

### (b) Defined contribution pension scheme

All the full-time employees of the Group are entitled to join a statutory pension scheme. The employees would receive pension payments equal to their basic salaries payable upon their retirement up to their death. Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are to be made monthly to a government agency based on 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.

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2016: one), three senior executives (2016: four) and one supervisor (2016: Nil).

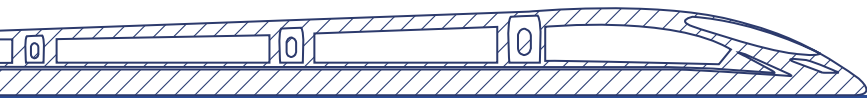
The emolument range of each individual is within the band of Nil to RMB498,000 (2016: Nil to RMB447,255).

## 29. OTHER LOSSES — NET

	2017 RMB'000	2016 RMB'000
Loss on disposal of fixed assets — net	<b>(77,026)</b>	(133,073)
Interest income from banks	<b>18,974</b>	24,772
Government grants	<b>13,272</b>	9,769
Dividend income on available-for-sale investments	<b>6,473</b>	5,884
Income from compensation	<b>295</b>	749
Impairment of fixed assets ( <i>Note 6</i> )	<b>(11,185)</b>	—
Impairment of trade receivables ( <i>Note 18</i> )	<b>(5,904)</b>	(6)
Impairment of construction-in-progress ( <i>Note 7</i> )	—	(5,662)
Unwinding of interest accrued on long-term receivable	<b>2,868</b>	2,602
Others	<b>3,756</b>	(13,305)
	<b>(48,477)</b>	(108,270)

## 30. FINANCE (COSTS)/INCOME — NET

	2017 RMB'000	2016 RMB'000
Net foreign exchange (loss)/gains	<b>(7,304)</b>	6,374
Bank charges	<b>(2,866)</b>	(3,823)
	<b>(10,170)</b>	2,551



## 31. INCOME TAX EXPENSE

In 2017 and 2016, the applicable income tax rate of the Company was 25%.

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

	2017 RMB'000	2016 RMB'000
Current income tax	355,579	379,482
Deferred income tax (Note 12)	(20,215)	10,827
	<b>335,364</b>	390,309

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:

	2017 RMB'000	2016 RMB'000
Profit before tax	<b>1,347,132</b>	1,544,009
Tax calculated at the statutory rate of 25% (2016: 25%)	<b>336,783</b>	386,002
Effect of expenses not deductible for tax purposes	<b>663</b>	1,928
Effect of income not subject to tax	<b>(3,354)</b>	(3,277)
Tax losses for which no deferred tax asset was recognised	<b>5,561</b>	5,656
Over provision of previous year's income tax	<b>(3,886)</b>	—
Utilisation of previously unrecognised tax losses	<b>(403)</b>	—
Income tax expense	<b>335,364</b>	390,309

### 32. EARNINGS PER SHARE

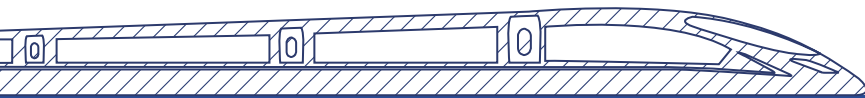
The calculation of basic earnings per share is based on the net profit for the year attributable to equity holders of approximately RMB1,015,361,000 (2016: RMB1,158,253,000), divided by the weighted average number of ordinary shares outstanding during the year of 7,083,537,000 shares (2016: 7,083,537,000 shares). There were no dilutive potential ordinary shares during both years.

	2017 RMB'000	2016 RMB'000
Profit attributable to owners of the Company	<b>1,015,361</b>	1,158,253
Weighted average number of ordinary shares in issue	<b>7,083,537</b>	7,083,537
Basic and diluted earnings per share	<b>RMB 0.14</b>	RMB 0.16

### 33. DIVIDEND

	2017 RMB'000	2016 RMB'000
Final, proposed, of RMB0.08 (2016: RMB0.08) per ordinary share	<b>566,683</b>	566,683

At the meeting of the directors held on 28 March 2018, the directors proposed a final dividend of RMB0.08 per ordinary share for the year ended 31 December 2017, which is subject to the approval by the shareholders in general meeting. This proposed dividend was not reflected as a dividend payable in the Group's and the Company's financial statements as at 31 December 2017.



## 34. CASH FLOW GENERATED FROM OPERATIONS

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

	2017 RMB'000	2016 RMB'000
Profit before income tax:	<b>1,347,132</b>	1,544,009
Adjustments for:		
Depreciation of fixed assets ( <i>Note 6</i> )	<b>1,662,460</b>	1,518,970
Impairment of fixed assets ( <i>Note 6</i> )	<b>11,185</b>	—
Impairment of construction-in-progress ( <i>Note 7</i> )	—	5,662
Provision for/(reversal of) impairment of materials and supplies ( <i>Note 17</i> )	<b>7,844</b>	(5,209)
Amortisation of leasehold land payments ( <i>Note 8</i> )	<b>45,680</b>	38,670
Loss on disposal of fixed and costs on repairs	<b>321,741</b>	133,073
Amortisation of long-term prepaid expenses ( <i>Note 13</i> )	<b>3,168</b>	6,968
Share of results of associates, net of tax ( <i>Note 11</i> )	<b>(6,944)</b>	(7,223)
Dividend income on available-for-sale investments ( <i>Note 29</i> )	<b>(6,473)</b>	(5,884)
Provision for impairment of receivables	<b>5,901</b>	5
Amortisation of deferred income	<b>(3,282)</b>	(3,258)
Interest income	<b>(4,647)</b>	(4,353)
Operating profit before working capital changes	<b>3,383,765</b>	3,221,430
Increase in trade receivables	<b>(419,349)</b>	(1,034,064)
Decrease in materials and supplies	<b>6,121</b>	14,432
Increase in prepayments and other receivables	<b>(12,975)</b>	(47,594)
Decrease in long-term receivable	<b>3,000</b>	2,000
Increase in trade payables	<b>181,554</b>	34,178
(Decrease)/increase in accruals and other payables	<b>(179,412)</b>	22,481
Net cash generated from operations	<b>2,962,704</b>	2,212,863

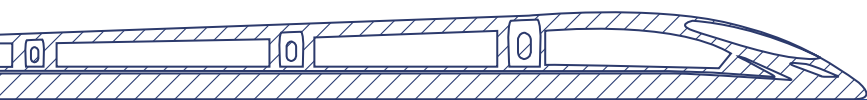
### 34. CASH FLOW GENERATED FROM OPERATIONS *(continued)*

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Net book amount <i>(Note 6)</i>	<b>336,812</b>	142,336
Receivable arising from disposal of fixed assets	—	20,349
Payable arising from disposal of fixed assets	<b>(2,457)</b>	—
Transfer to materials and supplies	<b>(12,087)</b>	(11,662)
Loss on disposal of fixed assets and costs on repairs	<b>(321,741)</b>	(133,073)
Proceeds from disposal of fixed assets	<b>527</b>	17,950

### 35. CONTINGENCY

There were no significant contingent liabilities as at 31 December 2017 and up to the date of approval of these financial statements.



## 36. COMMITMENTS

### (a) Capital commitments

As at 31 December 2017, the Group had the following capital commitments:

	2017 RMB'000	2016 RMB'000
Contracted but not provided for	1,341,055	769,013
Authorised but not contracted for	518,945	1,165,237

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

### (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 2017, the related lease rental paid and payable was approximately RMB57,358,000 (2016: RMB55,090,000).

## 37. 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 principal subsidiaries.

None of the shareholders is the controlling entity of the Company.

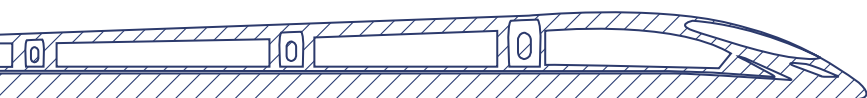
### 37. RELATED PARTY TRANSACTIONS *(continued)*

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

(i) ***Guangzhou Railway Group and its subsidiaries***

Name of related parties	Relationship with the Company
<b><i>Single largest shareholder and its subsidiaries</i></b>	
Guangzhou Railway Group	Single largest shareholder
Guangzhou Railway Group YangCheng Railway Enterprise Development Company	Subsidiary of the single largest shareholder
GRCL	Subsidiary of the single largest shareholder
GEDC	Subsidiary of the single largest shareholder
Guangzhou Railway Material Supply Company	Subsidiary of the single largest shareholder
Yuehai Railway Company Limited	Subsidiary of the single largest shareholder
Shichang Railway Company Limited	Subsidiary of the single largest shareholder
Guangzhou Railway Station Service Centre	Subsidiary of the single largest shareholder
Changsha Railway Construction Company Limited	Subsidiary of the single largest shareholder
Guangdong Sanmao Enterprise Development 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
Guangdong Tieqing International Travel Agency Company Limited	Subsidiary of the single largest shareholder
Huaihua Railway Engineer Construction Company	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
Hunan Changtie Industrial Development Co. Ltd.	Subsidiary of the single largest shareholder
Guangzhou Railway Real Estate Construction Company	Subsidiary of the single largest shareholder
Guangzhou Beiyang Information Technology Company Limited	Subsidiary of the single largest shareholder
Guangdong Sanmao Railway Capital Construction Company	Subsidiary of the single largest shareholder
<b><i>Associates of the Group</i></b>	
Tiecheng	Associate of the Group
Shentu	Associate of the Group





## 37. RELATED PARTY TRANSACTIONS *(continued)*

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

(ii) ***Relationship with CRC and other railway companies***

On 14 March 2013, pursuant to the Approval, the previous controlling entity of Guangzhou Railway Group, MOR, had been dismantled. The administrative function of MOR were transferred to the Ministry of Transport and the newly established National Railway Bureau, and its business functions were transferred to the CRC. Accordingly, the equity interests of Guangzhou Railway Group which was wholly controlled by MOR previously were transferred to the CRC ("Reform"). The Reform was completed since 1 January 2017 and the Company disclosed details of transactions undertaken with CRC Group for both years of 2017 and 2016 for reference. Unless otherwise specified, the transactions with CRC Group disclosed below have excluded transactions undertaken with Guangzhou Railway Group and its subsidiaries.

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

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

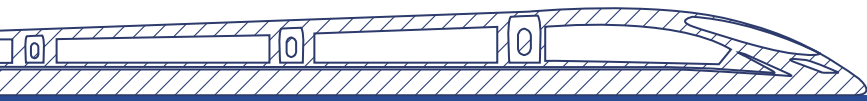
	2017 RMB'000	2016 RMB'000
<b><i>Provision of services and sales of goods</i></b>		
<i>Transportation related services</i>		
Provision of train transportation services to Guangzhou Railway Group and its subsidiaries (i)	1,505,348	1,425,538
Revenue collected by CRC for railway network usage and related services provided to Guangzhou Railway Group and its subsidiaries (ii)	1,428,752	1,400,876
Revenue from railway operation service provided to Guangzhou Railway Group's subsidiaries (iii)	660,847	579,253
	<b>3,594,947</b>	<b>3,405,667</b>
<i>Other services</i>		
Sales of materials and supplies to Guangzhou Railway Group and its subsidiaries (iv)	23,386	29,449

### 37. RELATED PARTY TRANSACTIONS *(continued)*

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

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

	2017 RMB'000	2016 RMB'000
<b><i>Services received and purchases made</i></b>		
<i>Transportation related services</i>		
Provision of train transportation services by Guangzhou Railway Group and its subsidiaries <i>(i)</i>	1,048,524	989,778
Costs settled by CRC for railway network usage and related services provided by Guangzhou Railway Group and its subsidiaries <i>(ii)</i>	1,720,849	1,628,336
Operating lease rental paid to Guangzhou Railway Group for leasing of land use rights <i>(Note 36 (b))</i>	57,358	55,090
	<b>2,826,731</b>	<b>2,673,204</b>
<i>Other services</i>		
Social services (employee housing and public security services and other ancillary services) provided by GEDC <i>(iii)</i>	—	11,297
Provision of repair and maintenance services by Guangzhou Railway Group and its subsidiaries <i>(iv)</i>	298,040	306,988
Purchase of materials and supplies from Guangzhou Railway Group and its subsidiaries <i>(v)</i>	455,716	469,273
Provision of construction services by Guangzhou Railway Group and its subsidiaries <i>(vi)</i>	272,390	347,409
	<b>1,026,146</b>	<b>1,134,967</b>



## 37. RELATED PARTY TRANSACTIONS *(continued)*

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

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

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

(II) Material transactions with CRC and other railway companies

The Group work in cooperation with the CRC and other railway companies owned and controlled by CRC for the operations of certain long distance passenger train and freight transportation businesses within the PRC. The revenues generated therefrom are collected and settled by the CRC according to its central recording and settlement systems (see details in Note 2.24). The charges for the use of the rail lines and services provided by other railway companies are also instructed by the CRC and settled by the CRC based on its systems. Since March 2013, the collection, processing and distribution functions of revenues which were executed by MOR previously have been transferred to CRC. As at 31 December 2017, the cooperation mode and pricing model had not been subject to any material changes.

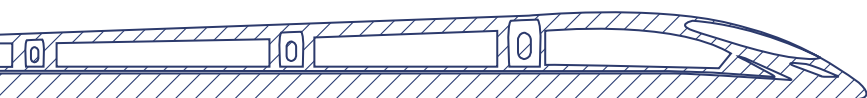
### 37. RELATED PARTY TRANSACTIONS *(continued)*

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

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

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

	2017 RMB'000	2016 RMB'000
<b><i>Provision of services and sales of goods</i></b>		
<i>Transportation related services</i>		
Provision of train transportation services to CRC Group <i>(i)</i>	<b>81,396</b>	29,794
Revenues collected by CRC for services provided to CRC Group <i>(ii)</i>	<b>1,877,719</b>	1,777,640
Revenues from railway operation service provided to CRC Group <i>(iii)</i>	<b>1,800,692</b>	1,628,143
	<b>3,759,807</b>	3,435,577
<i>Other services</i>		
Provision of repairing services for cargo trucks to CRC Group <i>(ii)</i>	<b>333,917</b>	323,993
Sales of materials and supplies to CRC Group <i>(iv)</i>	<b>7,185</b>	7,073
Provision of apartment leasing services to CRC Group <i>(iv)</i>	<b>722</b>	641
	<b>341,824</b>	331,707



### 37. RELATED PARTY TRANSACTIONS *(continued)*

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

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

	2017 RMB'000	2016 RMB'000
<b><i>Services received and purchases made</i></b>		
<i>Transportation related services</i>		
Provision of train transportation services by CRC Group (i)	<b>306,208</b>	292,754
Cost settled by CRC for services provided by CRC Group (ii)	<b>1,395,591</b>	1,376,047
	<b>1,701,799</b>	1,668,801
<i>Other services</i>		
Provision of repair and maintenance services by CRC Group (iv)	<b>31,089</b>	42,954
Purchase of materials and supplies from CRC Group (v)	<b>19,258</b>	15,220
Provision of construction services by CRC Group (vi)	—	4,385
	<b>50,347</b>	62,559

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

### 37. RELATED PARTY TRANSACTIONS *(continued)*

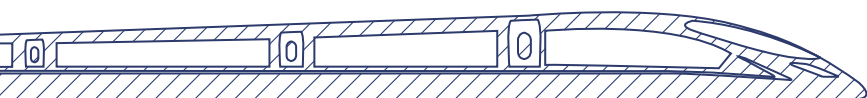
- (c) In addition to those disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions undertaken with related parties: *(continued)*

**(III)** Revenues collected and settled through the CRC:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
— Passenger transportation	<b>7,295,985</b>	6,960,491
— Freight transportation	<b>1,266,122</b>	1,105,061
— Other transportation related services	<b>112,267</b>	86,883
	<b>8,674,374</b>	8,152,435

**(d) Key management compensation**

The compensation paid or payable to key management for employee services is shown in Note 40.



### 37. RELATED PARTY TRANSACTIONS *(continued)*

(e) As at 31 December 2017, the Group had the following material balances maintained with related parties:

(1) Material balances with Guangzhou Railway Group and its subsidiaries:

	2017 RMB'000	2016 RMB'000
Trade receivables	<b>1,435,421</b>	730,061
— Guangzhou Railway Group <i>(i)</i>	<b>132,830</b>	229,056
— Subsidiaries of Guangzhou Railway Group <i>(i)</i>	<b>1,302,591</b>	501,005
Prepayments and other receivables	<b>44,329</b>	25,961
— Guangzhou Railway Group	<b>3,277</b>	691
— Subsidiaries of Guangzhou Railway Group	<b>41,052</b>	25,270
Prepayments for fixed assets and construction-in-progress	<b>4,352</b>	225
— Guangzhou Railway Group	—	—
— Subsidiaries of Guangzhou Railway Group <i>(ii)</i>	<b>4,352</b>	225
Trade payables	<b>681,587</b>	533,051
— Guangzhou Railway Group <i>(i)</i>	<b>61,899</b>	61,486
— Subsidiaries of Guangzhou Railway Group <i>(ii)</i>	<b>619,509</b>	432,712
— Associates	<b>179</b>	38,853
Payables for fixed assets and construction-in-progress	<b>342,519</b>	249,308
— Guangzhou Railway Group	<b>53,821</b>	10,805
— Subsidiaries of Guangzhou Railway Group	<b>220,377</b>	168,038
— Associates	<b>68,321</b>	70,465
Accruals and other payables	<b>439,509</b>	430,331
— Guangzhou Railway Group	<b>7,390</b>	5,663
— Subsidiaries of Guangzhou Railway Group <i>(iii)</i>	<b>430,041</b>	422,877
— Associates <i>(iv)</i>	<b>2,078</b>	1,791

### 37. RELATED PARTY TRANSACTIONS *(continued)*

(e) As at 31 December 2017, the Group had the following material balances maintained with related parties: *(continued)*

(I) Material balances with Guangzhou Railway Group and its subsidiaries: *(continued)*

- (i) The trade balances due from/to Guangzhou Railway Group, subsidiaries of Guangzhou Railway Group mainly represent service fees and charges payable and receivable balances arising from the provision of passenger transportation and cargo forwarding businesses jointly with these related parties within the PRC.
- (ii) The trade payables due to subsidiaries of Guangzhou Railway Group mainly represent payables arising from unsettled fees for purchase of materials and provision of other services according to various service agreements entered into between the Group and the related parties.
- (iii) The other payables due to subsidiaries of Guangzhou Railway Group mainly represent the performance deposits received for construction projects and deposits received from ticketing agencies.
- (iv) The other payables due to associates mainly represent the performance deposits received for construction projects operated by associates.

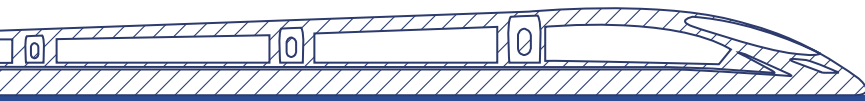
As at 31 December 2017, all the balances maintained with related parties were unsecured, non-interest bearing and were repayable on demand.

(II) Material balances with CRC Group:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Due from CRC Group		
— Trade receivables	1,372,631	1,443,272
— Other receivables	1,207	4,672
Due to CRC Group		
— Trade payables and payables for fixed assets and construction-in-progress	62,620	65,496
— Other payables	6,413	15,901

As at 31 December 2017, all the balances maintained with CRC Group were unsecured, non-interest bearing and were repayable on demand.





## 38. SUBSEQUENT EVENTS

At the meeting of the directors held on 28 March 2018, the directors proposed a final dividend of RMB0.08 per ordinary share for the year ended 31 December 2017, which is subject to the approval by the shareholders in general meeting (Note 33). This proposed dividend was not reflected as a dividend payable in the Group's and the Company's financial statements as at 31 December 2017.

## 39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

### Balance sheet of the Company

	As at 31 December	
	2017	2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets — net	23,525,634	24,176,035
Construction-in-progress	1,429,670	788,894
Prepayments for fixed assets and construction-in-progress	24,109	30,489
Leasehold land payments	1,677,702	1,310,951
Goodwill	281,255	281,255
Investments in subsidiaries	83,121	83,121
Investments in associates	121,855	121,855
Deferred tax assets	48,619	91,362
Long-term prepaid expenses	33,150	7,667
Available-for-sale investments	294,696	52,108
Long-term receivable	31,274	31,406
	<b>27,551,085</b>	<b>26,975,143</b>
<b>Current assets</b>		
Materials and supplies	326,211	327,819
Trade receivables	4,137,661	3,351,364
Prepayments and other receivables	352,433	379,824
Short-term deposits	100,000	100,000
Cash and cash equivalents	1,151,528	1,349,475
Assets classified as held for sale	2,183	—
	<b>6,070,016</b>	<b>5,508,482</b>
<b>Total assets</b>	<b>33,621,101</b>	<b>32,483,625</b>

## 39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

*(continued)*

	<i>Note</i>	As at 31 December 2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		<b>7,083,537</b>	7,083,537
Share premium	<i>(a)</i>	<b>11,564,462</b>	11,564,462
Other reserves	<i>(a)</i>	<b>3,109,516</b>	2,825,593
Retained earnings	<i>(a)</i>	<b>6,955,483</b>	6,611,274
<b>Total equity</b>		<b>28,712,998</b>	28,084,866
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income		<b>105,791</b>	106,810
<b>Current liabilities</b>			
Trade payables		<b>1,308,263</b>	1,112,408
Payables for fixed assets and construction-in-progress		<b>2,214,547</b>	1,765,185
Dividends payable		<b>18</b>	17
Income tax payable		<b>141,749</b>	117,453
Accruals and other payables		<b>1,137,735</b>	1,296,886
		<b>4,802,312</b>	4,291,949
<b>Total liabilities</b>		<b>4,908,103</b>	4,398,759
<b>Total equity and liabilities</b>		<b>33,621,101</b>	32,483,625

The balance sheet of the Company was approved by the Board of Directors on 28 March 2018 and was signed on its behalf.

**Wu Yong**  
*Director*

**Hu Lingling**  
*Director*

## 39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(continued)

### (a) Reserve movement of the Company:

	Share premium	Other reserves	Retained earnings
At 1 January 2016	11,564,462	2,708,543	6,131,728
Total comprehensive income	—	—	1,163,279
Profit for the year	—	—	1,163,279
Other comprehensive income	—	—	—
Special reserve — Safety Production Fund	—	—	—
Appropriation	—	204,792	(204,792)
Utilisation	—	(204,792)	204,792
Appropriations from retained earnings	—	117,050	(117,050)
Transaction with owners:	—	—	(566,683)
Dividend relating to 2015	—	—	(566,683)
<b>At 31 December 2016</b>	<b>11,564,462</b>	<b>2,825,593</b>	<b>6,611,274</b>
At 1 January 2017	11,564,462	2,825,593	6,611,274
Total comprehensive income	—	181,941	1,012,874
Profit for the year	—	—	1,012,874
Other comprehensive income	—	181,941	—
Special reserve — Safety Production Fund	—	—	—
Appropriation	—	227,250	(227,250)
Utilisation	—	(227,250)	227,250
Appropriations from retained earnings	—	101,982	(101,982)
Transaction with owners:	—	—	(566,683)
Dividends relating to 2016	—	—	(566,683)
<b>At 31 December 2017</b>	<b>11,564,462</b>	<b>3,109,516</b>	<b>6,955,483</b>

## 40. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors', supervisors' and senior executives' emoluments

For the year ended 31 December 2017

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking

Name	Fee RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Total RMB'000
<b>Directors</b>								
Wu, Yong	—	—	—	—	—	—	—	—
Luo, Qing	—	222	63	31	12	39	—	367
Sun, Jing	—	—	—	—	—	—	—	—
Yu, Zhiming	—	—	—	—	—	—	—	—
Chen, Song	112	—	—	—	—	—	—	112
Jia, Jianmin	146	—	—	—	—	—	—	146
Wang, Yunting	112	—	—	—	—	—	—	112
Chen, Jianping	—	—	—	—	—	—	—	—
<b>Supervisors</b>								
Liu, Mengshu	—	—	—	—	—	—	—	—
Chen, Shaohong	—	—	—	—	—	—	—	—
Shen, Jiancong	—	—	—	—	—	—	—	—
Li, Zhiming	—	—	—	—	—	—	—	—
Song, Min	—	187	55	31	10	37	—	320
Zhou, Shangde	—	266	54	31	14	22	—	387
<b>Chief Executive</b>								
Hu, Lingling	—	273	89	31	10	38	—	441
<b>Senior Executives</b>								
Luo, Jiancheng	—	222	68	31	8	36	—	365
Tang, Xiangdong	—	222	67	31	9	37	—	366
Guo, Xiangdong	—	222	64	31	11	38	—	366

## 40. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

### (a) Directors', supervisors' and senior executives' emoluments *(continued)*

For the year ended 31 December 2016

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking

Name	Fee RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Total RMB'000
<b>Directors</b>								
Wu, Yong	—	—	—	—	—	—	—	—
Shen, Yi (i)	—	—	—	—	—	—	—	—
Luo, Qing	—	124	144	29	11	35	—	343
Sun, Jing	—	—	—	—	—	—	—	—
Yu, Zhiming	—	—	—	—	—	—	—	—
Chen, Song	112	—	—	—	—	—	—	112
<b>Directors</b>								
Jia, Jianmin	143	—	—	—	—	—	—	143
Wang, Yunting	112	—	—	—	—	—	—	112
Chen, Jianping	—	—	—	—	—	—	—	—
<b>Supervisors</b>								
Liu, Mengshu	—	—	—	—	—	—	—	—
Chen, Shaohong	—	—	—	—	—	—	—	—
Shen, Jiancong	—	—	—	—	—	—	—	—
Li, Zhiming	—	—	—	—	—	—	—	—
Song, Min	—	118	120	29	9	34	—	310
Zhou, Shangde	—	198	—	29	80	33	—	340
<b>Chief Executive</b>								
Hu, Lingling (ii)	—	127	206	29	9	36	—	407
<b>Senior Executives</b>								
Mu, Anyun (iii)	—	125	144	29	10	37	—	345
Luo, Jiancheng (iv)	—	—	—	—	—	—	—	—
Tang, Xiangdong	—	123	148	29	8	34	—	342
Guo, Xiangdong	—	124	146	29	9	35	—	343

## 40. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

### (a) Directors', supervisors' and senior executives' emoluments *(continued)*

For the year ended 31 December 2016 *(continued)*

- (i) Resigned from the position in May 2016.
- (ii) Appointed the position of director in May 2016 and continues to serve as a chief executive of the Company.
- (iii) Resigned from the position in December 2016.
- (iv) Appointed in December 2016.

During the year ended 31 December 2017, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; no directors and senior management waived or has agreed to waive any emoluments (2016: Nil).

### (b) Director's retirement benefits

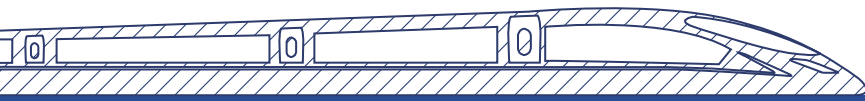
The retirement benefits paid to Luo Qing during the year end of 2017 by a defined contribution pension plan (basic endowment insurance and enterprise annuity) in respect of his services as director of the Company and its subsidiaries are RMB39,000 (2016: RMB35,000) respectively. No other retirement benefits were paid to him in respect of his other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2016: Nil).

### (c) Directors' termination benefits

During the year ended 31 December 2017, no payments to the directors of the Company as compensation for the early termination of the appointment (2016: Nil).

### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Company did not provide to third any party for making available director's services (2016: Nil).



#### 40. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

**(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During the year ended 31 December 2017, no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2016: Nil).

**(f) Directors' material interests in transactions, arrangements or contracts**

Except the transactions with Guangzhou Railway Group as disclosed in note 37, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

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## Chapter 12

# Documents Available for Inspection

### DOCUMENTS AVAILABLE FOR INSPECTION

1. Accounting statements signed and stamped by the legal representative, person in charge of accounting affairs and responsible person of the accounting firm;
2. The original audit report signed and stamped by PricewaterhouseCoopers Zhong Tian LLP and the financial Statements prepared in accordance with China accounting standards, and the original audit report signed and stamped by PricewaterhouseCoopers and the financial Statements prepared in accordance with IFRS;
3. All the original of files and announcements disclosed in China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily during the reporting period;
4. The annual report published on Hong Kong's security market and the annual report published in the security market in United States (Form 20-F).

The documents are placed with the Secretariat to the Board.

Chairman of the Board: Wu Yong

Date of Approval from the Board: March 28, 2018

#### Amendments to Information

Applicable  Not applicable















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