

# **Guangshen Railway Company Limited**

## **2012 Social Responsibility Report**



March 26, 2013

The Board of Directors and Directors of the Company warrant that there are no material omissions from, or misrepresentations or misleading statements contained in this announcement, and severally and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

The Board of Guangshen Railway Company Limited

March 26, 2013

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## **I. Chairman's statement**

Dear sirs / madams,

In 2012, leading the way for the entire staff of the Company and following the spearhead of scientific development, the Board of Guangshen Railway stepped up the regulation of corporate governance practices, expedited the change in operation development, reinforced the consciousness as a market competition subject, consolidated the foundation of transportation safety, strived for enhancement of service quality, improved the production and living environments of employees in real terms, facilitated the harmony, stability and healthy development of the Company, achieving new results in each of these tasks. The Company achieved a passenger delivery volume of 846.0 million persons, a tonnage of freight of 21.37 million tons; operating revenues of RMB15,092 million, representing a year-to-year increase of 2.73%; profit attributable to equity holders of RMB1,319 million, representing a year-on-year decrease of 26.89%.

In 2012, as a listed company providing consolidated railway passenger and freight transportation services, Guangshen Railway has always upheld the tight integration of

operation management and performance of social responsibilities, striving to achieve the overall social responsibility of contributing to the sustainable development of the economy, society and the environment while creating value for the shareholders.

The Company incessantly reinforces its corporate governance and is committed to honest operation. The Company has complied with the requirements related to matters of cash dividends by the listed company and has convened a general meeting to pass resolutions to amend the Articles of the Company which further specify the Company's cash dividend policy for the protection of the shareholders' interests. The Company implements a long-term stable shareholder return plan, and the Board recommends payment of a final dividend of RMB0.08 per share for 2012, totaling RMB566,682,960. The Company continuously perfects the corporate governance structure comprised of general meetings, the Board, supervisory committee and management, strictly complies with the information disclosure obligation, and emphasizes the management of investor relationship. The Company was awarded with "2012 Top 100 China Companies in Consolidated Strengths", "2012 Top 10 Listed Companies in Guangdong with Honest Operation", "2012 Top 10 Most Respected Listed

Companies in Guangdong” and “Golden Bauhinia Award for Best Investor Relations Management by a Listed Company”.

The Company is committed to construction and development through its own efforts, as well as service innovations. Through railway construction and development to incessantly increase its passenger and freight transportation capacity, the Company looks to satisfy the demand of the vast population of travelers. During the year, the Company completed 496 major repair and reconstruction projects for locomotives, vehicles and track equipment, including highlight projects such as level four repairs of CRHs and major repairs of locomotives and vehicles, and replacement with steel rails and frogs for Beijing-Guangzhou main line. The Company has invested in the reconstruction of passenger service facilities of Guangzhou East station and Guangzhou station, commenced the program of “timeliness and quality in servicing the customers”, which have resulted in notable enhancement of the image of our passenger transportation services. In December 2012, the Company purchased 2 CRH units of CRH1-model for operation on the Guangzhou-Shenzhen Intercity line, all Canton-Kowloon Through Trains operated by the Company have changed to install the newly purchased 25T soft seat carts, while at the same time, Shenzhen East station invested and constructed by the

Company commenced operation. All these have further scaled up the passenger transportation capacity of the Company. The Company also strived to explore the potential, increase the efficiency, increase the transportation volume and augment the revenue through various measures including enhancement of freight transportation organization, building an e-commerce platform for freight transportation, and perfection of auxiliary facilities for freight transportation.

The Company has always taken transportation safety as its prime concern and adhered to the philosophy of consolidating safe development, reinforcing the safety foundation and augment its safety investments. In 2012, the Company achieved a full year of having no railway transportation incidents categorized as No Responsibility General Level B and above, maintaining safety and stability during the key periods of the Spring Season, the 18th National Congress and major festivals and holidays. The Company stresses protection of staff rights and efforts to promote our staff quality through improving staff remuneration and treatment, enhancing the living environment and arranging for learning and training. The Company concerns the health and difficulties of its staff and organizes diversified recreational and sports activities for its staff to further increase the cohesion and sense of belonging of its staff.

The Company attaches great importance to environment protection tasks and implements measures to save energy and reduce emission. Guangshen Railway aligns with the “green and low-carbon” direction of development as a public transportation, and contributes to protection of the environment along the railway lines. The Company also successfully combined efforts to save energy and reduce emission with measures of increasing revenues and cutting costs. In 2012, the Company invested RMB13.01 million in environmental protection facilities, resulting in reduction in sulfur dioxide and industrial waste water emission by 48.9% and 11.1% compared to the same period last year, respectively. Simultaneously, the Company has commenced promotion for energy consumption management and water and power saving to facilitate the sustainable development of the environment.

The Company is enthusiastic for public charity and is committed to reciprocating our corporate achievements to society, helping its staff in distress, proactively promoting the concurrent development of the locality and the corporate, as well as achieving harmonious and mutual success with all stakeholders. In 2012, the social contribution value per share of the Company was RMB0.91, representing an increase of 2.25% compared to 2011.

Looking into the forthcoming tasks in the new year, Guangshen Railway will continue to adhere to the operating philosophy of “service for customers, orientation towards people and corporate governance by law”, incessantly stretch out our coverage, maintain the safety and stability of the railways, step up the passenger and freight transportation capacity, fulfill our corporate social responsibilities in all respects, and promote the development of the corporate and society in harmony.

Chairman: Li Wenxin

March 26, 2013

## **II. General Information on the Company**

### **1. Company profile**

On March 6, 1996, Guangshen Railway was registered and established in Shenzhen, the People's Republic of China (the "PRC") in accordance with the Company Law of the PRC. In May 1996, the H shares ("H Shares", share code: 00525) and American Depositary Shares ("ADSs", ticker symbol: GSH) issued by the Company were listed on the Stock Exchange of Hong Kong Limited and the New York Stock Exchange, Inc., respectively. In December 2006, the A shares ("A Shares", share code: 601333) issued by the Company were listed on the Shanghai Stock Exchange. In January 2007, the Company used the fund raised from issuing A shares to acquire Guangzhou-Pingshi Railway (Southbound railway in Beijing-Guangzhou line), where the scope of operations expanded from regional railway to being part of the national backbone network, thus improving passenger and freight transportation capacity significantly. The Company is currently the only PRC railway enterprise with its shares listed in Shanghai, Hong Kong and New York.

The Company is mainly engaged in passenger and freight transportation businesses on the Shenzhen-Guangzhou-Pingshi

Railway and certain long-distance passenger transportation services, the operation of the Hong Kong Through Train passenger services in cooperation with MTR Corporation Limited, and provision of entrustment transportation service to other railway companies in the PRC.

The Shenzhen-Guangzhou-Pingshi Railway, which is operated solely and independently by the Company, is 481.2 kilometers long. It runs vertically through the whole Guangdong Province. Guangzhou-Pingshi Railway is the southern part of Beijing-Guangzhou railway, which is the aortic connecting north and south China. Guangzhou-Shenzhen Railway is strategically located and links with major railway networks in China, including the Beijing-Guangzhou, Beijing-Kowloon, Sanshui-Maoming, Pinghu-Nantou, and Pinghu-Yantian lines, as well as to the Kowloon-Canton Railway in Hong Kong. It is an important component of the transportation network of the southern China, as well as the only railway channel linking Hong Kong with inland China. The Guangzhou-Shenzhen railway is currently one of the most modern railways in the PRC, as well as the first wholly-fenced railway with four parallel lines in the PRC that allows the passenger trains and the freight trains to run on separate lines.

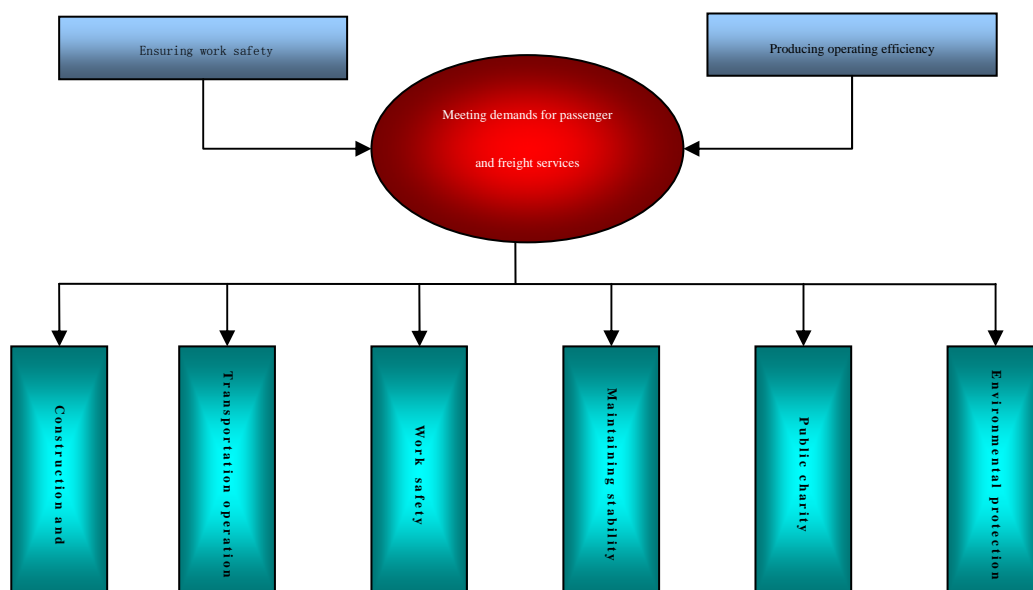
## **2. Management of corporate social responsibilities**

### **(1)View of corporate social responsibilities**

As a listed company providing railway passenger and freight transportation services, the Company combines business operation closely with the fulfillment of social responsibility. While creating values for shareholders, the Company endeavors to promote sustainable development of economy, society and environment as the overall goal of social responsibility.

The core of the Company's social responsibility is to meet demands for passenger and freight transportation, with the prerequisite of ensuring work safety and producing operating efficiency. There are six components in the Company's social responsibility: responsibility of construction and development, responsibility of transportation operation, responsibility of work safety, responsibility of maintaining stability, responsibility of public charity and responsibility of environmental protection, which interact with each to serve the fundamental goal of satisfying demands for passenger and freight services.

## Guangshen Railway's View of Social Responsibility



### (2) Management structure

Guangshen Railway has preliminarily established a management structure for corporate social responsibilities cored around the Board. The Board of the Company is responsible for decision-making and management in relation to social responsibilities tasks and social responsibilities reports. The headquarters of the Company has set up the consolidated management department, human resources department, operation and management department, financial planning department, audit department and information technology department to be oversee different social responsibilities tasks of the Company, whereas the Board Secretariat is responsible for the summarization and disclosure of social responsibilities

information of the Company. Each station and section of the Company has set up specialized department / offices in relation to labor safety, technical application, remuneration and benefits, staff training, health and hygiene to cogently perform the corporate social responsibilities.

### **3. Honor and Awards of the Company**

In 2012, Guangshen Railway received the following honors and awards:

(1) “2012 Top 100 China Companies in Consolidated Strengths” jointly assessed by the China Listed Company Development Research Center, [www.phb168.com](http://www.phb168.com) and Southern Entrepreneur Magazine;

(2) “Top 100 Enterprises in Tax Contribution in Guangdong” jointly assessed by the Guangdong Provincial State Taxation Bureau and Guangdong Provincial Local Taxation Bureau;

(3) “Golden Bauhinia Award” for Best Investor Relations Management by a Listed Company jointly awarded by Hong Kong Ta Kung Pao and other authoritative organizations in Hong Kong and the PRC;

(4) “2012 Top 10 Most Respected Listed Companies in Guangdong” and “2012 Top 10 Listed Companies in Guangdong with Honest Operation” assessed by Guangdong

Provincial Enterprises Confederation;

(5) “Top 100 Enterprises in Shenzhen” jointly assessed by Shenzhen Enterprise Confederation and Shenzhen Economic Daily.

### **III. Corporate governance and honest operation**

#### **1. Corporate governance**

Guangshen Railway has been continuously improving its corporate governance structure and promoting the regulated operation of the general meetings, the Board, the supervisory committee and the management in accordance with the relevant domestic and overseas listing rules and regulatory requirements, after taking into account the actual status of affairs of the Company. The stock exchanges and the capital market were positive for the corporate governance standard of the Company – A share of the Company is a constituent share on the list of SSE Corporate Governance Index and SSE 180 Corporate Governance Index, whereas the Company was among one of the 20 listed company candidates for the Board of Directors Award of Shanghai Stock Exchange 2012.

##### **(1) Shareholders and general meetings**

The Articles and Discussion Rules at General Meetings of the Company have stipulated the shareholders' rights, shareholders' obligations, and power of general meetings, procedures of general meetings and protection of minority shareholders' rights. The Company has complied with the relevant requirements of applicable laws, Articles of the Company and the Discussion Rules at General Meetings in

convening, authorization, consideration and voting at the general meetings. Connected transactions of the Company were fair and reasonable, and have made adequate disclosure of the pricing basis. In 2012, 2 general meetings have been held, on which 10 resolutions have been passed upon consideration. For details of information and resolutions of the general meetings, please read the relevant announcements of the Company.

**Overview of general meetings convened by Guangshen Railway in 2012**

<b>Name of meeting</b>	<b>Time</b>	<b>Venue</b>	<b>Way of holding</b>	<b>Attendants</b>	<b>Number of shares represented</b>	<b>Percentage to the total number of shares with voting rights of the Company</b>
2011 annual general meeting	May 22, 2012	Headquarters of the Company	Onsite	Shareholders and 14 agents and 5 directors	4,018,487,497	56.73%
2012extraordinary general meeting	September 27, 2012	Headquarters of the Company	Onsite	Shareholders and 6 agents and 5 directors	4,009,179,761	56.60%

## (2) Directors and the Board

The Board comprises nine members, including three independent non-executive Directors. The Articles and Discussion Rules at Board Meetings of the Company have stipulated the composition of the Board, power of the Board, procedures of Board meetings and implementation of Board meeting resolutions. The Company has strictly complied with the relevant requirements and the legal procedures in convening, authorization, consideration and voting at the Board meetings.

Members of the Board	
<b>Li Wenxin</b>	Chairman
<b>Shen Yi</b>	Managing Director
<b>Sun Jing</b>	Director
<b>Yu Zhiming</b>	Director
<b>Li Liang</b>	Director
<b>Luo Qing</b>	Director
<b>Lu Minlim</b>	Independent Director
<b>Liu Xueheng</b>	Independent Director
<b>Liu Feiming (female)</b>	Independent Director

The Board has established the audit committee and the remuneration committee, which are mainly comprised of independent Directors and both chaired by Mr. Lu Minlim. In accordance with systems including the Working Rules of Independent Directors, the Working Rules of Audit Committee, the Working System for Annual Report of Independent Directors and Audit Committee, and the Working Rules of Remuneration Committee, the committee conducts its work to audit the financial statements, internal control and engagement of auditor of the Company, and to enhance the professional and scientific

decision-making by the Board. In 2012, the Company has convened 6 Board meetings and 6 meetings of the audit committee. All the meetings were held at the headquarters of the Company, at which 53 resolutions have been passed upon consideration. For details of the resolutions of Board meetings, please read the relevant announcements of the Company.

**Overview of meetings of the Board and audit committees of Guangshen Railway in 2012**

<b>Date of meeting</b>	<b>Name of meeting</b>	<b>Attendants</b>	<b>Number of resolutions</b>
<b>The Board</b>			
January 31, 2012	The fifth meeting of the sixth session of the Board	Attended by 9 Directors	7
March 27, 2012	The sixth meeting of the sixth session of the Board	Attended by 6 Directors and 3 Directors by proxy	17
April 26, 2012	The seventh meeting of the sixth session of the Board	Attended by 9 Directors	3
August 10, 2012	The eighth meeting of the sixth session of the Board	Attended by 9 Directors	1
August 28, 2012	The ninth meeting of the sixth session of the Board	Attended by 9 Directors	6
October 25, 2012	The tenth meeting of the sixth session of the Board	Attended by 9 Directors	3
<b>Audit committee</b>			
March 9, 2012	The first meeting in 2012	Attended by 3 independent Directors and the secretary of the Board	3
March 16, 2012	The second meeting in 2012	Attended by 3 independent Directors and the secretary of the Board	2

March 26, 2012	The third meeting in 2012	Attended by 2 independent Directors, 1 independent Director by proxy and the secretary of the Board	5
April 25, 2012	The fourth meeting in 2012	Attended by 3 independent Directors and the secretary of the Board	2
August 27, 2012	The fifth meeting in 2012	Attended by 3 independent Directors and the secretary of the Board	3
October 24, 2012	The sixth meeting in 2012	Attended by 3 independent Directors and the secretary of the Board	1

### (3) Supervisors and supervisory committee

The supervisory committee is comprised of 6 supervisors, and Mr. Xu Ling was elected as chairman of the supervisory committee. The power and procedures of the supervisor committee are clearly stipulated by the Articles and Procedures of Meetings of the Supervisory Committee of the Company.

Members of supervisory committee	
<b>Xu Ling</b>	Chairman
<b>Chen Shaohong</b>	Supervisor
<b>Shen Jiancong</b>	Supervisor
<b>Li Zhiming</b>	Supervisor
<b>Chen Jianping</b>	Supervisor
<b>Xu Huiliang</b>	Supervisor

The Company strictly complies with the requirements of applicable laws and the Articles of the Company in convening and voting at the meetings of the supervisory committee. The supervisors of the Company were able to perform the obligations and duties in accordance with the laws, regulations and the Articles of the Company.

In 2012, the Company has convened 4 meetings of supervisory committee. All the meetings were held at the

headquarters of the Company. For details of the resolutions of the meetings, please read the relevant announcements of the Company.

**Overview of meetings of supervisory committee of Guangshen Railway in 2012**

<b>Date of meeting</b>	<b>Name of meeting</b>	<b>Attendants</b>	<b>Number of resolutions</b>
March 27, 2012	The fourth meeting of the sixth session of the supervisory committee	Attended by 6 supervisors	6
April 26, 2012	The fifth meeting of the sixth session of the supervisory committee	Attended by 6 supervisors	1
August 28, 2012	The sixth meeting of the sixth session of the supervisory committee	Attended by 6 supervisors	1
October 25, 2012	The seventh meeting of the sixth session of the supervisory committee	Attended by 6 supervisors	1

**(4) Management**

The Company has one general manager who is responsible to the Board in exercising powers authorized by the Articles of the Company and the Board. The deputy general manager and the chief accountant assist the general manager in commencing his works. The Company has a secretary of the Board who is responsible for information disclosure and management of investor relationship.

<b>Management</b>	
<b>Shen Yi</b>	General manager
<b>Mu Anyun</b>	Deputy general manager
<b>Guo Xiangdong</b>	Deputy general manager and Secretary of the Board
<b>Tang Xiangdong</b>	Chief accountant

In 2012, the Company has held 35 work meetings of general manager, at which 71 resolutions were passed upon

consideration.

#### (5) Rules of governance

The Company continuously perfects its corporate governance system and has formulated and amended a number of systems to provide a basis for the regulated operation of the Company. In 2012, the Company has amended the Working Rules of Audit Committee, the Working Rules of Remuneration Committee, and the System for the Management of Inside Information and Insiders, and has formulated the Management System for Investor Relationship, and the Management Method of Disclosure of Information on Corporate Debts and Financial Tools. The Company discloses files of governance matters including the Articles, list of Directors and their roles and duties, shareholder communication policy and the procedures of nomination of candidates for directorship by shareholders on the website of the stock exchanges and the Company, in order to further enhance the transparency of information disclosure in relation to corporate governance.

#### (6) Training

Directors, supervisors and senior management of the Company proactively participated in various training programs held by the regulatory institutions, and attach great importance

to the accumulation of knowledge in operation and management and Securities Laws with the aim to incessantly strengthen the awareness for corporate governance and scientific decision-making. A Director and a Supervisor have participated in the 2012 Training Course for Directors and Supervisors of Listing Companies in Shenzhen jointly organized by Shenzhen Bureau of CSRC and Shenzhen Listed Companies Association. The Secretary of the Board participated in training for secretaries of board of directors organized by the Shanghai Stock Exchange and The Hong Kong Institute of Chartered Secretaries. The Company also arranged its senior staff and staff of the financial, internal audit and information disclosure departments to visit an exhibition of warnings on insider trading held by the Shenzhen Securities Regulatory Bureau.

## **2.Internal control**

As an enterprise with its shares listed in Shanghai, Hong Kong and New York, Guangshen Railway has established its internal control system from an early stage. Starting from 2006, the Company has commenced construction and assessment of the effectiveness of financial reporting and internal control pursuant to the requirements of Section 404 of Sarbanes-Oxley Act (SOX404) of the United States, and has already set up a relatively comprehensive internal assessment system for

financial reporting and implemented continuous monitoring of its operation, and continually monitors the effectiveness of which. The Board and audit committee of the Company are responsible for monitoring and auditing the internal control works of the Company, and the Company has specially set up the internal control construction office that is responsible for daily management. Internal control assessment of the Company has become a yearly routine work of the Company.

Under the Deployment of Test Points of Internal Control Regulation of Shenzhen Securities Regulatory Bureau, Guangshen Railway was listed as one of the key units of internal control construction in the Shenzhen jurisdiction. The internal control works of the Company not only comply with the requirements of SOX404 of the United States, but must also comply with the requirements of the Basic Regulations on Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control jointly promulgated by five departments of the PRC. At the same time, to fulfill the requirements of regulatory authorities in relation to internal control, the Company has integrated the relevant requirements of the Basic Regulations on Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control with the foundation of complying with the regulations of SOX404, in

order to commence internal control construction and assessment works in a targeted manner.

In 2012, the internal control system of the Company operated in a sound manner and no significant shortfall has been discovered in relation to the design or implementation of internal control works. For details of the internal control assessment and audit report of the Company for 2012, please read the relevant announcements of the Company.

### **3. Anti-corruption and honesty promotion**

The Company has proactively commenced anti-corruption and honesty promotion works and implemented the requirements of the relevant systems. The Company has perfected the democratic decision-making system, formulated and perfected the requirements of the Three Major and One Significant issues for decision-making by the management, implemented collective decision-making for significant projects, and achieved openness and fairness for significant matters. The Company reinforced promotion and education, campaigned for the practice of economic prudence and practicality, organized and commenced the twenty-first principle and education monthly meeting, and held a special meeting on the topic of anti-corruption and honesty promotion. The Company has also stepped up its internal audit and excelled in the highlight tasks

including procurement and tendering supervision and the discipline project Mini Gold Vault.

The Company has formulated the Employee Manual, Code of Professional Ethics and Conduct for Senior Management and the Trial Regulations on Anti-fraud Work to regulate the behavior of its staff and senior management. The Company also asks relevant personnel to regularly sign declaration statements to conform to relevant regulations.

In 2012, the Company and its employees were not involved in any case of corruption.

#### **4. Honest operation**

The Company persists in honest operation, creation of value for shareholders, proactive performance of information disclosure obligations for listed companies, and commencement of investor relationship management.

##### **(1) Dividend distribution**

The Company adopts the plan for long-term stable shareholders' return. Since its listing in 1996, the Company has consistently adhered to dividend distribution annually, and has distributed accumulated cash dividends of RMB8.276 billion (2012 exclusive), representing a dividend rate of 59%. The Company has complied with the requirements in respect of cash dividend distribution by listed companies and has convened a

general meeting to pass amendments to the Company's Articles to further stipulate its cash dividend distribution policy and protect the interests of the investors. The Board recommended the payment of a final dividend for 2012 of RMB0.08 per share for 2012, totaling RMB566,682,960.

## (2) Information disclosure

The Company adhered to the “true, accurate, complete, timely and fair” principle for information disclosure and fulfilled the information disclosure works for regular reports and extraordinary announcements. The Company was evaluated as outstanding in the assessment of information disclosure of listed companies in 2011 by the Shanghai Stock Exchange.

In 2012, details of regular reports published by the Company are as follows:

**Overview of regular reports of Guangshen Railway in 2012**

<b>Regular report</b>	<b>Date of publication</b>	<b>Designated media and websites</b>
Annual report 2011	March 28, 2012	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, website of Shanghai Stock Exchange, website of Hong Kong Stock Exchange, HKExnews website and website of the Company
First quarterly report 2012	April 27, 2012	
Form 20—F	April 26, 2012	File to SEC in United States, website of the Company
Interim report 2012	August 29, 2012	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, website of Shanghai Stock Exchange, website of Hong Kong Stock Exchange, HKExnews website and website of the Company
Third quarterly report 2012	October 26, 2012	

In 2012, the Company has made 84 extraordinary announcements on the domestic and overseas markets in relation

to the matters of results announcements, notices of general meetings and Board meetings, dividends and amendments to the Articles. The Company has also published documents of information disclosure including the internal control report, social responsibilities report and corporate governance system for 2011. For details of the above, please read the relevant announcements of the Company.

### (3) Investor relationship

In 2012, the Company stepped up management of investor relationship of the Company, commenced promotion work for investor protection and protected the interests of the investors in real terms. The Company has formulated the Investor Relationship Management System to provide a basis and guidance for better commencement of investor relationship management. From September to November, the Company commenced promotional activities on the topic of investor protection, added the page “Investor Services” on the website of the Company, published the contact information of the investor relationship management department, uploaded information on investor education, designated specific personnel to receive and record telephone enquiries from investors, and reinforced communication with minority shareholders. In March and August 2012, the Company held two global teleconferences at

the headquarters in relation to the publication of the annual results and interim results, during which the Directors, senior managements and institutional investors discussed hotspot issues on the telephone. The Company maintained communications with the investors through telephone, email, fax and meetings, and has received 30 investor visits, participated in 5 large-scale investment conferences, responded to 25 investor emails and received over 600 investor telephone calls during the year.

#### **IV. Construction, development and passenger and freight services**

In 2012, Guangshen Railway insisted in construction and development with its own efforts and has commenced update, reconstruction and centralized enhancement of railway line equipment, augmented equipment and facility investments, and enhanced the quality of railway lines and passenger and freight transportation capacities. The construction and development of the Company were guided by demand for railway passenger and freight transportation, which formed a strong driving force for the Company's passenger and freight transportation businesses. The passenger transportation business has achieved gradual fortification and remarkable enhancement in the image of services, whereas freight transportation business and other businesses have continued to expand.

##### **1. Construction and development**

###### **(1) Transportation equipment**

The Company purchased advanced transportation equipment, updated and reconstructed existing passenger and freight transportation equipment, and enhanced the quality and technology level of transportation equipment. The Company has purchased two CRHs and 50 25T passenger trains, conducted electrification and installation of air-conditioning for the

existing passenger trains, and renovated the appearance of the passenger trains, with the aim to comprehensively enhance the capability and image of the transportation equipment of the inter-city trains, through trains and long-distance trains. Some of the SS-8 electric trains of the Company have changed to using DSA-200 pantographs (imported from Germany), which are of stable quality and facilitates daily maintenance. The DF4 internal combustion locomotives of the Company has newly installed advanced air-pressure controllers and automatic drain valves to ensure running safety and lower the repair and maintenance costs. The Company has purchased 10 advanced loading and unloading machines for the stations along the railway lines to ensure safety of the freight loading and unloading works.

## (2) Infrastructures

In 2012, the Company has completed 536 investment projects in total, which include the construction and reconstruction of stations, locomotives, trains, signals, contact network and railway line. Promotion and application of modern railway informatization technologies has been further realized, leading to improvements in the transportation capability and efficiency of the Company. 62 train stations of the Company have implemented computer-interlocking signal control, with

the Company's centralized dispatch system, train control system, train load analysis system and visual monitor system achieving sound operation and thereby making important contribution to the transportation safety of the Company. The Shenzhen East station invested by the Company has commenced operation, augmenting the long-distance transportation capacity of the Company. The reconstruction of facilities of the Sungang passenger and technology station has further increase the operational capability of receipt and dispatch of trains and change of station of passenger train at the Shenzhen East station. During the reporting period, the Company has input RMB10.45 million in reconstruction of the drainage system of the station and yard of Jiangcun station, with the aim of minimizing the climatic effect on transportation efficiency.

### (3) Major repair of equipment

The Company has highlighted investments in major repair projects involving transportation safety and has completed 496 major repair project during the year, including level 4 repair of 16 CRH1 CRHs, major repair of 45 locomotives, change of 211 units of frogs, replacement of steel rails of 133 km, cleaning and screening of railway lines of 84.5 km, and replacement of 7710 rail pads.

Through sustained investments, construction and

development, Guangshen Railway has continuously strengthened its foundation of running equipment and thereby created sound conditions for the passenger and freight transportation of the Company.

## **2. Passenger transportation business**

In 2012, Guangshen Railway achieved a passenger delivery volume of 84.60 million person, and generated revenue from passenger transportation business of RMB7.841 billion. As at December 31, 2012, the Company operated 233.5 pairs of passenger trains, including 105 pairs of Guangzhou-Shenzhen intercity trains (including 15 pairs of standby lines), 13 pairs of Through Trains (11 pairs of Guangzhou-Kowloon Through Trains, 1 pair of Zhaoguan-Kowloon Through Trains, and 1 pair of Beijing (Shanghai)-Kowloon Through Trains), and 115.5 pairs of long-distance trains on a daily basis.

### **(1) Enhancement of quality of service**

The Company adhered to the commencement of the program of “timeliness and quality in servicing the customers”, forcefully established the Guangzhou-Shenzhen line as a quality passenger transportation brand, aggressively promoted sunny services, smiley services and regulated services, with the objective of actualizing the philosophy of service of Company’s culture and brand in each detail of servicing the passengers. The

Company detailed the standards for each passenger transportation services, comprehensively streamlined, unified and regulated the management of signage and suspensions for passenger transportation services, implemented the named ticket system and the report of ticket lost and fare adjustment work flow, enhanced the quality of service of the dining carts, promoted professional cleaning on the trains, proactively commenced convenience services on the trains and at the stations, as well as excelled in enquiries answering and guidance works.

## (2) Enhancement of service environment

In 2012, the Company continued reconstruction of passenger transportation stations along the lines, and enhancement of passenger traveling environment. In respect of the Guangzhou-Shenzhen line, the Company has unified the planning for the exit passage and the commercial area of the first floor lobby of the Guangzhou East station and set up 7 gateways, making the lobby spacious and brilliant for smooth passenger traffic. It has also reconstructed the entry passageway and the waiting room of the Guangzhou station, completed the rising and reconstruction of the number four platform of the Shenzhen station to enhance passenger boarding and alighting. The Company has aggressively conducted the operation

commencement work of Shenzhen East station, planned and designed the VIP room, waiting room and commercial network well ahead, and coordinated with the local government in Shenzhen to perfect the auxiliary structures that line the station with the underground railways and public transportation. In respect of the Guangzhou-Pingshi line, the Company has conducted feasible design for the reconstruction of the station building and passenger transportation service facilities of Xiaoguan East station and Pingshi station, completed reconstruction of Pingshi station building, enhanced the overall image of the passenger transportation stations along the Guangzhou-Pingshi line, and urged for the perfection of auxiliary facilities in the neighborhood of station by the local authorities. The Company has also worked for the update and reconstruction of the notice boards and electronic guidance systems along the passenger transportation lines to better guide the passengers to buy tickets and board the trains.

During the Spring Season in 2012 (January 8, 2012 to February 16, 2012), the Company has adopted a number of measures to create a sound waiting and travelling environment for the passengers. The Company has installed temporary rain shelter as waiting area at the station yard, provided raincoats, increased the number of temporary waiting area, provided

convenience services including medical, home call, handset charging services, timely announced information on the Spring Season via telecommunication and the media, reinforced coordination with supportive forces such as public securities, police and supporters for better guidance and organization of the passenger flow.

**Overview of the service data of key passenger transportation station of Guangshen Railway during the Spring Season in 2012**

<b>Item Station</b>	<b>Passenger delivered (ten thousand people)</b>	<b>Trains delivered (Number)</b>	<b>Punctuality rate</b>	<b>Rain shelter built (sq. m.)</b>	<b>Raincoat provided (pieces)</b>
<b>Guangzhou station</b>	590.6	10,982	99%	7,200	5,000
<b>Guangzhou East station</b>	314.9	15,998	95.7%	12,000	5,000
<b>Shenzhen station</b>	265.8	9,282	95%	5,000	5,000
<b>Subtotal</b>	1,171.3	43,286	—	24,200	15,000

### (3) Innovative service model

In 2012, Guangshen Railway has fully implemented the named ticket system. To enforce the implemented the named ticket selling and checking works, the Company has installed the second generation identity reader and ticketing selling and fare adjustment equipment at all stations along the railway lines and on the trains, and perfected the POS systems for ticketing through window banks in train station. The Company has

installed internet ticket printing machines at the terminals and internet ticket printing devices at the window banks in train stations, in order to facilitate ticket printing through the internet by the passengers.

The Company has continuously enhanced the convenience of buying tickets and traveling on the Guangzhou-Shenzhen Intercity trains. The passenger transportation station of the Guangzhou-Shenzhen Intercity trains has now installed 161 automatic ticketing machines (40 machines newly added in 2012 have the second generation identity reading and Hong Kong and Macau identity card reading functions), mainly installed at the entrances of the stations and exits of the underground trains to facilitate ticket buying by the passengers. Building on the named ticketing system, the Company has cooperated with banks to increase the number of financial IC cards (the Company has stopped selling unnamed IC cards from September 2011). Together with the 146 automatic ticket inspection machines at the Guangzhou-Shenzhen intercity train stations, this has proactively promoted the financial IC cards of the intercity train stations and the service function of station entry by identity card swiping. In 2012, there were 445,000 people-times of passengers traveling with financial IC card.

The Company is now carrying out upgrade and

reconstruction of the existing passenger ticketing system of Canton-Hong Kong Through trains, under which it is planned to upgrade to use soft paper tickets and realize addition of Hong Kong to the ticketing system in Mainland selling two dimensional bode soft paper tickets in order to further enhance the marketing capability of the through trains.

(4) To increase the capacity of passenger transportation

The purchase of 2 CRH1A-200 CRHs by the Company has increased the train frequency of the Guangzhou-Shenzhen line to a daily average of 11.5 pairs of intercity trains, effectively suppressing the downfall trend in the passenger flow due to insufficient transportation capacity. On December 21, the Company opened the Shenzhen East station and scheduled 11 pairs of passenger trains departing from Shenzhen East to Chengdu East, Kunming, Shanghai South and other stations, augmenting the transportation capacity of long distance trains. As at the end of the year, the number of long distance trains of the Company has increased by 7.5 pairs as compared to the same period last year, increasing the long distance transportation efficiency within the line. The Company has newly purchased 50 25T soft-seat passenger trains and changed the original 25Z base of the Canton-Kowloon Through trains in order to enhance the comfort of travel, and also initiated the fare adjustment and

marketing works to increase the market competitiveness. The Company has proactively implemented the after-services for long and short distance passengers travelling south from Guangzhou South station during the Spring Season, stepped up organization of night-time passenger flow, opened a total of 171 extraordinary passenger trains, delivered 130,000 persons, and increased the revenue from passenger transportation. The Company has proactively coordinated with the local planning departments and sought to explore new growth points for the Guangzhou-Shenzhen Intercity passenger transportation. Currently, the design for addition of Pinghu Intercity passenger transportation station for the Guangzhou-Shenzhen line has reached the stage of preliminary design, and the construction of a consolidated transportation hub project for Guangzhou East at Xintang station and the project of connecting Huizhou-Dongguan-Shenzhen Intercity line with the Guangzhou-Shenzhen line have also been submitted to the agenda. The Company has also joined hands with Guangzhou University to conduct research on the market demand and feasibility of high-end passenger service products,

### **3. Freight transportation services**

In 2012, Guangshen Railway achieved a freight tonnage of 21.37 million tons and revenue from freight transportation of

RMB1.344 billion. The Company has incessantly innovated the organization of its freight transportation to further enhance the standard of freight transportation services. The Company continued to promote online approval of freight planning of major customers and online truck application business, and also simplified the freight owner application procedures. The Company perfected the freight owner record of major customers and made regular visits to stabilize the source of large size railway freight transportation. The Company enhanced the transportation organization of Guangzhou Port and Xiayuan station to actualize significant increases in freight volume of the ports. The Company leveraged on the floating freight price system and aggressively secured the virgin freight sources at the ports or highways of China Resources Power and Baosteel. The Company also integrated the planning of Northern Guangdong Shaoguan International Logistics Park and commenced the feasibility design for the Huanggang station and warehouse expansion, with the aim of creating advantageous conditions for future new freight sources.

#### **4. Network usage settlement and transportation services business**

Guangshen Railway provides network usage settlement

services mainly covering locomotive traction, track usage, vehicle coupling and electric catenary, and also provides railway operation services for passenger and freight transportation to the Guangdong section of Wuhan-Guangzhou High-speed train, Guangzhou-Shenzhen-Hong Kong High-speed train, Guangzhou-Zhuhai Intercity Railway, and Guangzhou-Zhuhai Freight Transportation Railway. In 2012, the Company generated revenue from network usage settlement and other transportation services business amounting to RMB4.891 billion, accounting for the most important part of the operating revenue of the Company.

## **5. Other businesses**

Other businesses of the Company principally include repair of trains, sale of goods, on-board food and beverages, and loading and unloading. In 2012, other businesses realized revenue of RMB1.016 billion. Through the Company's effort in integration of the operating businesses and organization of its subsidiaries and exploration of the on-board food and beverage market, F&B on high-speed trains achieved relatively significant growth. Through changing the mode of operation of the commercial activities in the stations, and the cleaning, supply and washing of the trains, the Company successfully stimulated a revenue growth for diversified businesses. The Company looks

to creating new revenue growth points through well-ahead planning for the auxiliary operation project development of Shenzhen East station and the new passenger station at Shilong.

## **V. Transportation safety and staff rights**

### **1. Transportation safety**

Guangshen Railway takes the safety of railway transportation as the most important social responsibility, firmly establishes the philosophy of safety development, incessantly consolidates the foundation of transportation safety, increases the investments in safety issues, and ensures the safety and smooth running of the railway passenger and freight transportation. In 2012, the Company achieved No Responsibility General Level B and above.

#### **(1) Line safety**

The Company has strengthened the monitor and management of material safety risks, and stepped up the investment in special enhancement projects for material risks. The Company has commenced safety inspection and equipment quality comparison covering engineering, public works, signal, power supply and vehicles, and focused on enhancements of issues of equipment and facilities, uncovered and eradicated material hidden safety perils to ensure safety of works and operations.

In 2012, the lines of Guangshen Railway were subject to the force of 12 incidents of sustained heavy rain and 3 strong

typhoons. The public works department of the Company has focused on emergency repair and staff stationing at key sections and successfully achieved flood control objectives with no disruption of train running resulted from flooding.

## (2) Personal safety

The Company highly emphasizes the personal safety of both passenger and its staff. In respect of the personal safety of passengers, passenger transportation stations along the lines of the Company conduct security check of luggage of the passengers to eradicate inflammables, explosives and other dangerous substance and knives and sharps being taken on board. To reinforce fire prevention and food safety inspection, the Company has worked with the public securities department to fight criminal activities on the trains, creating a safe travelling environment for its passengers. During the Spring Season, the 18th National Congress and major festivals and holidays, entry and exit inspection at passenger transportation stations was stepped up, general freights were randomly inspected, whereas all chemical goods were inspected and the second time inspection on the trains was reinforced. The Company has perfected the system for joint defense of road, increased the stationing of staff at key positions along the railway lines, and strived to prevent personal accidents and injuries due to illegal

entry into the railway lines. The Company has invested and completed the reconstruction of fencing along the some of the sections of the Guangzhou-Shenzhen line, including increasing the height of enclosing walls at 12 points /1133 meters, increasing the height of fencing at 42points/6788 meters, building new enclosing walls at 7 points/1053 meters, building new fencing at 21 points /4280 meters, and installing razor barbed wire nets of 8097 meters.

**Statistics of dangerous articles uncovered at key passenger transportation station of  
Guangshen Railway in 2012**

<b>Name of station</b>	<b>Guangzhou station</b>	<b>Guangzhou East station</b>	<b>Shenzhen station</b>	<b>Subtotal</b>
<b>Quantity of dangerous articles uncovered (pieces)</b>	80,526	69,160	31,922	181,608

In respect of staff personal safety, all transportation stations and sections of the Company have stringently executed the relevant operation standards, formulated and perfected the systems and methods of safety management, reinforced construction safety, monitored transportation safety, and implemented the assessment, reward and punishment for safe production by the staff. The Company has commenced safety education and training of the staff, reinforced the safety awareness of the staff, and held safety regulatory training for 131,331 person-times, technical competition and position training for 65,810 person-times, with a 100% employment rate

among its staff.

### (3) Safety technologies

In 2012, Guangshen Railway assigned capital in the application and maintenance of science and technology equipment for railway safety in order to enhance the capability of the equipment in ensuring safety:

① The Company has installed inspection device for rotating parts of locomotive to 36 trunk line freight locomotive, which featured the functions of inspecting the axes, gearing wheels and wheel treads of the locomotive and was crucial to the operation safety of the locomotives;

② The Company has installed fire alarm devices to 84 DF4 locomotives and 1 SS8 locomotives, which featured smoke and heat detection functions and was capable of timely discovery and distinguishing of initial fires on the locomotives;

③ The Company completed the phase two reconstruction of the TCDS, under which TCDS devices were installed to 35 power generation trains, increasing the number of trains under safety monitor from 28 to 40. The devices featured the function of online monitor of axis temperature for the long-distance trains and was crucial to the prevention of incidents of high axis temperature on the passenger trains;

④ The Company has purchased inspection equipment

such as 25HZ rail circuit breakdown test device and micro control ultrasonic automatic flaw detector, which featured the characteristics of fast and accurate flaw detection to enhance the efficiency of equipment maintenance;

⑤ The Company has installed video monitor and water level alarm system at the flood watch point along the Beijing-Guangzhou line, installed signal transmitting devices at sections with poor connection, purchased 215 radio stations and 90 intercom with recording function, and stepped up the monitor and communication capability related to the maintenance of the railway lines;

⑥ The Company has completed the construction of freight ticket transmission system at Jiangcun station, under which sealed channel transmission of ticket was adopted to minimize the time for ticket handover and enhance the safety of the tickets;

⑦ Jiangcun station of the Company has joined efforts with the relevant units in the research and development of the TPCS, which integrated information such as computer-interlocking, train marshaling, station information and the use of locomotives to actualize consolidated control of the marshaling points, significantly increase the operating efficiency of the stations, lower the level of laboring of the employees, and

effectively mitigate the operating safety risk of the marshaling points;

⑧ The Company has completed the reconstruction works for the 2.0 system upgrade of Maba station and Pingshi station, which have enhanced the stability of the station system;

⑨ The Company has completed the relevant software upgrade of its freight transportation system to secure the normal operation of the freight transportation system and enhance the safety of freight transportation information;

⑩ The Company has commenced the design and construction of a safety risk management display system, and an integrated production, operation and marshaling system for large scale passenger transportation stations, in order to further enhance the passenger transportation service function and safety control function of the stations.

## **2. Staff rights**

Guangshen Railway stresses the protection of staff rights and enhancement of development of the staff team. As at December 31, 2012, had a total of 34,573 employees (same period last year: 33,379), of which 26,973 were males and 7,600 were females. The Company has not incident of employing under-age labor or forced labor.

### **(1) Labor relationship**

The Company implements the democratic decision-making system, insistently adopts a fair, unbiased and open policy on issues related staff rights, widely invites staff opinions, and protects the rights of knowledge, participation and supervision of the staff. In 2012, the Company further regulated the management of labor contracts and timely entered into the Labor Contract and Supplementary Terms to the Labor Contract with all new employees. The Company publicized and explained the Labor Contract Law and the Company's Management Method of Labor Contract to its staff, and further enhanced the compliance with the laws in relation to its labor system and the handling of labor relationship. The Company timely resolved labor dispute and collective incidents, gave satisfactory response to the reasonable requests of the staff, and maintained the interests of both the Company and the staff.

## (2) Remuneration and benefits

The Company improved the remuneration distribution system, amended and enhanced the performance-dependent assessment method, perfected the auxiliary system for management of remuneration budget, implemented the effective linkage of efficiency and effectiveness with remuneration incentives, and fully stimulated the labor initiation of the employees. The Company has enhanced the standards of

personnel and labor quota of 15 transportation stations and sections, and employed 1,633 fresh university graduates to build the source of manpower. The Company continued to perfect the mechanism of steady growth in staff income to ensure increases in the income of the staff. At the beginning of 2012, the Company once again adjusted the salary according to posts and experience to tilt towards the front line employees. The salary per capital of the Company for the year has increased by 11.4% as compared to last year, of which the growth for front line employees reached 14.8%. The Company has set up a comprehensive salary and welfare system to staff with various statutory and social insurance schemes including complete pension insurance, medical insurance, unemployment insurance, industrial accident insurance, and pregnancy insurance, as well as a housing provident fund. The Company also provides its staff with commercial insurance schemes such as enterprise annuity and supplementary medical insurance, as well as family medical insurance. The Company has set up a rest day and holiday system to ensure a normal work and rest routine, so that they have the right to enjoy rest days and holidays. Within the scope as permitted by national regulations, the Company encourages its staff to take leaves. The Company has strived to improve the housing conditions of its staff and has forcefully

promoted the three-year planning to enhance the production and living conditions of its employees, in order to systematically fulfill the basic needs for “eating, living and transportation” of employees along the railway lines. The Company has implemented 126 production and living facility improvement projects during the year, including staff canteen and single person dormitory. 98 project of which have been completed during the year, involving a total investment of RMB83.0395 million.

### (3) Cultural life

In 2012, the Company has commenced a rich variety of cultural and sports activities, forming a sound corporate cultural environment. The Company has organized a new year countdown party, health seminar for female staff, youth singer competition for the celebration of the 90th anniversary of the Communist Youth League, and 30 cultural entertainment performances for over 4,300 employees along the railway lines. The tenth staff sports festival organized by the Company comprised 10 competition items including Chinese chess, table tennis and basketball, in which over 1,930 employees from 20 units participated.

## **VI. Environmental protection, energy saving and emission reduction**

### **1. Environmental protection**

Transportation of Guangshen Railway aligns with the “green and low-carbon” direction of development and contributes to protection of the environment along the railway lines. The Company has proactively implemented the environment enhancement works along the railway lines and adjacent to the stations, and continued to invest in the areas of greenery and environmental protection.

The Company cleared the white pollutants and garbage along the railway lines, bridges and tunnels, production and living zones on a regular basis, and has cleared sewage of 441,490 meters, cleared weeds of 115,656 square meters, and changed 550 cover plates, with the objective of maintaining the greenery area along the railway lines and sustain the appearance of the green channels. The Company used advanced cleaning machines to keep the floor of large passenger transportation stations clean, and adopted professional cleaning services at the stations and on the trains to keep them clean and tidy. The CRHs of the Company’s Guangzhou-Shenzhen line, 25T passenger trains of Canton-Kowloon Through trains have both installed vacuum waste collection devices to effectively protect the environmental cleanliness along the railway lines. In 2012, the

Company has invested RMB13.01 million in environmental protection facilities, including the reconstruction of the drainage system in Jiangcun , reconstruction of waste water processing facilities at 3 points, construction of harmful waste processing facilities at 2 points, and implementation of noise reduction through installation of road noise barrier for cities and towns and schools along the railway lines and restricted whistle device on the locomotives to significantly reduce the impact of emission of waste water, solid waste and noise to the environment along the railway lines. Moreover, the Company also commenced promotion on the theme of the world environmental day on the fifth of June to promote the idea of environmental protection to its staff.

## **2. Energy-saving and emission reduction**

In 2012, the Company continued to implement measures of energy-saving and emission reduction, and promote consumption reduction technologies including energy-saving lighting, air thermal heat pump and intermediate water recovery, reinforced the inspection, management and statistics of energy consumption and emission, and implemented promotion for water and electricity saving. At the beginning of the year, the Company proposed and implemented 43 measures to increase revenue and reduce costs, such as cutting cost and reducing the fuel and electricity consumption through enhancement of

locomotive usage while reducing energy consumption and emission; cutting the ticketing selling costs of Guangzhou-Shenzhen Intercity through the promotion of IC financial card while cutting the use of paper as tickets; and cutting the maintenance cost through using carrying out repair by itself and using legacy materials while reducing the amount of waste. All these have soundly increased the revenue and cut the costs and at the same time integrated with the tasks of energy-saving and emission reduction with better effect. The Company continued to perfect the functions of the internal office network, commenced paperless office, transmitted over 29,892 pieces of information and announced over 4,822 files and notices in total for the year, which was equivalent to the saving of approximately 173,570 pieces of office-use paper. In 2012, the emission of sulfur dioxide and industrial waste water has decreased by 48.9% and 11.1%, respectively, whereas intermediate water recovery reached 6,499 tons.

**Statistics of emissions of Guangshen Railway**

<b>Emission</b>	<b>2011</b>	<b>2012</b>	<b>2012 compared to 2011</b>
<b>Sulfur dioxide (SO<sub>2</sub>) (ton)</b>	4.5	2.3	(48.9%)
<b>Chemical oxygen demand (COD) (ton)</b>	48.4	57.9	19.6%
<b>Industrial waste water emission (ten thousand tons)</b>	142.08	126.27	(11.1%)

## **VII. Social welfare and all-win harmony**

### **1. Social welfare**

In 2012, the Company proactively fulfilled its social welfare responsibilities, internally providing help to employees in distress and externally made donations and carried out welfare promotion. The Company timely relieved anxieties and solved problems for its employees, including completing the annual assessment of employment of disabled employees of 2012 in due course, using idle housing to soundly settle 35 households of employees and their families at the Guangzhou public work section in Shaoguan affected by hail, and visiting over 3,000 person-times of employees in distress, families of militaries and martyrs and retired employees. In 2012, staff welfare of the Company amounted to RMB155.14 million, including distress subsidies, anti-heat measures, consolation on holidays and festivals, and retired employee benefits. The distress alleviation fund of the Company has released RMB5.80 million, benefiting 831 person-times, including subsidies to current employees of 410 person-times/RMB1.07 million, subsidies to retired employees of 421 person-times/RMB4.73 million. The Company spread the spirit of Eight parties to Help One in Distress and commenced the Guangdong Poverty

Alleviation Day through initiating the staff to donate RMB372,690.5 to the Railway Distress Alleviation Project.

In 2012, the Company proactively commenced the welfare promotion for railway safety. The Company organized the round performance tour of the labor safety lecture group, strived to nurture the safety culture through publications and promotional wall newspapers of the Company, and at the same time continued to work with the railway public securities for the safety promotion and warning works targeted at the communities and schools along the railway lines. During peak seasons for passenger transportation such as the Spring Season and other important holidays, the Company has coordinated and organized youth volunteers and community volunteers to proactively provide assistance to the passengers.

## **2. All-win harmony**

In 2012, in the process of fulfilling its corporate social responsibilities, Guangshen Railway has taken the coordinated economic, social and environmental development as its target, and has strived to work and communicate with different stakeholders for achieving mutual benefits, endeavored to repay them with its results of development, thereby achieving all-win harmony.

**The Company and regulatory authorities:** the Company

complied with the requirements of the Securities Regulatory Commission (Securities Regulatory Bureau) and stock exchanges in fulfilling the obligations of the listed company; conducted railway transportation operations in strict compliance with the rules, regulations and technical standards on passenger transportation of the railway regulatory authorities in order to ensure the safety and stability of railway transportation; operated with honest and strived to generate tax revenues for the State. In 2012, the Company achieved safe operation and created tax revenue in the amount of RMB1,033.2623 million.

**The Company and shareholders:** the Company maintained communication with its shareholders through information disclosure, management of investor relationship, general meetings and the website of the Company, implemented stable long-term cash dividend policy, and strived to increase the profitability of the Company to repay the shareholders (please read Chapter III “Corporate governance and honest operation” for details). In 2011, cash dividend for the year amounted to RMB0.1 per share (tax inclusive), totaling RMB708,353,700.

**The Company and debtors:** in relation to the issue of mid-term notes (please read the relevant announcements of the Company for details), the Company has made relevant information disclosure, and paid the interests of the mid-term

notes in a timely manner. Interests paid by the Company in respect of the mid-term notes amounted to RMB167.65 million in 2012. Currently, the Company has no long-term debts, and maintains sound business relationships with banks.

**The Company and the employees:** the Company protected the staff rights, established sound labor relationship, strived to improve the production and living conditions of its staff, and increased the staff benefits (please read chapter V “Transportation safety and staff rights” for details). In 2012, the Company has paid staff salary of RMB2,806.0869 million, social insurance premium of RMB690.9542 million, and housing fund of RMB183.8841 million.

**The Company and suppliers:** the Company carried out fair and reasonable transactions with the suppliers, and strictly controlled the quality of the products. The Company has amended the Management Method of Procurement by Tender, the Management Method of Scrap Steel, and Management Method of Procurement Not by Tender, and organized 52 procurement projects in 2012.

## **VIII. Explanatory Notes to the Report**

### **1. Scope of the report**

Unless otherwise specified, all the data and information in the report comes from Guangshen Railway and its stations and sections. Unless otherwise specified, this report mainly covers passenger and freight transportation operation and the economic, environmental and social work activities of various operations and businesses carried out by Guangshen Railway from 1 January 2012 to 31 December 2012, whilst brief review of relevant activities held in the past is also provided. Unless otherwise specified, the financial data in the report adopts RMB as currency used.

### **2. Data Collection**

Guangshen Railway sent out questionnaires to each department and unit through our internal office network to fully collect the data and information regarding its fulfillment of corporate social responsibility to realize “paperless” processing.

This report aims at fully reflecting the work conducted by the Company in fulfilling its corporate social responsibility. The Company will continue to refine and improve information disclosed and format of this report in future, and will issue a new social responsibility report on a yearly basis.

### **3. Basis of preparation**

This report complies with the requirements set out in “Preparation Guidelines of ‘Report on Fulfilling Social Responsibilities by a Company’”, “Manuscript of Review Work of ‘Report on Fulfilling Social Responsibilities by a Company’”, “Notice on Reinforcing Listed Companies to Fulfill their Social Responsibilities and Releasing ‘Disclosure Guidelines on Environmental Information of SSE Listed Companies’” issued by the Shanghai Stock Exchange (SSE), and Appendix 27 of the Listing Rules of Hong Kong Stock Exchange “Environmental, Social and Governance Reporting Guide”, and has taken into consideration the GRI Guideline 2002 Chinese, a set of sustainability reporting guidelines issued by Global Reporting Initiative (GRI) when finalizing the contents in the report.

This report is available in Chinese and English languages. In case of discrepancies, the Chinese version shall prevail.

### **4. Social contribution value per share**

Pursuant to the “Notice on Reinforcing Social Responsibilities of Listed Companies and Releasing ‘Disclosure Guidelines on Environmental Information of SSE Listed Companies’” and “Guidelines on Preparing Report of Companies Fulfilling Social Responsibilities” issued by the Shanghai Stock Exchange, Guangshen Railway continued to

disclose the social contribution value per share and the calculation parameters. In 2012, the social contribution value per share of the Company was RMB0.91 (2011: RMB0.89 per share), including earnings per share attributable to the shareholders of RMB0.19, added-value per share attributable to society of RMB0.72 (Annual tax income attributable to the nation RMB1,033,262,300 + Salary, social insurance, housing fund paid for employees RMB3,680,228,900 + Interests paid for mid-term notes issued RMB167,650,000 + Value created for other interested parties calculated on the basis of environmental greenery investments, welfare expenses, price concession policy etc. 256,970,300 – Pollution costs calculated on the basis of pollution discharge fees and cleaning fees etc. RMB17,240,000) / Total number of shares (7,083,537,000 shares).

## IX. Feedback

Dear readers,

Thank you for reading Social Responsibility Report of Guangshen Railway Company Limited 2012. There might be negligence or errors in this report, which is the fifth such report ever published by the Company. Your opinions and suggestions will be much appreciated!

You are cordially invited to fill in the following form and send it back to us by mail, fax or email.

Name				
Contact	Telephone		Email	
	Address			
Opinions on the Report	Readability	Logicality	Objectivity	Integrity
Corporate governance and honest operation				
Development and passenger and freight services				
Transportation safety and staff rights				
Environmental protection, energy saving and emission reduction				
Social welfare and all-win harmony				
Explanatory Notes to the Report				
Overall Comments				

Please score the items on a 5-point scale, with 5 being the highest score and 1 being the lowest score.

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