

AMERIVEST PROPERTIES INC  
 Form 4  
 October 03, 2005

**FORM 4**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 TEPPER JERRY J

2. Issuer Name and Ticker or Trading Symbol  
 AMERIVEST PROPERTIES INC  
 [AMV]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
 7255 NORTH SHERIDAN STREET  
 (Street)

3. Date of Earliest Transaction  
 (Month/Day/Year)  
 09/30/2005

Director  10% Owner  
 Officer (give title below)  Other (specify below)

ARVADA, CO 80003  
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	09/30/2005		A		1,050	A	\$ 4.09
					502,100	D	(1)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474  
 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 6)
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
TEPPER JERRY J 7255 NORTH SHERIDAN STREET ARVADA, CO 80003		X		

## Signatures

/s/ Kim Boswood as attorney-in-fact  
 10/03/2005  
 \*\*Signature of Reporting Person                      Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).  
 420,000 shares held by corporation in which the reporting person has an indirect pecuniary interest, and 24,500 shares held by the (1) reporting person's spouse in which the reporting person has an indirect pecuniary interest. The reporting person disclaims beneficial ownership over the portion of the interest not attributable to the reporting person.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 1"> 586,519 535,840 (199,886) (162,703) 32,870,258 33,994,238

Total segment assets include:

Investment in associates

167,604	174,548			167,604	174,548
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Additions to non-current assets (other than financial instruments and deferred tax assets)

2,817,557	2,415,143	3,279	1,083	2,820,836	2,416,226
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Explanation of Responses:

Total segment liabilities

4,398,759 4,908,103 588,128 545,500 (146,684) (116,446) 4,840,203 5,337,157

Explanation of Responses:

Revenues of approximately RMB3,595,959,000 (2015: RMB2,508,916,000 and 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.

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**6 FIXED ASSETS-NET**

	<b>Buildings RMB 000</b>	<b>Tracks, bridges and service roads RMB 000</b>	<b>Locomotives and rolling stock RMB 000</b>	<b>Communications and signalling systems RMB 000</b>	<b>Other machinery and equipment RMB 000</b>	<b>Total RMB 000</b>
<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)
	310,885		875,497	299	16,697	1,203,378

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Transfer in from construction-in-progress after repair

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
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**At 31 December 2017**

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
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F-41

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**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**

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

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.

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**8 LEASEHOLD LAND PAYMENTS**

The Group's interests in leasehold land represent prepaid operating lease payments in the PRC and its net book value are analysed as follows:

	<b>RMB 000</b>
<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 (Note 6)	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 (Note 6)	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

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.



**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**8 LEASEHOLD LAND PAYMENTS (CONTINUED)**

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

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

**9 GOODWILL**

	<b>RMB 000</b>
<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.

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.

F-44

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**9 GOODWILL (CONTINUED)**

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

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

Management estimated the gross margin and growth rate based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflect specific risks relating to the railroad business segment.

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.

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**10 SUBSIDIARIES**

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

Name of the entity	Place of incorporation and		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 (%)
	nature of legal entity	Principal activities and place of operation			
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%	

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**10 SUBSIDIARIES (CONTINUED)**

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

Name of the entity	Place of incorporation and		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 (%)
	kind of legal entity	Principal activities and place of operation			
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.

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**11 INVESTMENTS IN ASSOCIATES**

	2016 RMB 000	2017 RMB 000
Share of net assets	167,604	174,548
Less: provision for impairment		
	167,604	174,548

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

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

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.

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**11 INVESTMENTS IN ASSOCIATES (CONTINUED)**

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

## Summarised balance sheets

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

## Summarized comprehensive income statements

	Tiecheng			Shentu		
	2015 RMB 000	2016 RMB 000	2017 RMB 000	2015 RMB 000	2016 RMB 000	2017 RMB 000
Revenue	32,955	41,217	44,351	467,911	493,277	506,608
Net profit	4,516	8,800	12,225	583	5,941	1,947
Other comprehensive income						
<b>Total comprehensive income for the year</b>	<b>4,516</b>	<b>8,800</b>	<b>12,225</b>	<b>583</b>	<b>5,941</b>	<b>1,947</b>

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

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

F-49

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

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

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

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

	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2017</b>
	<b>RMB 000</b>	<b>RMB 000</b>
<b>Deferred tax assets:</b>		
-Deferred tax assets to be recovered after more than 12 months	97,706	114,387
-Deferred tax assets to be recovered within 12 months	1,156	1,329
	98,862	115,716
<b>Deferred tax liabilities:</b>		
-Deferred tax liabilities to be recovered after more than 12 months	(83,937)	(142,159)
-Deferred tax liabilities to be recovered within 12 months	(3,879)	(2,943)
	(87,816)	(145,102)

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:

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

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

	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

	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 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

F-51

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

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

Deferred income tax assets are recognised for tax loss carry-forwards and other temporary difference to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of tax losses and other temporary difference amounting to 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.

	As at 31 December	As at 31 December
	2016 RMB 000	2017 RMB 000
Tax losses that can be carried forward (Note a)	77,328	82,918
Deductible temporary differences	12,302	12,452
	89,630	95,370

Note a:

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

	As at 31 December	As at 31 December
	2016 RMB 000	2017 RMB 000
2017	15,405	
2018	14,307	13,499
2019	6,516	6,371
2020	18,478	18,478
2021	22,622	22,325
2022		22,245
	77,328	82,918

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**13 LONG-TERM PREPAID EXPENSES**

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

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

**14 FINANCIAL INSTRUMENTS BY CATEGORY**

	Loans and receivables RMB 000	Available- for-sale RMB 000	Total RMB 000
<b>Financial assets as at 31 December 2017</b>			
Available-for-sale investments (Note 15)		296,414	296,414
Long-term receivable (Note 16)	31,274		31,274
Trade and other receivables excluding prepayments (Notes 18 and 19)	4,417,317		4,417,317
Short-term deposits (Note 20)	108,000		108,000
Cash and cash equivalents (Note 20)	1,160,515		1,160,515
<b>Total</b>	5,717,106	296,414	6,013,520

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**Financial assets as at 31 December 2016**

Available-for-sale investments (Note 15)		53,826	53,826
Long-term receivable (Note 16)	31,406		31,406
Trade and other receivables excluding prepayments (Notes 18 and 19)	3,665,646		3,665,646
Short-term deposits (Note 20)	108,000		108,000
Cash and cash equivalents (Note 20)	1,359,656		1,359,656
<b>Total</b>	5,164,708	53,826	5,218,534

F-53

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**14 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

	<b>Other Financial liabilities</b>
<b>Financial liabilities as at 31 December 2017</b>	
Trade and other payables excluding other tax payables, employee salary and benefits payables and advances (Notes 25 and 26)	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 (Notes 25 and 26)	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**

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

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(RMB 280,088,000) determined based on the Assessed Fair Value and an amount of fair value changes of RMB 242,588,000 had been included in other comprehensive income (Note 22).



**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**15 AVAILABLE-FOR-SALE INVESTMENTS(CONTINUED)**

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**

As at 31 December	As at 31 December
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	<b>2016</b>	<b>2017</b>
	<b>RMB 000</b>	<b>RMB 000</b>
Raw materials	184,520	185,639
Reusable rail-line track materials	79,311	76,017
Accessories	67,236	67,493
Retailing consumables	1,540	1,578
	332,607	330,727

F-55

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**17 MATERIALS AND SUPPLIES (CONTINUED)**

The costs of materials and supplies consumed by the Group during the year were recognised as operating expenses in the amount of RMB1,627,992,000 (2016: RMB1,697,166,000 and 2015: RMB1,565,648,000).

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**

	As at	As at
	31 December 2016	31 December 2017
	RMB 000	RMB 000
Trade receivables	3,369,331	4,148,413
Including: receivables from related parties	730,061	2,808,052
Less: Provision for impairment of receivables	(4,965)	(6,203)
	3,364,366	4,142,210

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:

	As at	As at
	31 December 2016	31 December 2017
	RMB 000	RMB 000
Within 1 year (Note 3.1(b))	2,517,281	2,799,028
Over 1 year but within 2 years	588,640	763,812
Over 2 years but within 3 years	223,675	522,122
Over 3 years	39,735	63,451
	3,369,331	4,148,413

F-56

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**18 TRADE RECEIVABLES(CONTINUED)**

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.

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:

	As at	As at
	31 December 2016 RMB '000	31 December 2017 RMB '000
Over 1 year but within 2 years	588,640	758,141
Over 2 years but within 3 years	223,675	522,122
Over 3 years but within 5 years	34,770	62,919
	847,085	1,343,182

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:

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

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

	2015 RMB '000	2016 RMB '000	2017 RMB '000
<b>At 1 January</b>	7,003	8,395	4,965
Provision for impairment loss	3,305	6	5,904
Reversal	(127)		

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Written-off	(1,786)	(3,436)	(4,666)
<b>At 31 December</b>	<b>8,395</b>	<b>4,965</b>	<b>6,203</b>

F-57

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**18 TRADE RECEIVABLES(CONTINUED)**

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**

	As at	As at
	31 December 2016	31 December 2017
	RMB 000	RMB 000
Due from third parties	304,530	268,715
Due from related parties	25,961	45,536
	330,491	314,251
	As at	As at
	31 December 2016	31 December 2017
	RMB 000	RMB 000
Other receivables	314,616	288,432
Less: Provision for impairment loss	(13,336)	(13,325)
Other receivables, net (Note (a))	301,280	275,107
Prepayments (Note (b))	29,211	39,144
	330,491	314,251

(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:

2015	2016	2017
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	RMB 000	RMB 000	RMB 000
<b>At 1 January</b>	62,060	13,377	13,336
Provision for impairment loss	62		
Reversal of impairment loss provision	(7,699)	(1)	(3)
Written-off	(28,734)	(40)	(8)
Elimination arising from business combination	(12,312)		
<b>At 31 December</b>	13,377	13,336	13,325

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

F-58

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**19 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)**

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

	As at	As at
	31 December 2016	31 December 2017
	RMB 000	RMB 000
RMB	330,425	314,184
HKD	66	67
	330,491	314,251

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

**20 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS**

	As at 31	As at 31
	December	December
	2016	2017
	RMB 000	RMB 000
Cash at bank and on hand	1,007,156	1,108,015
Term deposits with initial term not more than three months	352,500	52,500
Cash and cash equivalents	1,359,656	1,160,515
Term deposits with initial term of over three months (Note)	108,000	108,000
	1,467,656	1,268,515

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:

As at	As at
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	31 December 2016	31 December 2017
	RMB 000	RMB 000
RMB	1,351,880	1,235,719
HKD	115,680	32,650
USD	96	146
	1,467,656	1,268,515

F-59

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**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		As at		As at
	31 December	Movement	31 December	Movement	31 December
	2015	RMB 000	2016	RMB 000	2017
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
Authorised, issued and fully paid:					
Listed shares					
- H shares	1,431,300		1,431,300		1,431,300
- A shares	5,652,237		5,652,237		5,652,237
Total	7,083,537		7,083,537		7,083,537

**22 RESERVES**

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

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

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

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**22 RESERVES (CONTINUED)**

For the year ended 31 December 2015, 2016 and 2017, the directors proposed the following appropriations to reserves of the Company:

	2015 Percentage	2015 RMB 000	2016 Percentage	2016 RMB 000	2017 Percentage	2017 RMB 000
Statutory surplus reserve	10%	111,760	10%	117,050	10%	101,982

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 2015, 2016 and 2017, the movement of Special reserve - Safety Production Fund of the Group are as below:

	2015 RMB 000	2016 RMB 000	2017 RMB 000
Beginning of the year			
Appropriation for retained earnings	192,860	204,792	227,250
Utilisation	(192,860)	(204,792)	(227,250)

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.

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**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 2015, 2016 and 2017, the movement of other comprehensive income of the Group are as below:

	2015 RMB 000	2016 RMB 000	2017 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**

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

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**

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	As at 31	As at 31
	December 2016	December 2017
	RMB 000	RMB 000
Employee benefits obligations(Note 26)	34,043	30,745
Less: current portion included in accruals and other payables	(34,043)	(30,745)

F-62

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**24 EMPLOYEE BENEFITS OBLIGATIONS (CONTINUED)**

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

With the acquisition of the Yangcheng Railway Business in 2007 and Guangmeishan Railway Company Limited( GRCL ) Business and Guangdong Sanmao Railway Company Limited ( GSRC ) Business in 2016 (Note37), 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:

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

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**25 TRADE PAYABLES**

	As at	As at
	31 December 2016	31 December 2017
	RMB 000	RMB 000
Payables to third parties	610,472	614,822
Payables to related parties	533,051	710,255
	1,143,523	1,325,077

The aging analysis of trade payables was as follows:

	As at	As at
	31 December 2016	31 December 2017
	RMB 000	RMB 000
Within 1 year	860,315	1,075,298
Over 1 year but within 2 years	258,227	180,294
Over 2 years but within 3 years	7,477	49,359
Over 3 years	17,504	20,126
	1,143,523	1,325,077

**26 ACCRUALS AND OTHER PAYABLES**

	As at	As at
	31 December 2016	31 December 2017
	RMB 000	RMB 000
Due to third parties	1,188,416	1,017,309
Due to related parties	430,331	445,922
	1,618,747	1,463,231

As at

As at

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	31 December 2016	31 December 2017
	RMB 000	RMB 000
Payables to GEDC assumed by business combination with		
Zengcheng Lihua	368,560	377,703
Advances received from customers	295,088	152,010
Other deposits received	242,104	226,453
Deposits received for construction projects	207,877	203,886
Salary and welfare payables	172,299	178,427
Amount received on behalf of Labour Union	68,914	73,463
Other taxes payable	59,357	70,173
Deposits received from ticketing agencies	36,018	34,298
Employee benefits obligations (Note 24)	34,043	30,745
Housing maintenance fund	15,692	15,740
Other payables	118,795	100,333
	1,618,747	1,463,231

F-64

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**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 and 2015: RMB8,080,000 and RMB250,000, respectively).

**28 EMPLOYEE BENEFITS**

	2015	2016	2017
	RMB 000	RMB 000	RMB 000
Wages and salaries	3,672,234	4,362,506	4,848,830
Provision for medical, housing scheme and other employee benefits (a)	916,965	1,114,918	1,220,708
Contributions to the defined contribution scheme (b)	620,898	741,923	772,682
	5,210,097	6,219,347	6,842,220

**(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 RMB 447,255).

F-65

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**29 OTHER LOSSES NET**

	2015	2016	2017
	RMB 000	RMB 000	RMB 000
Loss on disposal of fixed assets net	(49,008)	(133,073)	(77,026)
Interest income from banks	38,145	24,772	18,974
Dividend income on available-for-sale investments	5,884	5,884	6,473
Government grants	7,349	9,769	13,272
Impairment of fixed assets(Note 6)	(80,393)		(11,185)
Loss arising from business combination	(45,073)		
Impairment of construction-in-progress(Note 7)	(2,434)	(5,662)	
Income from compensation	1,167	749	295
Impairment of trade receivables (Note 18)		(6)	(5,904)
Unwinding of interest accrued on long-term receivable		2,602	2,868
Others	9,736	(13,305)	3,756
	(114,627)	(108,270)	(48,477)

**30 FINANCE (COSTS)/INCOME NET**

	2015	2016	2017
	RMB 000	RMB 000	RMB 000
Bank charges	(7,387)	(3,823)	(2,866)
Amortisation of interest for employee benefit obligations (Note 24)	(226)		
Net foreign exchange (losses)/gains	3,005	6,374	(7,304)
	(4,608)	2,551	(10,170)

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**31 INCOME TAX EXPENSE**

In 2015, 2016 and 2017, the applicable income tax rate of the Company was 25%.

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

	2015	2016	2017
	RMB 000	RMB 000	RMB 000
Current income tax	416,480	379,482	355,579
Deferred income tax (Note 12)	(27,950)	10,827	(20,215)
	388,530	390,309	335,364

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:

	2015	2016	2017
	RMB 000	RMB 000	RMB 000
Profit before tax	1,451,838	1,544,009	1,347,132
Tax calculated at the statutory rate of 25% (2016 and 2015: 25%)	362,960	386,002	336,783
Effect of income not subject to tax	(2,096)	(3,277)	(3,354)
Effect of expenses not deductible for tax purposes	1,920	1,928	663
Effect of undeductible loss arising from business combination	11,268		
Reversal of deferred tax assets for the impairment loss of investments in associates and other receivable recognized in prior years	10,500		
Tax losses for which no deferred tax asset was recognised	4,619	5,656	5,561
Over provision of previous year's income tax			(3,886)
Utilisation of previously unrecognised tax losses	(641)		(403)
Income tax expense	388,530	390,309	335,364

F-67

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**32 EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the net profit for the year attributable to equity holders of approximately RMB1,015,361,000 (2015 and 2016: RMB1,070,822,000 and RMB1,158,253,000), divided by the weighted average number of ordinary shares outstanding during the year of 7,083,537,000 shares (2015 and 2016: 7,083,537,000 shares). There were no dilutive potential ordinary shares during each of the three years in the period ended December 31, 2017. The calculation of earnings per equivalent ADS is based on the net profit for the year attributable to equity holders, divided by the weighted average equivalent ADSs (one ADS represents 50 H Shares) outstanding during the year of 141,670,740 ADSs (2015 and 2016: 141,670,740 ADSs).

	2015 RMB 000	2016 RMB 000	2017 RMB 000
Profit attributable to owners of the Company	1,070,822	1,158,253	1,015,361
Weighted average number of ordinary shares in issue	7,083,537	7,083,537	7,083,537
Weighted average equivalent ADSs	141,670	141,670	141,670
Basic and diluted earnings per share	RMB0.15	RMB0.16	RMB0.14
Basic and diluted earnings per equivalent ADS	RMB7.56	RMB8.18	RMB7.17

**33 DIVIDENDS**

The dividends paid to the ordinary shareholders of the Group in 2015, 2016 and 2017 were all RMB566,683,000 (RMB0.08 per share) respectively.

	2015 RMB 000	2016 RMB 000	2017 RMB 000
Final, proposed, of RMB0.08 (2015 and 2016: RMB0.08) per ordinary share	566,683	566,683	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.

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**34 CASH FLOW GENERATED FROM OPERATIONS**

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

	2015 RMB 000	2016 RMB 000	2017 RMB 000
Profit before income tax:	1,451,838	1,544,009	1,347,132
Adjustments for:			
Depreciation of fixed assets (Note 6)	1,411,742	1,518,970	1,662,460
Impairment of fixed assets (Note 6)	80,393		11,185
Impairment of construction-in-progress (Note 7)	2,434	5,662	
Loss arising from business combination	45,073		
Provision for/ (reversal of) impairment of materials and supplies (Note 17)	64,096	(5,209)	7,844
Amortisation of leasehold land payments (Note 8)	28,413	38,670	45,680
Loss on disposal of fixed assets and costs on repairs	49,008	133,073	321,741
Amortisation of long-term prepaid expenses (Note 13)	14,179	6,968	3,168
Amortisation of interest for employee benefit obligations (Note 24)	226		
Share of results of associates , net of tax (Note 11)	(2,499)	(7,223)	(6,944)
Dividend income on available-for-sale investments (Note 29)	(5,884)	(5,884)	(6,473)
Provision for impairment of receivables	(4,459)	5	5,901
Amortisation of deferred income	(2,529)	(3,258)	(3,282)
Interest income	(5,502)	(4,353)	(4,647)
<b>Operating profit before working capital changes</b>	<b>3,126,529</b>	<b>3,221,430</b>	<b>3,383,765</b>
Increase in trade receivables	(553,980)	(1,034,064)	(419,349)
Decrease in materials and supplies	34,843	14,432	6,121
Increase in prepayments and other receivables	83,553	(47,594)	(12,975)
Decrease in long-term receivable	2,000	2,000	3,000
Increase in trade payables	(270,151)	34,178	181,554
(Decrease)/increase in accruals and other payables	97,585	22,481	(179,412)
<b>Net cash generated from operations</b>	<b>2,520,379</b>	<b>2,212,863</b>	<b>2,962,704</b>

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**34 CASH FLOW GENERATED FROM OPERATIONS (CONTINUED)**

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

	2015 RMB 000	2016 RMB 000	2017 RMB 000
Net book amount (Note 6)	83,944	142,336	336,812
Receivable arising from disposal of fixed assets	(21,627)	20,349	
Payable arising from disposal of fixed assets			(2,457)
Transfer to materials and supplies	(5,488)	(11,662)	(12,087)
Loss on disposal of fixed assets and costs on repairs	(49,008)	(133,073)	(321,741)
Proceeds from disposal of fixed assets	7,821	17,950	527

**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:

	As at 31 December 2016 RMB 000	As at 31 December 2017 RMB 000
Contracted but not provided for	769,013	1,341,055
Authorised but not contracted for	1,165,237	518,945

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.



**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**36 COMMITMENTS (CONTINUED)**

## (b) Operating lease commitments

In connection with the acquisition of Yangcheng Railway Business, the Company signed an agreement on 15 November 2004 with Guangzhou Railway Group for leasing the land use rights associated with the land on which the acquired assets of Yangcheng Railway Business are located. The agreement became effective upon the completion of the acquisition on 1 January 2007 and the remaining lease term is 20 years, renewable at the discretion of the Company. According to the terms of the agreement, the rental for such lease would be agreed by both parties every year with a maximum amount not exceeding RMB74,000,000 per year. During the year ended 31 December 2017, the related lease rental paid and payable was approximately RMB57,358,000 (2015 and 2016: RMB55,090,000).

**37 BUSINESS COMBINATIONS**

On 26 October 2016, the Company entered into agreements to acquire certain railway service businesses of Guangzhou Railway Group, Guangmeishan Railway Company Limited ( GRCL ) and Guangdong Sanmao Railway Company Limited( GSRC ). GRCL and GSRC are subsidiaries of Guangzhou Railway Group which operate freight service business (the Acquisition ).

The purchase considerations payable to Guangzhou Railway Group, GRCL and GSRC were approximately RMB28,657,000, RMB453,658,000 and RMB249,677,000, respectively.

On 26 October 2016, the Company obtain control over above mentioned railway service businesses and the directors of the Company determined that it was the completion date of the Acquisition. The results of the operations of the above-mentioned entities have been included in the Group s consolidated comprehensive income statement from 26 October 2016 onwards accordingly.

The following table summarizes the consideration paid for Guangzhou Railway Group, GRCL and GSRC, the fair value of identifiable assets acquired and liabilities assumed at the date of the Acquisition:

	<b>Guangzhou Railway Group RMB 000</b>	<b>GRCL RMB 000</b>	<b>CSRC RMB 000</b>	<b>Total RMB 000</b>
Amount payables arising from the Acquisition(a)	28,657	453,658	249,677	731,992
Less Employee benefits obligation undertaken to be borne by the Company		(9,024)	(15,703)	(24,727)
Total consideration(a)	28,657	444,634	233,974	707,265

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**37 BUSINESS COMBINATIONS(CONTINUED)**

- (a) The total consideration of approximately RMB707,265,000 had been offset against the trade receivables due from Guangzhou Railway Group, GRCL and GSRC to the Group. Therefore, no actual cash outflow occurred in the business acquisition. As at the completion date of the Acquisition, the fair value of the identifiable assets and liabilities acquired were as below:

Inventories	23,110
Fixed assets (Note 6)	648,890
Construction-in-progress (Note 7)	59,992
Other liabilities	(24,727)
<b>Total identifiable net assets</b>	<b>707,265</b>
<b>Total consideration</b>	<b>707,265</b>
<b>Goodwill</b>	

The directors of the Company made reference to the valuation report performed by an independent valuer on the acquired businesses when they determined the fair value of the identifiable assets and the liabilities acquired.

**Table of Contents**

**GUANGSHEN RAILWAY COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**38 RELATED PARTY TRANSACTIONS**

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

(a) Related parties that control the Company or are controlled by the Company:  
See Note 10 for the principal subsidiaries.

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

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

(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

**Table of Contents**

**GUANGSHEN RAILWAY COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**38 RELATED PARTY TRANSACTIONS (CONTINUED)**

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

(i) Guangzhou Railway Group and its subsidiaries (continued):

Name of related parties	Relationship with the Company
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 Associates of the Group	Subsidiary of the single largest shareholder
Tiecheng	Associate of the Group
Shentu	Associate of the Group

(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.

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**38 RELATED PARTY TRANSACTIONS (CONTINUED)**

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

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

	2015 RMB 000	2016 RMB 000	2017 RMB 000
<b><i>Provision of services and sales of goods</i></b>			
Transportation related services			
Provision of train transportation services to Guangzhou Railway Group and its subsidiaries (i)	751,956	1,425,538	1,505,348
Revenue collected by CRC for railway network usage and related services provided to Guangzhou Railway Group and its subsidiaries (ii)	1,180,852	1,400,876	1,428,752
Revenue from railway operation service provided to Guangzhou Railway Group's subsidiaries (iii)	550,168	579,253	660,847
	2,482,976	3,405,667	3,594,947
<b><i>Other services</i></b>			
Sales of materials and supplies to Guangzhou Railway Group and its subsidiaries (iv)	25,940	29,449	23,386
<b><i>Services received and purchase made</i></b>			
Transportation related services			
Provision of train transportation services by Guangzhou Railway Group and its subsidiaries (i)	888,903	989,778	1,048,524
Cost settled by CRC for railway network usage and related services provided by Guangzhou Railway Group and its subsidiaries (ii)	1,406,962	1,628,336	1,720,849
Operating lease rental paid to Guangzhou Railway Group for the leasing of land use rights (Note 36 (b))	55,090	55,090	57,358
	2,350,955	2,673,204	2,826,731
<b><i>Other services</i></b>			
Social services (employee housing and public security services and other ancillary services) provided by GEDC and Yangcheng Railway (iii)	16,080	11,297	
Provision of repair and maintenance services by Guangzhou Railway Group and its subsidiaries (iv)	489,038	306,988	298,040
Purchase of materials and supplies from Guangzhou Railway Group and its subsidiaries (v)	384,262	469,273	455,716

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Provision of construction services by Guangzhou Railway Group and its subsidiaries (vi)	226,089	347,409	272,390
	1,115,469	1,134,967	1,026,146

F-75

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**Table of Contents**

**GUANGSHEN RAILWAY COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**38 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:

- (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.

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**38 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:

	2015 RMB 000	2016 RMB 000	2017 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)	36,515	29,794	81,396
Revenue collected by CRC for services provided to CRC Group (ii)	1,752,666	1,777,640	1,877,719
Revenue from railway operation service provided to CRC Group (iii)	1,421,995	1,628,143	1,800,692
	3,211,176	3,435,577	3,759,807
<i>Other services</i>			
Provision of repairing services for cargo trucks to CRC Group (ii)	284,348	323,993	333,917
Sales of materials and supplies to CRC Group (iv)	38,395	7,073	7,185
Provision of apartment leasing services to CRC Group (iv)	762	641	722
	323,505	331,707	341,824
<b><i>Services received and purchases made</i></b>			
<i>Transportation related services</i>			
Provision of train transportation services by CRC Group (i)	277,138	292,754	306,208
Cost settled by CRC for services provided by CRC Group (ii)	1,365,352	1,376,047	1,395,591
	1,642,490	1,668,801	1,701,799
<i>Other services</i>			
Provision of repair and maintenance services by CRC Group (iv)	2,813	42,954	31,089
Purchase of materials and supplies from CRC Group (v)	33,591	15,220	19,258
Provision of construction services by CRC Group (vi)	13,538	4,385	
	49,942	62,559	50,347

- (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.

F-77

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**38 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 (continued):

- (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.

(III) Revenues collected and settled through the CRC:

	2015	2016	2017
	RMB 000	RMB 000	RMB 000
- Passenger transportation	6,642,129	6,960,491	7,295,985
- Freight transportation	1,022,025	1,105,061	1,266,122
- Other transportation related services	86,199	86,883	112,267
	7,750,353	8,152,435	8,674,374

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**38 RELATED PARTY TRANSACTIONS (CONTINUED)**

(d) As at 31 December 2016 and 2017, the Group had the following material balances maintained with related parties:

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

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

F-79

**Table of Contents****GUANGSHEN RAILWAY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**38 RELATED PARTY TRANSACTIONS (CONTINUED)**

(e) As at 31 December 2016 and 2017, the Group had the following material balances maintained with related parties (continued):

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

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

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

F-80

**Table of Contents**

**GUANGSHEN RAILWAY COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts expressed in Renminbi unless otherwise stated)

**39 SUBSEQUENT EVENTS**

- (a) At the meeting of the directors held on 28 March 2018, the directors proposed a final dividend of RMB 0.08 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.
  
- (b) On 27 December 2017, the directors of the Company proposed to hand over the land use rights of certain land parcels owned by the Company for resumption in accordance with laws in response to the urban renewal demand in Guangzhou City.

On 19 April 2018, the Company entered into the Resumption Compensation Agreement with the Guangzhou Land Development Center (GLDC or the Purchaser) and other vendors, pursuant to which the Purchaser agreed to resume the land use rights over the land with an initial total compensation of RMB 6.00 billion (subject to adjustments), of which the initial compensation amount payable to the Company will be approximately RMB 1.30 billion (subject to adjustments). GLDC is a public institution under the Guangzhou Land Resources and Planning Commission, which is responsible for the administration of government land reserve. The transaction is subject to the certain conditions, including the approval from the shareholders at the general meeting of the Company, and such conditions may or may not be fulfilled. If the conditions required for the completion of the transaction are not fulfilled, the transaction may not proceed.

F-81