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Finanční analýza společnosti Chinese Railways

Financial Analysis of Chinese Railway Company

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1. Introduction
2. Statement of Financial Analysis Methodology
3. Current and Perspective Situation of the Chinese Railways Company
4. Financial Analysis of the Chinese Railways Company
5. Conclusion

Bibliography
List of Abbreviations
Declaration of Utilization of Results from the Bachelor Thesis
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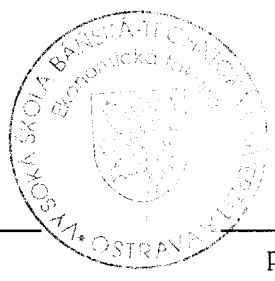

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The declaration

"Herewith I declare that I elaborated the entire thesis, including all annexes, independently."

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Contents:

1 Introduction

This thesis is focus on financial analysis of the Chinese railway company, financial analysis is a method simply to analysis situation of a company.during some data,we can know the situation of a company is wally or not. According to some data and chart,the shareholder of a company will know the situation of the company,then they will know how to prove the company.

In this thesis ,we will select 6 years as a period to analysis the company,and we will divide into 5 part.the first one and last one are introduction and conclusion,the second part is statement of financial analysis of the Chinese railway company,the third part is current and perspective situation of the Chinese railway company.the fourth one is financial analysis of the company.

In second part, we will introduce the methodology of financial statement,common-size analysis, financial ratios analysis and pyramidal decomposition. In financial statement ,we will introduce the situation of balance sheet,income statement and cash flow statement. In common-size analysis.we will introduce two method, horizon common-size analysis and vertical common-size analysis. In financial ratios analysis we will introduce methodology of profitability ratio,liquidity ratio,solvency ratio and activity ratio. In pyramidal decomposition, we will introduce three method, gradual changes method,logarithmic decomposition method and function decomposition method.

In third part, we will introduce the Chinese railway company, the basic introduction,the development process and future situation of the company.

In fourth part.we will introduce the financial analysis of Chinese railway company.we will use some table and data of common-size analysis,financial ratios analysis and pyramidal decomposition to analysis the company. In balance sheet analysis,we use the data of assets ,equity and liabilities of the company to get some chart and table.it can show the situation of the company directly. Profitability ratio analysis.we will calculate the operating profit margin,net profit margin,return on assets and return on equity. In liquidity ratio analysis, we will calculate current

ratio,quick ratio and cash ratio of the company. In solvency ratio analysis we will calculate debt ratio,debt-to-equity ratio and interest coverage. In activity ratio analysis,we will calculate accounts receivable turnover,inventory turnover and total assets turnover. In pyramidal decomposition. We will use the data of earning after tax, revenue,assets and equity of the company to calculate some changes of the company. Finally, we will compare the three method.

2 Statement of Financial Analysis Methodology

Every year, many companies have announced their inventory and annual financial report.The report reflects the financial situation. The report that after calculation, adjustment and re arrangement of the data, contains a lot of important information about the company. From the grocery store owner of the company, from the ordinary engineers to his banker, it is an avid reader of the financial statements. If the lack of real understanding of the company's financial data, managers can analyze the company's current situation, and thus will not be able to take effective measures to solve problems faced by the company, but can not predict their decision will bring what kind of impact to company finance.The following from the financial analysis of the status of the company.

In this chapter.we will introduce some financial methodology. financial statement.common-size analysis ,financial ratio analysis and Dupont analysis.

In financial statement.we will introduce balance sheet,income statement and cash flow statement. In common-size analysis we will introduce two methods.horizon ad vertical analysis. In financial ratios analysis,we will introduce four ratios,profitability ratio,liquidity ratio,activity ratio and solvency ratio.in the last part we will introduce three methods in Dupont analysis.gradual changes method,logarithmic decomposition method and function decomposition method.

2.1 Financial statement

In this part,we will introduce three basic financial statement information about a company. Balance sheet,income statement and cash flow statement.

2.1.1 Balance sheet

The balance sheet date of the said enterprise in a certain financial status of the main accounting statements. The balance sheet by using accounting principles of balance, will conform to the principles of accounting assets, liabilities, rights and interests of shareholders"transaction subjects into" assets "and" liabilities and shareholders equity ,in a static enterprise specific date for the benchmark,concentrated

into a report. The report function in addition to internal debugging, management direction, prevent abuse, also can let all readers in the shortest time to understand the situation of the business.

Table 2.1Data of balance sheet

Current assets	**Current liabilities**
Monetary capital	Short-term borrowing
Trading financial assets	Trading financial liabilities
Notes receivable	Notes payable
Account receivable	Account payable
Prepayment	Dividends payable
Inventory	Other payable
Other current assets	Non-current liabilities within a year
Total current assets	Total liabilities
Non-current assets	**Non-current liabilities**
Loans and payments behalf	Long-term loan
Available for sale financial assets	Bonds payable
Long-term receivable	Long-term payable
Long-term equity investment	Other non -current liabilities
Goodwill	Total non-current liabilities
Long-term amortized expenses	Total liabilities
Deferred tax assets	**Equity**
Other non-current assets	Paid up capital
Total non-current assets	Undistributed profit
Total assets	Translation reserve
	Parent company’s owner equity
	Minority equity
	Owners’ equity
	Liabilities and equity

Total assets=total liabilities＋total equity

The formula shows that the liquidity of assets is the company strategy and management policy . Compare the company's current assets and short-term financing, we will be able to quickly come to the company's cash flow. Plan and long-term budget in the company, with the formula also has an extremely

important significance. If the liquidity provision to forecast ,so we need to develop investment plans to reflect future changes in fixed assets and financing plan to reflect future changes permanent capital . if you can predict the liquidity requirements(such as liquidity demand and sales together), it can predict the company's future net cash flow.

Current assets: in a business cycle can be converted into cash or the use of capital.

Non-current assets capital occupancy in a year or more investment, equity investment,usually to buy bonds, bonds, funds or listed in circulation stock.

Short-term liabilities: to borrow the banks and other financial institutions in the period of one year following the various loan.

Long term liabilities: refer to the company needs all the debt payment in a year later.

Shareholders also known as owner's equity or net assets, refers to the shareholders in the company's investment in some value. Shareholders' equity includes common stock and retained earnings.

2.1.2 Income statement

The income statement, also called the income statement, is a period of time the company operating and non operating income summary determines a time, can be seen from the company generated profits or losses. The general accounting standards is very important one is the accrual principle, the principle of that income and expenses charged to the income statement in the actual transaction, rather than in the actual cash payment loss included occurs. According to this principle, between income, costs incurred and cash receipts produced a significant time difference. Therefore, in the income statement, see profits or income, cash is not the only potential, the company paid in cash.

Table 2.2 Data of income statement

Total revenue	**Operating profit**
Operating revenue	Non-business income
Interest revenue	Non-business expenditure
Handling charge and commission revenue	Disposal loss non-current liability
Total cost	**Total profit**
Cost	Income tax expense
Interest expense	Net profit
Business tax and surcharges	Parent company’s owner net profit
Selling expenses	Minority interest income
Administration expense cost	Earnings per share
Financial cost	
Assets loss	
Income from investment	
Cooperative income form investment	

Revenue: refers to enterprises formed in daily activities, will cause the total inflow has nothing to do with the economic interests of the owners of capital input increases in owners' equity, including sales of goods, income, labor income, transfer of right to use assets income, interest income, rental income, dividend income.

Cost: is the value category of commodity economy, is part of the value of goods, also known as the cost of production. People want to carry out the production and operation activities or to achieve a certain purpose,must spend some resources,such as human,material and financial resources,its costs money and resources performance object called cost.

Profit:In simple words, is your gain money. That is your total income minus total expenditure of the remaining part of your.

2.1.3 Cash flow statement

Cash flow statement is reflected during the enterprise accounting business activities,investment activities and financing activities have an impact on cash and

cash equivalents of the accounting statements. Its main purpose is to provide an enterprise in a certain accounting cash inflow and outflow of the relevant information within the period for the users of financial statements.

Table 2.3 Data of cash flow statement

Operating activity	**Investing activity**
Cash received from sales of goods, services provided	To recover the investment cash received
Other cash received relating to operating activities	Cash received investment income
Subtotal of cash inflow from operating activities	Net cash back on disposal of fixed assets, intangible assets and other long-term assets
The purchase of goods, services received cash payments	Cash inflow from investment activities
Paid to and for employees cash	Cash outflow for investment activities
The tax payment	Net cash flow from investment activities
Sub total of cash outflows from operating activities	
Generated from operating activities net cash flow	
Financing activity	
Cash received from investment	
Cash received from loan	
Cash inflow from financing activities	

The classification of cash flow

operating activities: all transactions and events outside enterprises investing activities and financing activities.The company operating cash flow is the core of financial management, the key terms. The term is used to estimate the company cash flow through daily operation, so it can also be used to evaluate the survival ability and the ability of the company long-term growth. If within a certain period of time the company operating cash flow is relatively low, or even worse is negative, which indicates that the company has no ability to perform financial functions to ensure the effective operation of the company or to provide resources for the development of the future and provide rolling. The

company operating cash flow is the company's long-term growth engine, which provides the basic source of funding for the company's investment plan.

Investing activity:the purchase and construction of long-term assets and do not include investment in cash and cash equivalents within the scope of activities and its disposal. Long term assets here refers to the fixed assets, construction in progress,intangible assets.

Financing activities: leading venture capital and debt changes in the scale and composition of activities. Including to the obligee to stock financing.

2.2 Common-size analysis

Common-size analysis is analysing the data of financial statement,in this part, we will introduce two method,vertical common-size analysis and horizon common-size analysis.

2.2.1 Vertical common-size analysis

The proportion of assets and liabilities structure reflects the relationship between the statement of assets and liabilities of each project and the project accounts for the.

The balance sheet is vertical analysis by calculating the balance sheet of the project total assets or total equity proportion, analysis of reasonable extent change evaluation of enterprise assets structure and equity structure.Balance sheet analysis from the static angle and the vertical angle of two aspects of dynamic.From the static analysis is based on the current balance sheet as the analysis object,analysis and evaluation of the actual composition. From the dynamic point of view is the statement of assets and liabilities of the actual structure of the period were compared with the selected standards, standards of comparison can be the average number, the number on the actual budget and of the same trade or than the actual number of enterprises.

Table 2.4 Data of vertical common-size analysis(unit: rmb)

Assets USD	2009	2010	relative
Total assets	1000	1000	
Current assets	200	400	＋100％

2.2.2 Horizon common-size analysis

Horizon common-size analysis is based on the balance sheet, by using level analysis method, the actual number of the balance sheet and the selected standard were compared, the preparation of a table to analyze balance sheet level, on the basis of analysis and evaluation.Balance sheet analysis in addition to the level of calculation amount of changes and changes in a project's rate, should also calculate the project will influence the total assets or liabilities and owners' equity of the total.

Table 2.5 Data of horizon common-size analysis(unit: rmb)

Assets USD	2009	2010	absolute
Total assets	1000	1200	＋200
Current assets	300	200	－100

2.3 Financial ratios analysis

Financial ratio analysis is a method of analysis method is the most simple, and shows the strongest.The analysis methods are developed based on ratio analysis on many other financial. Financial ratios analysis are use some ratio to analyse ability of a company,in the part, we will introduce four ratios, profitability ratios,liquidity ratios,solvency ratios and activity ratios.

2.3.1 Profitability ratios

Profitability ratio analysis is used to illustrate the ability of the enterprise profit,Profitability is the core of all aspects of concern, is also the key to the

success of the enterprise, only the long-term profit, the enterprise can truly sustainable management.Therefore, whether investors or creditors, the ratio of profit ability reflects the enterprises attach great importance.The main index are operating profit margin,net profit margin,return on assets and return on equity.All indexes of profitability is good, explained that the enterprise profit ability.

Operating profit margin(OPM): Operating profit margin is the ratio of income and pretax income, the ratio shows a company's income quality and on operating costs control.

$$OPM = \frac{EBIT}{\mathrm{Re}venue} \qquad (2.1)$$

Where EBIT is earning before interest taxes.

Net profit margin(NPM): Net profit margin represents the net profits in the proportion of sales revenue, the ratio can also be interpreted as the enterprise every 1 yuan sales income can be achieved net profits.

$$NPM = \frac{EAT}{\mathrm{Re}venue} \qquad (2.2)$$

Where EAT is earning after taxes.

Return on assets(ROA): The ratio is used to reveal the efficiency of the use of all of the assets of enterprise profit, the higher the ratio indicates that the enterprise managers more effectively using the assets of the enterprises to create profits.

$$ROA = \frac{EAT}{Assets} \qquad (2.3)$$

Where EAT is the earning after taxes.

Return on equity(ROE): This ratio suggests that investors investment level of profitability.Therefore,the ratio is one of the indicators of most investors concern. The higher the ratio show that investor's investment rate of return is high, indicates that the enterprise management to gain greater benefits for the business owners.

$$ROE = \frac{EAT}{Equity} \qquad (2.4)$$

Where EAT is earning after taxes.

2.3.2 Liquidity ratios

Liquidity ratios is the ability that the enterprise to repay short-term debt. The short-term debt paying ability is insufficient, will not only affect the enterprise's credit, increase the cost and difficulty of raising funds, may also lead to financial crisis, or even bankruptcy. Generally speaking, the enterprise should pay current liabilities to current assets, and should not rely on the sale of long-term assets, so use the relationship between the number of current assets and current liabilities to measure short-term debt paying ability. In this part ,we will introduce three ratios, current ratio,quick ratio and cash ratio.

Current ratio : Current ratio is an important index to measure the asset liquidity and liquidity level, it reflects the enterprises ability to repay short-term debt and maintain normal production and operation activities.Corporate buyers can use it to analyze:enterprise liquid assets sufficient to pay the current liabilities.Because the flow of assets in cash in the transformation process in the value will be lower than the book value in a certain extent, so the current ratio of less than 1 the company will lack of short-term debt paying ability.

$$Current\ ratio = \frac{Current\ assets}{Current\ liabilities} \qquad (2.5)$$

Quick ratio: Quick ratio Not all current assets of enterprises, but with the quick assets ratio part divided by total current liabilities that, called quick assets ratio Quick assets that can be quickly at any time, to pay the various flows of debt assets. It is mainly manifested as, minus in liquid assets inventory and accounts receivable, prepayments pour account part. quick assets, is the balance of current assets excluding liquid,leaving the realization of assets after the weak ability, it can be quickly used to repay short-term debt and at any time spending. Form the basis of quick assets ratio to it, relative to the current assets ratio, is a more rigorous measure of asset liquidity, it can more accurately reflect the ability of the enterprise fast paying current liabilities. So, buy the solvency of enterprises use it to evaluate the acquirer, than the current assets ratio results are more

accurate, more reasonable.

$$Quick\ ratio = \frac{Current\ assets - inventories}{Current\ liabilities} \quad (2.6)$$

Cash ratio: Cash ratio is the ratio of cash and cash equivalents and current liabilities. This ratio is also known as the cash to current liabilities ratio. Its liquidity ratio quick ratio can reflect the enterprise assets and debt repayment ability. Is added further to the current ratio.

$$Cash\ ratio = \frac{Cash + marketable\ securities}{Current\ liabilities} \quad (2.7)$$

2.3.3 Solvency ratios

Solvency ratios is the ability that the enterprise long-term interest and principal repayment.Generally speaking, enterprises through long-term debt is mainly used for long-term investment, so it is best to use the investment to produce the proceeds to repay interest and principal. Usually in the two indicators of debt ratio and the interest income multiples of measure of the long-term debt paying ability. In this part we will introduce three ratios, debt ratio,debt-to-equity ratio and interest coverage.

Basic ratio:

Debt ratio: The debt ratio can say financial leverage, because the rights and interests of the owners do not have to be repaid, so financial leverage is higher, the creditors by security is low. But this is not to say that financial leverage is the lower the better, because of certain liabilities that the managers of enterprises can effectively use the shareholders' funds, help shareholders with less capital on a large scale of operation, so that enterprises do not have the financial leverage is too low to good use of its funds.

$$Debt\ ratio = \frac{Total\ \ debt(total\ liabilities)}{Assets} \quad (2.8)$$

Debt-to-equity ratio: Debt to equity ratio is the ratio of total equity total

liabilities and shareholders,also known as equity ratio. This ratio is actually another form of debt ratio, it reflects the creditors to provide funds and shareholders funds provide contrast relations. So it can reveal the enterprise's financial risk and shareholder rights and interests guarantee on the debt level. The lower the ratio, explain the enterprise long-term financial situation better, the creditor loans safely guaranteed.

$$Debt-to-equity\ ratio=\frac{Total\ debt(total\ liabilities)}{Equity} \quad (2.9)$$

Interest coverage: Interest coverage ratio is also called the times interest earned,is refers to the enterprise profit before interest and interest Cost ratio, reflecting the ability of enterprises to obtain the index of loan interest profit bear.This ratio is large, long-term debt paying ability stronger.

$$Interest\ coverage=\frac{EBIT}{Interest\ paid} \quad (2.10)$$

Where EBIT is earning before interest taxes.

2.3.4 Activity ratios

Activity ratio used to measure business in asset management efficiency, usually refers to the assets turnover rate. The ratio include accounts receivable turnover,inventory turnover, average collection period and total assets turnover . Usually the turnover rate index the higher the better, explained that the enterprise asset utilization effect is good, fast turnaround..

Account receivable turnover(ART): Accounts receivable turnover ratio is used to reflect the enterprise in capital should be invested to accounts receivable on the annual turnover. This ratio is mainly used for analysis of enterprise credit policy and accounts receivable accounts receivable efficiency. Usually the account receivable turnover is high,that the accounts receivable recovery faster,possibility of bad losses will be smaller,which will enhance the short-term debt paying ability of enterprises.

$$ART = \frac{Credit\ sales}{Account\ receivables} \tag{2.11}$$

Inventory turnover(IT): Inventory turnover rate indicates that the enterprise in a certain period of inventory turnover times, can be used for the analysis of enterprise inventory liquidation speed and the efficiency of management.The higher the ratio indicates that the enterprise inventory turnover of capital more quickly,profit is usually also more high, short-term debt paying ability more strong.

$$IT = \frac{Costs\ of\ goods\ sold}{Average\ inventory} \tag{2.12}$$

Average collection period(ACP):ACP is calculated from the accounts to receivable conversion of the cash needed days.the faster we received money,the better for company.

$$ACP = \frac{Account\ receivable}{Credit\ sales}.360 \tag{2.13}$$

Total assets turnover(TAT): The ratio is used to rate the level of using all assets reflect the enterprise. The ratio of greater numerical show that all the assets of the business turnover faster, so as to make the enterprise profit ability is enhanced. If the ratio is too low to indicate that the enterprise management can not make efficient use of assets to engage in business, thus weakening the enterprise profit ability.

$$TAT = \frac{Revenue}{Assets} \tag{2.14}$$

2.4 Pyramidal decomposition (Dupont analysis)

DuPont analysis method is a kind of used to evaluate company profitability and return on equity level, a classical method of enterprise performance evaluation from the perspective of finance.The basic idea is to decompose the enterprise net assets income rate for a number of financial ratio product, this helps to analysis the business performance.

Characteristics of DuPont model is the most significant number used

to rate evaluation of management efficiency and the financial situation of enterprises according to their intrinsic link organically, form a complete index system, and finally through the return on equity to reflect. Using this method, can make the financial ratio analysis more clear, organized more prominent, as the statements analysts fully and carefully understand the operation of enterprises and profitability to provide convenient.

DuPont analysis helps enterprise management more clearly see the determinants of returns on equity, mutual relation and sales net profit rate and total asset turnover ratio, debt ratio,provides a road map to a clear inspection company assets management efficiency and whether maximizing shareholder returns to management.

The fundamental example of the pyramidal decomposition

$$ROE = \frac{Net\ profit}{Equity} = \frac{Net\ income}{\mathrm{Re}venue} \cdot \frac{\mathrm{Re}venue}{Total\ assets} \cdot \frac{Total\ assets}{Equity} \qquad (2.15)$$

Where ROE The rate of return on equity, it is a most comprehensive financial analysis, is the core of DuPont analysis system.

Net income/Revenue=net profit margin:net profit margin is the most important indexes influencing net interest rates, has the very strong comprehensive, and assets net profit margin and net interest rate depends on the financial leverage and the assets turnover.

Revenue / total assets=assets turnover:assets turnover rate is a reflection of the total assets turnover rate. Analysis on the asset turnover ratio, the need of various factors affecting the assets turnover is analyzed, the main problems affecting the company to ascertain where the assets turnover. Sales net interest rates reflect sales revenue income level. The expansion of sales revenue, reduce costs is a fundamental way of improving enterprise sales profits, and expand the sales, but also a necessary

Total assets/equity=financial leverage:financial leverage reflects the company's use of financial leverage to carry out business activities degree. The high rate of assets and liabilities, equity multiplier is large, this shows that the high degree of the liabilities of the company, the company will have more leverage, but the risk is also high; on the contrary, the low rate of assets and liabilities, equity multiplier is small, it shows that

the company debt level is low, the company will have less leverage, risk but should be undertake too low.

2.4.1 Gradual changes method

This method set of proportional change can cause proportional changes, according to different degree of influence can determine that the factors affecting the maximum.

In the case of decomposition with 3 component ratios:

$$\begin{aligned} \Delta X_{a1} &= \Delta a_1 . a_{2.0} . a_{3.0} \\ \Delta X_{a2} &= a_{1.1} . \Delta a_2 . a_{3.0} \\ \Delta X_{a3} &= a_{1.1} . a_{2.1} . \Delta a_3 \end{aligned} \tag{2.16}$$

Where X is basic ratio,△x is absolute change in the basic ratio,a is component ratio.△a is absolute change in the component ratio,△xa1is absolute change in the basic ratio caused by the change in the first component ratio.

2.4.2 Logarithmic decomposition method

This method has the advantage of influence we only need to focus on a formula,and we can calculate like 3 times.then we can get the order with the pyramidal decomposition.

The formula:

$$\Delta X_{a1} = \frac{Inl_{a1}}{Inl_x} . \Delta x \tag{2.17}$$

Where X is basic ratio,△x is absolute change in the basic ratio, $I_x = \frac{x_1}{x_0}$ is index of change in basic ratio, $I_a = \frac{a_1}{a_0}$ is index of change in component ratio.

2.4.3 Functional decomposition method

A variation of this method is applicable to the relative quantity, with the first method, this method can be used to calculate which ratio effects on ROE of maximum or minimum

Impact of the component ratio on the basic ratio:

$$\Delta X_{a1} = \frac{1}{R_x}.R_{a1}.\left(1+\frac{1}{2}.R_{a2}+\frac{1}{2}.R_{a3}+\frac{1}{3}.R_{a2}.R_{a3}\right).\Delta x$$

$$\Delta X_{a2} = \frac{1}{R_x}.R_{a2}.\left(1+\frac{1}{2}.R_{a1}+\frac{1}{2}.R_{a3}+\frac{1}{3}.R_{a1}.R_{a3}\right).\Delta x \qquad (2.18)$$

$$\Delta X_{a3} = \frac{1}{R_x}.R_{a3}.\left(1+\frac{1}{2}.R_{a1}+\frac{1}{2}.R_{a2}+\frac{1}{3}.R_{a1}.R_{a2}\right).\Delta x$$

Where △x is absolute change in the basic ratio. $R_x = \frac{x_1 - x_0}{x_0}$. $R_a = \frac{a_1 - a_0}{a_0}$.

3 Current and Perspective Situation of the Chinese railway company

In this chapter.we will introduce the basic introduction.history and business scope of the company.

3.1Basic introduction of China railway corporation

China Railway Corporation (referred to as the "iron") is approved by the State Council,according to "people's Republic of China industrial enterprises owned by the whole people"set up by the central administration at the ministerial level state owned enterprises, registered capital of 10360 hundred million yuan.

According to the twelve National People's Congress meeting approved the "State Council institutional reform and function transformation plan", the implementation

Picture 3.1 The logo of the Chinese railway company

Source：www.baidu.com

of railway separation, set up the China Railway corporation. In March 14, 2013, the formal establishment of China railway corporation.

China Railway Corporation to the railway passenger and freight transport services industry, the implementation of diversification. Responsible for the railway transportation dispatching and commanding unity, responsible for the national railway passenger and freight transport management, the regulations of the state public transport, to ensure the key transportation relationship beneficial to the

people's livelihood and special transport, transport, transport and other tasks of emergency rescue and disaster relief. Responsible for drafting railway construction investment plan, proposed the national railway network construction and financing plan. Responsible for the preparatory work for construction project and management of construction project. Responsible for the national railway transportation safety, bear the main responsibility for production safety of railway.

China Railway Corporation authorities set the 20 internal organs,under the 18 Railway Bureau, 3 professional transport companies and other enterprises, now under the jurisdiction of railway operating mileage of 98 thousand kilometers, the total number of employees 2.045millionpeople, the total assets of 46631 hundred million yuan.

In 2015, China high-speed railway operating mileage will reach 18 thousand km, take the high-speed railway as the main skeleton of rapid railway network will be basically completed, the total size of more than 40 thousand kilometers.

3.2 Development process of China railway corporation

In 1949 January, the Ministry of Railways Chinese people's Revolutionary Military Commission("Commission, the Ministry of Railways") was established; in October 1, 1949, the people's Republic of China after the establishment of the Central Military Commission, the Ministry of Railways for the restructuring of the Central People's government, the Ministry of railways, by the Central People's government leaders of the Institute, as the national government agencies centralized management of the national railway.

In 1994, the general office of the State Council issued the "Ministry of Railways is set in the configuration functions, structure and staffing plan" explicitly pointed out: the Ministry of Railways and the negative government and enterprises dual functions. Institutional reform in 1998, the general office of the State Council issued the "Ministry of Railways configuration,function is arranged in the organization and the staff regulations" pointed out: to separate the Ministry of Railways Administration and enterprises, according to the characteristics of the industry and the current

situation, through the definition of the functions of government management reform, the social management function, function of enterprise management and gradually separation.

In 2008 March, according to the "State Council on notice" institutional settings, the eleventh session of the National People's Congress examination to determine the retention of railway ministry the institutional reform of the State Council approved in.

In March 2nd 2009, the general office of the State Council issued "the main responsibility, the railway ministry set up within the provisions of the organization and the staff"

In March 14th 2013, the National People's Congress examined and adopted the "scheme is changed the institutional reform of the State Council and functions". The Ministry of Railways is revoked, the implementation of railway separation. The Ministry of Railways Railway Development Planning and policy formulation of administrative duties into the Ministry of transport.Chinese Railway Corporation to the railway passenger and freight transport services industry.the implementation of diversification. Chinese Railway Corporation authorities set the 20 internal organs, under the 18 Railway Bureau, 3 professional transport companies and other enterprises, now under the jurisdiction of railway operating mileage of 9.7 thousand kilometers, the total number of employees 204 thousand people, the total assets of 46631 hundred million yuan.

3.3 Financial future situation of Chinese railway company

According to the Ministry of Railways annual statistical bulletin, 2001, 2005, 2010 and 2012China's railway operating of 70000 kilometers, respectively 75000km, 91000 km and 98000 km, electric railway reached 16900 km, 20200 km, 42000 km and 51000 km. By the end of 2013, the national railway operating mileage of 103000 kilometers, of which high iron operation mileage of 11000 kilometers, ranking first in the world.

Chinese Railway company is China and Asia's largest building integrated multi-functional company of related services, to provide a full set of construction, including infrastructure construction, survey and design and consulting services, and engineering equipment and small parts manufacturing, has advantages in rail, highways, municipal, city track transportation infrastructure domain.

Company in the first quarter of this year the new contract amount of 201600000000 yuan, a year-on-year increase of 4.6%. The highway engineering 29200000000 yuan, an increase of 81.5%. The deadline of the end of March, the group did not complete the contract amount of 1.8 trillion yuan, the future for the profit basis. This year the railway investment in fixed assets third times increase, amounted to 800000000000 yuan. There are also reports that 64 railway projects this year, plans to invest in the mainland will be before the end of 8 all the cladding,means that a new round of railway construction boom and massive related equipment bidding will be developed at the same time. Central steady growth policy, believe the key support of railway infrastructure is still the future development projects, related enterprises optimistic.

Picture 3.2Schematic diagram of China railway operation

Source;www.baidu.com.

4 Financial analysis of Chinese Railway Company

Financial analysis applies analytical tools to financial data to assess a company's performance in decision making,Analysis seek to answer such questions as: How is the company likely to perform in the future? Based to expectations about future performance,what is the value of this company or the securities is issues?

4.1 Financial common-size analysis

Common-size analysis involves expressing data,including entire financial statements,in relation to a single financial statement item ,or base. Items used most frequently as the basses are total assets or revenue. In essence. common-size analysis creates a ratio between every financial statement item and the base item.

Common-size analysis was demonstrated horizontal common-size and vertical common-size.we present common-size analysis of financial statements in greater detail and include further discussion of their interpretation.

4.1.1 Common-size analysis of balance sheet

Horizon common-size and vertical common-size analysis of the evolution of financial statement data over the time or their change with respect to a given period as a benchmark.

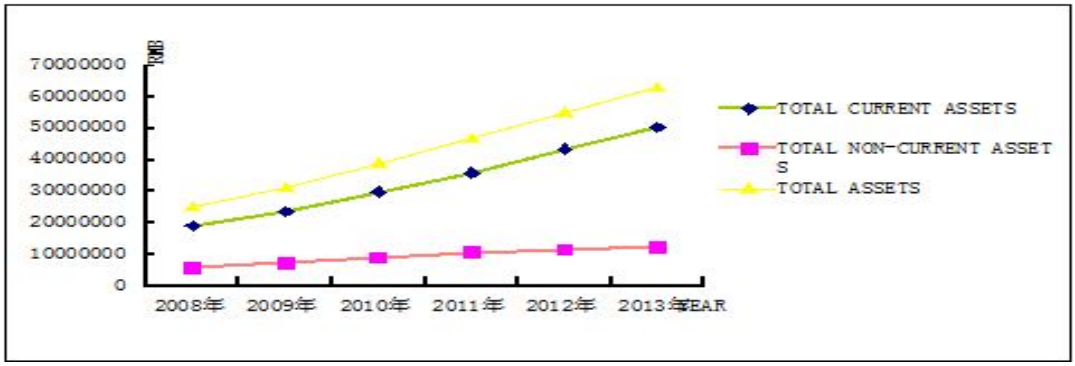
4.1.1.1 Horizontal common-size analysis of balance sheet

Table 4.1 and chart 4.1 shows the data and the trend of total current assets.table 4.2 and chart 4.2 shows the data of liabilities and equity and details of liabilities and equity.

Table 4.1 Data of assets(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Total assets	25209573	31178113	38930635	46873210	55072808	62820053
Total current assets	19229727	23723213	29847160	35990217	43466394	50288885
Total non-current assets	5979846	7454900	9083475	10882993	11606414	12531168

Chart 4.1Details of assets



Total non-current assets and total assets of the company during 2008-2013.we can see the assets are better than better.the change of non-current assets are not much.but we can see trend of current assets and the total assets are really high. the trend like straight up.and the line of current assets are parallel to the line of total assets.total non-current assets= total assets-total current assets .so we can explain why the line of non-current assets like straight line.In recent years, china's economy is growing fast and the railway is the main communication media in China, the company build more railroad and buy some cars,the velocity are faster than before, for example,from Beijing to Wuhan, it need about 12 hours before,but now,it just need 5 hours . More and more people will choose the railway, so the total assets of the company are grow up so fast.

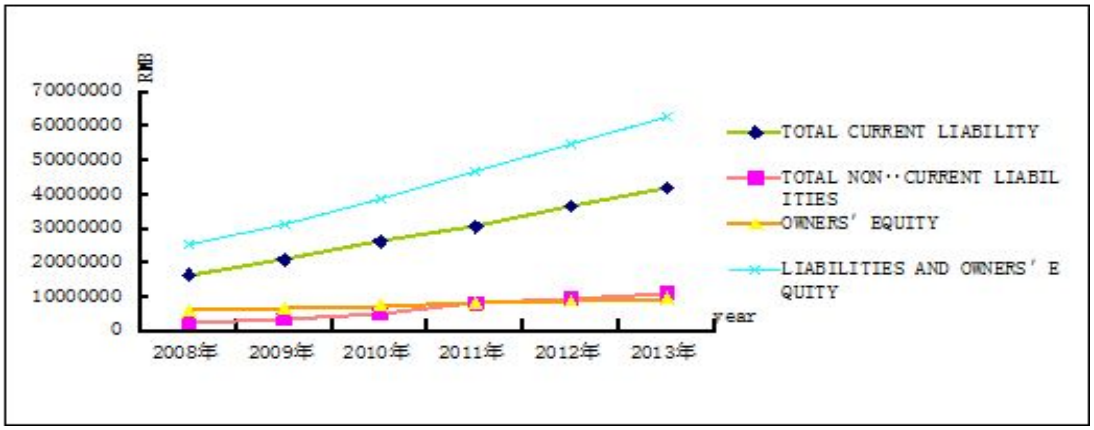
There are many railway station in China now.even in small place. Its really convenience now,so many people want to go to other place,and the income of people

are more than before, they have more money to buy something, maybe the place where they live are not much things they can buy. They will take the train to other city, because its really convenience now. I think the income of the company still grow up in the future,so the assets will grow up too.

Table 4.2 Data of liabilities and equity (unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Owners' equity	6109487	6635933	7389188	8135013	8856299	9679999
Total current liabilities	16555016	21010430	26440013	30557104	36612005	42024288
Total current liabilities	2545071	3531750	5101434	8181092	9604505	11115765
Total liabilities	19100087	24542180	31541447	38738197	46216510	53140054

Chart 4.2 Details of liabilities and equity



Liabilities and owners equity=total liabilities＋total equity. In the table of 4.2 we can see the blue line keep up.and the total current liabilities keep up too. The assets of company are grow up,so the liabilities are grow up, because the company needs more money to build railway, station,or somethings. Sometimes ,they have not much money. The change of equity are not much . China railway corporation belong to state.so the owners equity are not much during the years.

4.1.1.2 Vertical common-size analysis of balance sheet

Chart 4.3 and 4.4shows the vertical change of assets, liabilities and equity during 2008-2013.

Chart 4.3 Details of assets

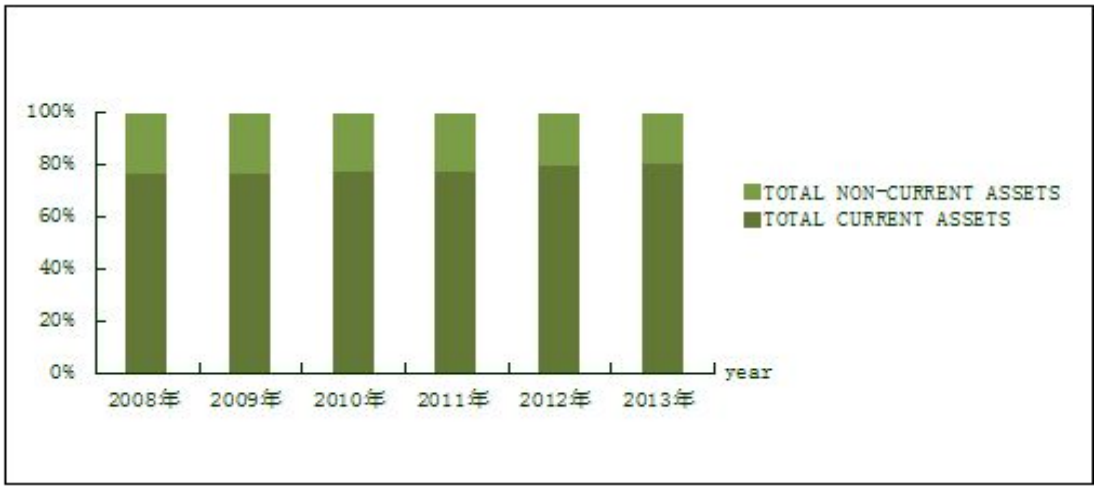


Chart 4.4 Details of liabilities and equity

In chart 4.3 we can see the proportion of assets,total current assets always more than total non-current assets. Just little bit change in 6 years. In 2009 the proportion of non-current by total assets are more than 2012's. But the number of 2012 are more than 2009's. It means in 2012 the company get long-term assets more than 2009's but the proportion is lower, because in 2009 the proportion of total current assets are more than 2012's.

In chart 4.4 we can see the total current liabilities always more than total non-current liabilities and equity. Because the company have more current assets, so in a short time the company have more payable than long time. From 2008-2010,the equity always more than non-current liabilities.but from 2011-2013 the situation are opposite. It means the company have more non-current liabilities,the equity will get low dividends.

In general. The current assets always more than non-current assets. It a good situation for the company. The company can use the money flexible.and the non-current liabilities always lower than current liabilities. But the current assets always higher than current liabilities. So he company got the profit during 6 years.

4.1.2 Common-size analysis of income statement

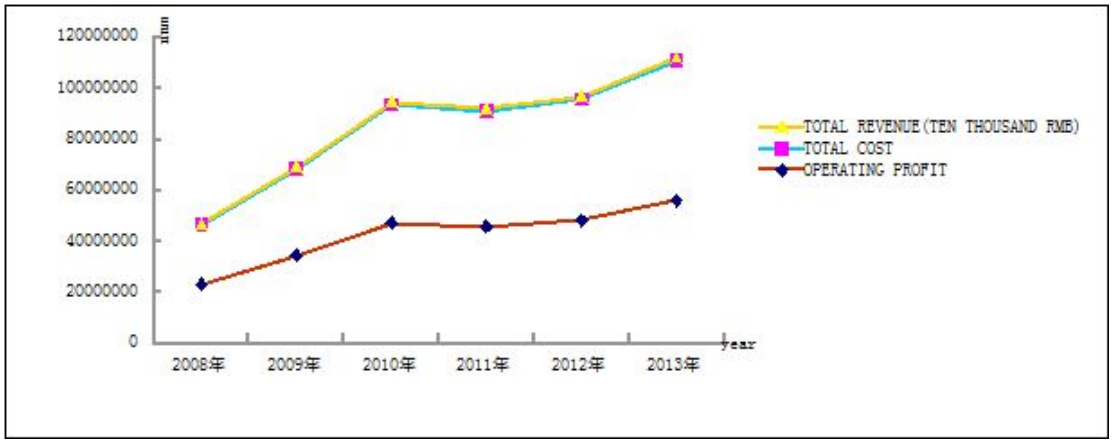
Horizontal common-size analysis and vertical common-size analysis of the evolution of income statement data over the time or their change with respect to a given period as a benchmark.

4.1.2.1 Horizontal common-size analysis of income statement

Table 4.3 Data of income statement(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Total revenue	23461928	34636796	47366265	46072023	48399175	56044417
Total cost	23311405	33865539	46439451	45164608	47511053	54910686
Operating profit	161274	803319	1013050	902441	974549	1236071
Net profit	143420	740815	830170	723955	803349	1007538

Chart 4.7 Details of income statement



In table 4.3 we can see the data of fourth factors,the data are better than better. China railway company is only one railway company in China. Its the reason why the company get much money during 6 years and the company get profit every year. Sometimes ,we have no choice if we want to go to some places in lower price, but if i were a sane consumer, i will choose railway when i want to go to other place,it can reduce my time and save my money,. Even the company have some discount of student.old people ,soldier and child. They still get lot of profit every year.

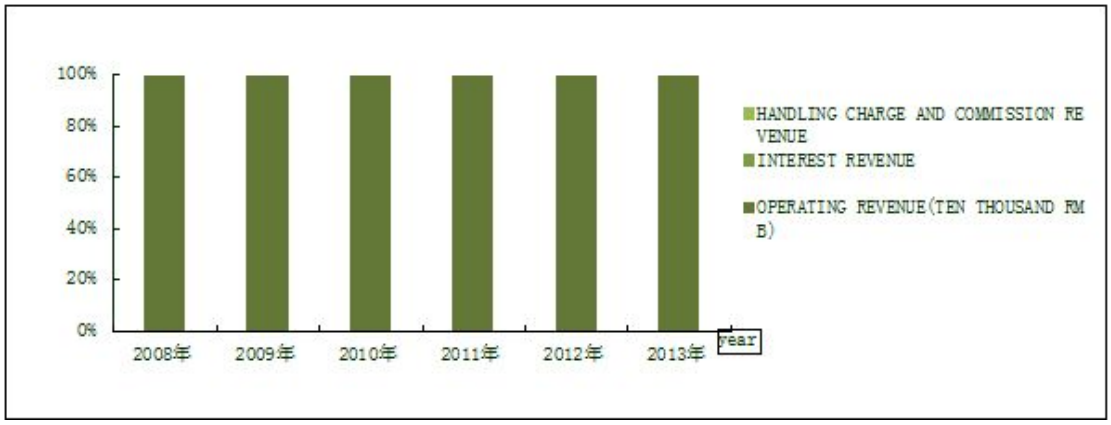
4.1.2.2 Vertical common-size analysis of income statement

Table 4.4 and 4.5shows the data of revenue, cost .chart 4.8 and 4.9 shows the details of revenue and cost. Table 4.6 and 4.7 shows the data of operating income and net profit.chart 4.10 and 4.11 shows the details of operating income and net profit.

Table 4.4 Data of revenue(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Operating revenue	23461928	34597362	47312222	45970134	48268840	55879866
Interest revenue	0	6334	7815	14352	19772	32728
Handling charge and commission revenue	0	33100	46228	87536	110563	131823

Chart 4.8 Details of revenue



From table 4.4 and chart 4.8. We can see the details of revenue. Most revenue are from operating revenue. It means the main activity in the company are sell the tickets. Just a little bit revenue from interest ,handing charge and commission revenue.and in 2008 .the revenue of interest ,commission revenue are zero.it began from 2009. But the revenue are growing up from 2009-2013, it is a good decision.the extra income can increase the total revenue.

Table 4.5 Data of cost(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Cost	20999747	3145472	4311718	41203305	4317535	50184305
Changes in fair value in profit	-13433	3325	-6573	-13017	-15982	-5853
Income from investment	24184	28737	92809	8043	102409	108193
Cooperative income from investment	9212	-27721	76	-11161	7661	10103
Selling expense	93326	115008	144348	181296	203108	232694
Business tax and surcharges	737375	1100922	1481513	1494774	1519814	1828995
Financial cost	513299	55932	127515	303696	461071	370990

Chart 4.9 Details of cost

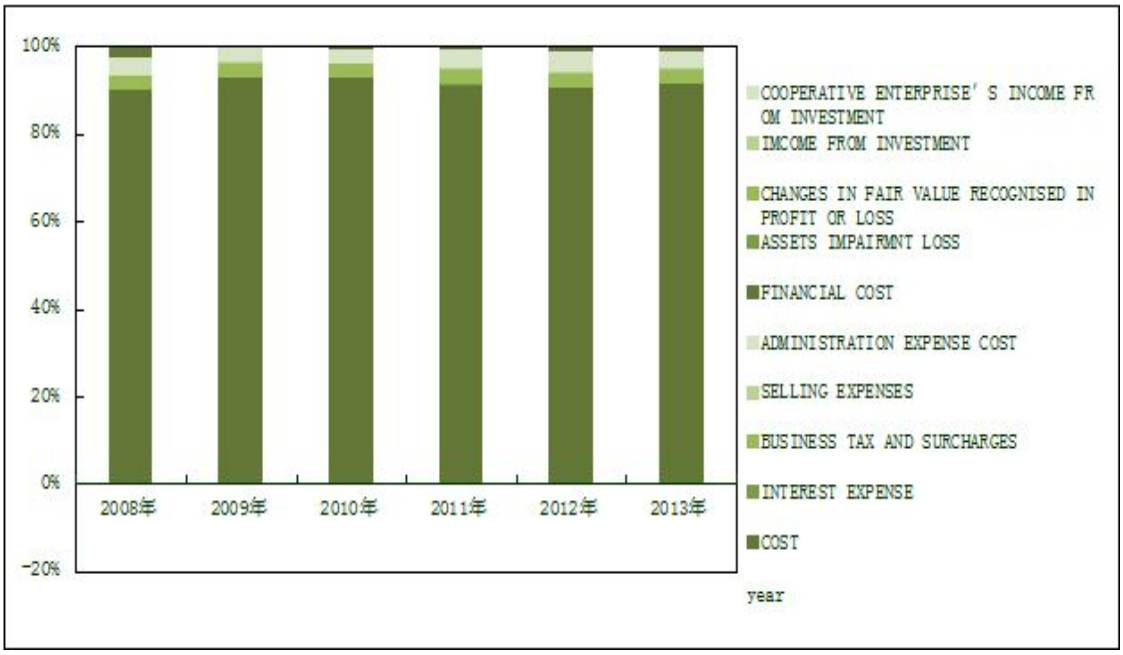


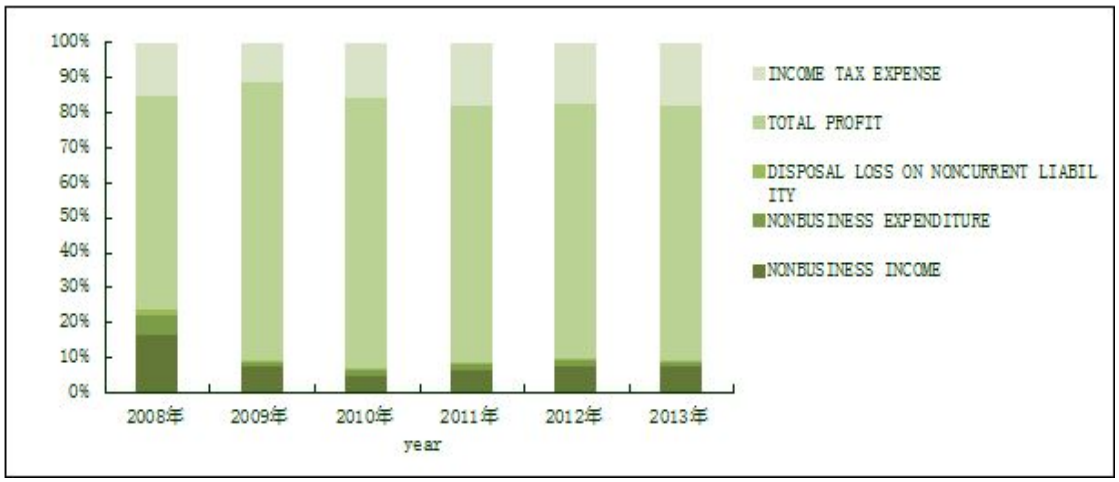
Table 4.5 and chart 4.9 shows details of cost, the most bigger proportion in cost is administration expense cost, but the proportion is not like the operating revenue. There are many factor about cost. the proportion of business tax and surcharges are similar to administration expense cost,we can see the chart 4.9,the proportion of administration expense cost and business tax not stable during 6 years, sometimes the company thinks administration expense cost are higher this year, they are going to reduce other cost,but the number of the two factor are growing up every year, the company get better than better , of course they need more employee. And they sell more tickets,they need to pay more tax. assets impairment loss are lots,the company should think about it and make some decision to reduce the cost, it will get more money to revenue.

In general,there are many factor of cost, China railway corporation is a big company. Although the main business is sell the ticket ,but in new century.every company want to get more profit ,so they will make more business to increase profit.that is why there are many factor in cost data.

Table 4.6 Data of operating income(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Non-business income	51164	76623	63292	78654	108344	137951
Non-business expenditure	19118	15490	24858	21068	23807	22943
Disposal loss on non-current liabilities	5705	6891	5737	8915	8319	6707
Operating profit	161274	803319	1013050	902441	974549	1236071

Chart 4.10 Details of operating income



From table 4.6 and chart 4.10 ,we can see the details of operating income.the From 2009-2010 the non-business income are going down,but from 2010-2013 but income are going up,we can see the chart 4.10 and we said before the main business in the company is sell the ticket ,its the reason why the proportion of operating profit around 60 % to 88 % ,because company want to get more profit, they will invest something,so they had some income from non-business activity.

Table 4.7 Data of net profit(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Parent company's profit	111519	688695	748849	669002	735474	937463
Minority interest income	31901	52120	81321	54953	67875	70074
Earning per share	0.05	0.32	0.35	0.31	0.35	0.44

Chart 4.11 Details of net profit

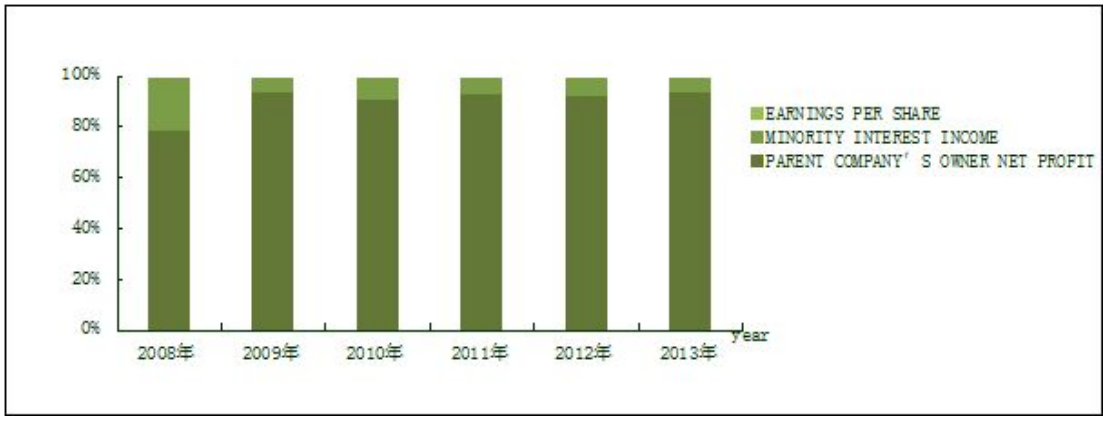


Table 4.7 and chart 4.11 shows three factors in net profit. Net profit= operating income-tax. so the main net income are from operating activity.the situation same with the operating income.

4.1.3 Common-size analysis of cash flow statement

Horizontal common-size analysis and vertical common-size analysis of the evolution of cash flow statement data over the time or their change with respect to a given period as a benchmark.

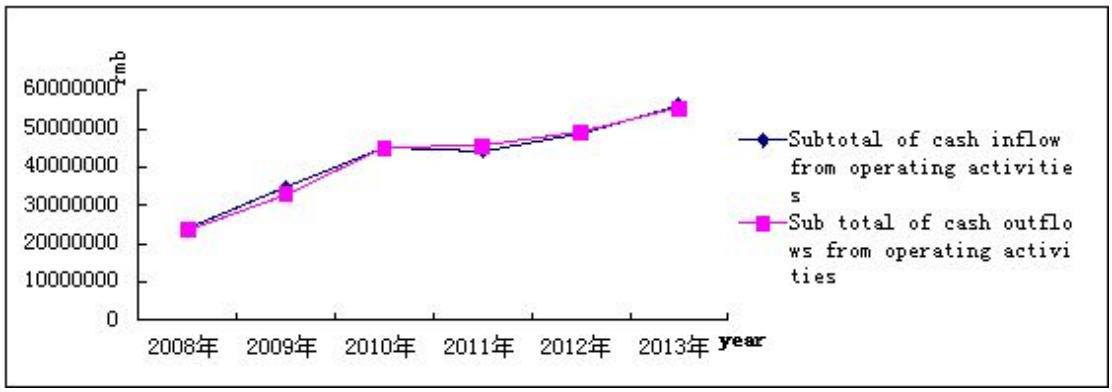
4.1.3.1 Horizontal common-size analysis of cash flow statement

In this part.Table 4.8 and chart 4.12 shows the data of operating activity and details of operating activity.table 4.9 and chart 4.13 shows the data of investing activity and details of investing activity. Table 4.10 and chart 4.14 shows the data of financing activity and details of financing activity. Table 4.11 and chart 4.15 shows the data of number of cash flow and details of number of cash flow.

Table 4.8 Data of operating activity(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Subtotal of cash inflow from operating activities	23798411	3483999	45137850	44239069	4869206	56110454
Subtotal of cash outflows from operating activities	23720400	3295386	45041677	45587104	4911063	55310737

Chart 4.12 Details of operating activity



We can see the table 4.8 and chart 4.12 . except 2011,other 5 year the cash inflow are higher than cash out flow,but the data are nearly, we can compare with table 4.8.,Net profit of cash ratio, the index is generated from operating activities net cash flow and net profit ratio. Net profit profit table is given with the accrual basis, matching principle, historical cost principle, the same value as the prerequisite to confirm, due to judge and estimate the accuracy of impact, coupled with inflation and a certain accounting period capital expenditure,inventory turnover rate and the commercial credit exists, the difference between the net profit and cash flow, this difference to form the different levels of "net income quality",we can see the net profit

always lower than cash flow from operating activity. It means the China railway company is a conservative company.they did not think about more invest change.the quality of cash flow from operating not so good.

Table 4.9 Data of investing activity(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Cash inflow from investment activities	327076	436905	590836	351191	857190	1609419
Cash outflow for investment activities	2345336	2075440	2226573	1522360	2054749	2825762

Chart 4.13 Details of investing activity

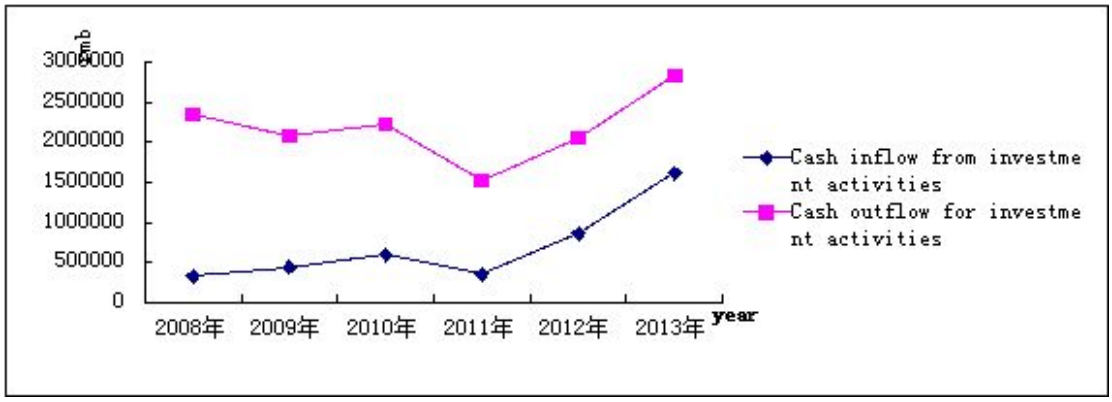
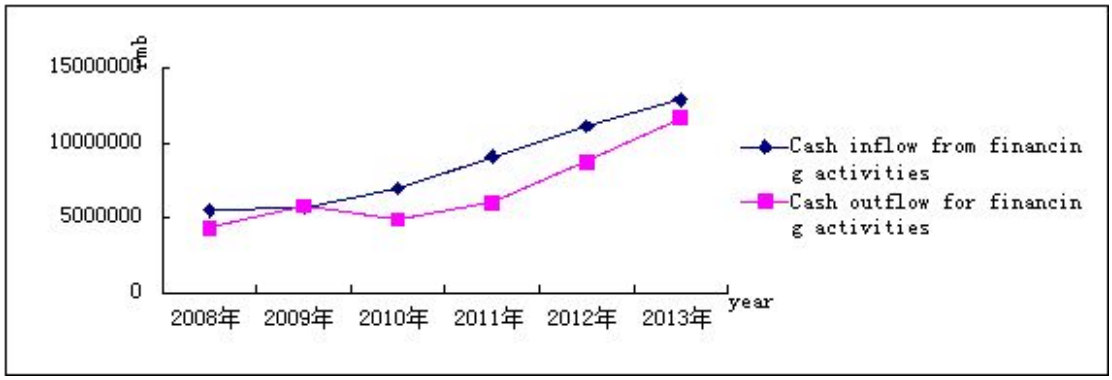


Table 4.9 and chart 4.13 shows the investing activity of company, the cash outflow always higher than cash inflow, but the line not still increase during 2008-2013.we can see the chart 4.13, from 2010-2011.the cash inflow and cash out flow are going down, and in chart 4.18,in 2011,the operating cash out flow higher than cash inflow.so in 2011 ,the company had some problem with the cash flow,maybe there are some management problem,they have no enough cash to keep maintenance management.so the company reduce the investment capital. But from 2011-2013, the cash flow from investing activities are going up. It is a normal situation.

Table 4.10 Data of financing activity(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Cash inflow from financing activities	5502957	5726771	6994046	9097302	11113544	12915515
Cash outflow for financing activities	4341595	5800521	4906423	6037482	8746332	11699125

Chart 4.14 Details of financing activity

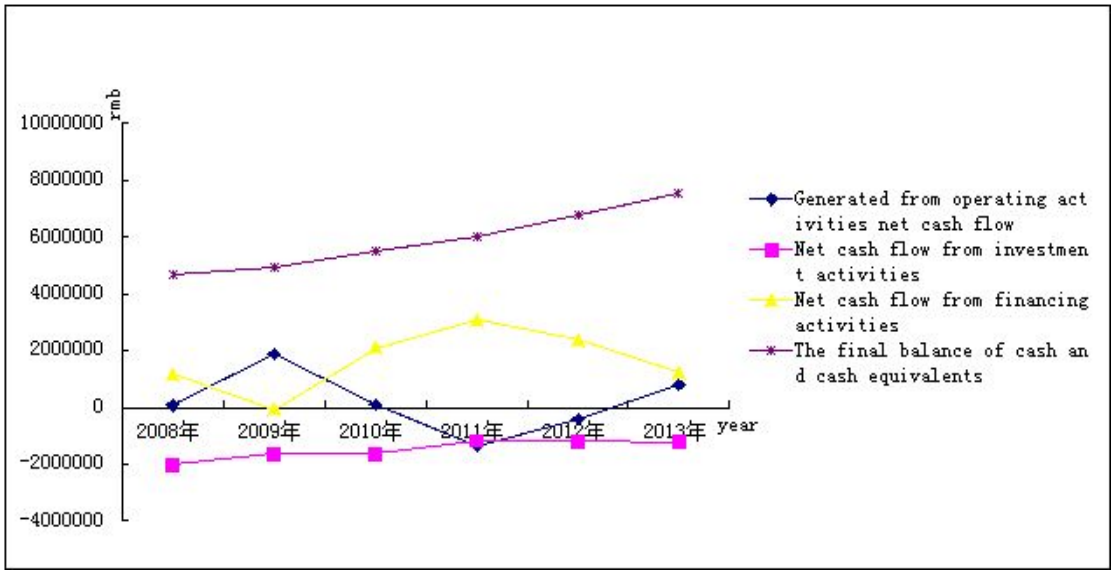


We can see the table 4.10 and chart 4.14, except 2009,the cash inflow from financing activities are higher than cash outflow in 5 years. Its a good situation of the company.the company has ability to raise fund.

Table 4.11 Data of number of cash flow(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Generated from operating activities net cash flow	780111	1886138	96173	-1348035	-418577	799717
Net cash flow from investment activities	-2018260	-1638535	-1635737	-1171169	-1197559	-1216343
Net cash flow from financing activities	1161362	-73750	2087623	3059820	2367212	1216389
The final balance of cash and cash equivalents	4684640	4927678	5486015	6025392	6776323	7565821

Chart 4.15 Details of number of cash flow



In general during2008-2013. The cash inflow from operating are higher than cash out flow.the cash outflow from investing activities are higher than cash inflow. and financing activities generated cash inflow and outflow in between positive and negative.

But in 2009.Operating activities cash inflows higher than outflows, investing activities cash inflow higher than cash outflow.,financing activities cash inflows lower than outflow, it means the company operating mainly depends on the operating activities cash flows .the business activities of enterprises and borrowing can produce net cash inflow, means that the financial situation is stable; the expansion of investment appears negative net inflow of investment activity is also normal, but pay attention to moderate investment scale.But once the operating state of crisis, the financial situation will deteriorate.

In 2011.Operating activities cash inflow higher than outflow, investing activities cash inflow lower than outflows financing activities cash inflow is higher than the outflow, explained that the enterprise business activities and investment activities are unable to produce enough cash flow, the activities and completely dependent on borrowing to maintain, once the debt difficult financial situation will be

very dangerous..that why in 2011 the company reduce the cash expend of investing activity.

The final balance of cash and cash equivalents are keep going during 2008-2013. In general China railway company is a normal operation of the company. Although there are some problem with 2009 and 2011.but its normal. Not one company can sure they will get the profit and every thing is alright in every year

4.1.3.2 vertical common-size analysis of cash flow statement

Table 4.12 Data of cash inflow of operating activity(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Cash received from sales of goods, services provided	2359977	3460443	4483824	4390304	4815674	5545425
Customer deposits and deposits net increase	0	0	3339	--	--	--
Interest charges, fees and commissions	0	45367	60272	115713	168122	249172
Tax rebates received	8180	9772	11032	18009	22106	23062
Other cash received relating to operating activities	190452	180423	224968	202262	335241	383968
The purchase of goods, services received cash payments	2069304	2863384	39706489	3986006	4226898	4798788
Loans and advances to customers net increase	0	12715	--	--	--	26416
The payment of interest, fees and commissions	0	6	--	14	757	22
Paid to and for employees cash	1474724	2023260	2487546	2697880	2909158	3230748
The tax payment	878958	1307687	1756853	1928589	2057593	2360614
Other cash payments relating to operating activities	673672	976351	1090789	1100557	1874149	1705048

Chart 4.16 Details of cash inflow of operating activity

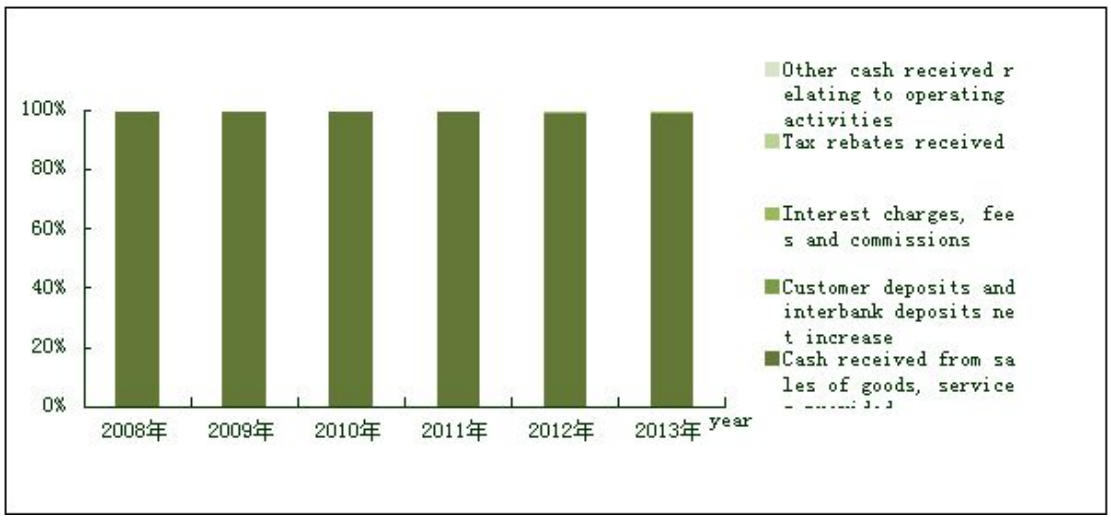


Chart 4.17 Details of cash out flow of operating activity

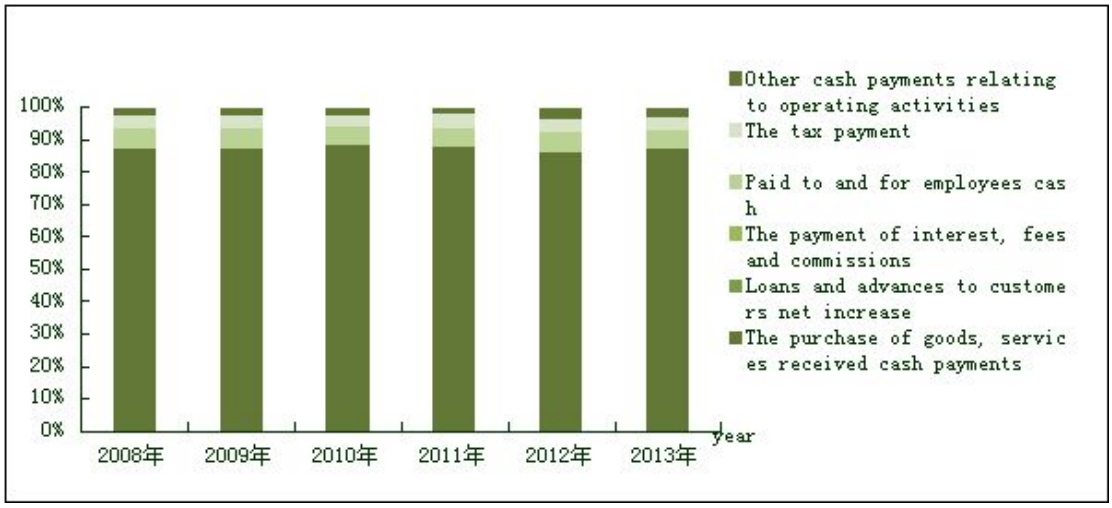


Table 4.12,chart4.16 and 4.17 shows how many factors impact the cash flow of operating activities. In cash inflow the main factor is cash received from sales of goods, services provided. China railway company is a single company. There are some services but in general its for railway.

In cash outflow the main factor is the purchase of goods, services received cash payments,but the proportion not like the cash inflow.there are other factor impact the cash outflow. It doesn't mean just one factor impact cash inflow, we can see the chart 4.25,there are paid to and for employees cash,the tax payment and other cash

payments relating to operating activities, and the proportion of these factors are stable.

Table 4.13 Data of cash inflow of investing activity(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
To recover the investment cash received	120733	157296	340181	11801	582617	134980
Cash received investment income	135080	75649	106088	99165	160954	159919
Net cash back on disposal of fixed assets, intangible assets and other long-term assets	66982	170842	111292	97250	60852	59875
Net cash disposal of subsidiaries and other business units received	1830	29695	31142	12075	47336	34467
Other cash received relating to investment activities	2451	3423	2134	24686	5430	5358
Purchase payment and construction of fixed assets, intangible assets and other long-term assets cash	1456620	1627539	1473102	10417	963610	996862
The investment paid in cash	827412	416419	567876	38525	106256	178160
Net cash received from subsidiaries and other business units pay	61304	31483	185595	95310	28570	47300

Chart 4.18 Details of cash inflow of investing activity

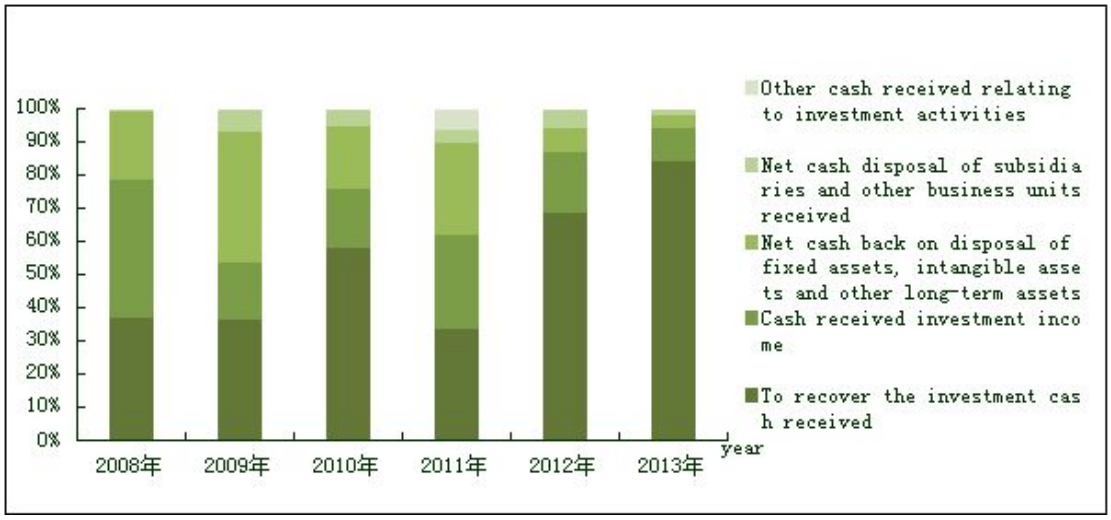


Chart 4.19 Details of cash outflow of investing activity

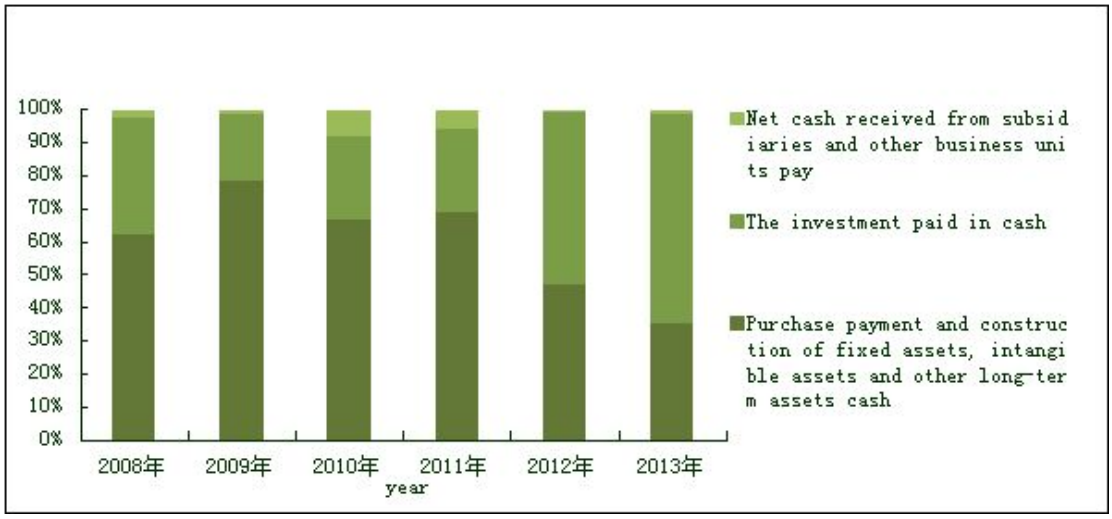


Table 4.13,chart 4.18and 4.19 shows which factor impact the cash flow of investing activity. In chart 4.18 there are main three factors impact the cash inflow.To recover the investment cash received,cash received investment income and net cash back on disposal of fixed assets, intangible assets and other long-term assets.but the proportion of three factors not stable during 2008-2013..and there are two main factors impact cash out flow.purchase payment and construction of fixed assets, intangible assets and other long-term assets cash and The investment paid in cash.the proportion are not stable too. But its investing activity.the company depend on situation to invest.

we cans see in 2013.the proportion of investment cash received of cash inflow is really higher than other 5 years and the proportion of the investment paid in cash of cash outflow is higher than other 5 years too, it means the company received more cash at the mean time they will invest more capital in cash .

Table 4.14 Data of cash inflow of financing activity(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Cash received from investment	111883	27621	74876	19535	61010	44686
the subsidiary absorption minority investment received	0	27621	44586	19535	61010	44686
Cash received from loan	5391073	5319092	5058180	7758216	10713514	12001869
Cash received from issuing bonds	0	380058	1860990	1319551	329160	868960
Cash received relating to other financing activities	0	0	0	0	9860	0
Cash paid for debts	3987262	5410550	4185489	5286388	7651142	10364916
The distribution of dividends, profits or interest paid in cash	342210	386415	701847	720766	1093893	1246291
subsidiary paid to minority shareholders dividends	0	32261	22846	23714	23039	39900
Cash payments relating to other financing activities	12123	3557	19088	30328	1296	87919

Chart 4.20 Details of cash inflow of financing activity

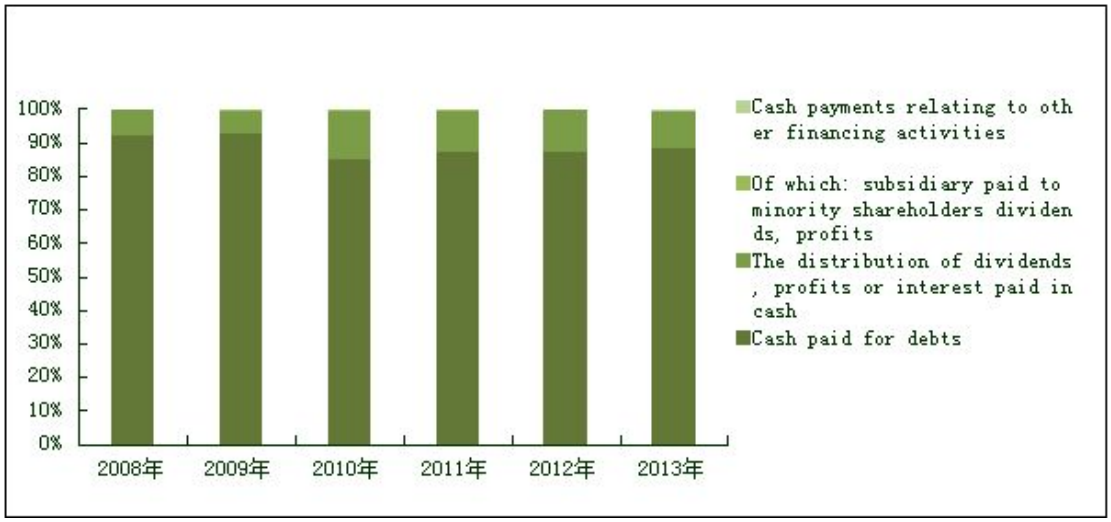


Chart 4.21 Details of cash outflow of financing activity

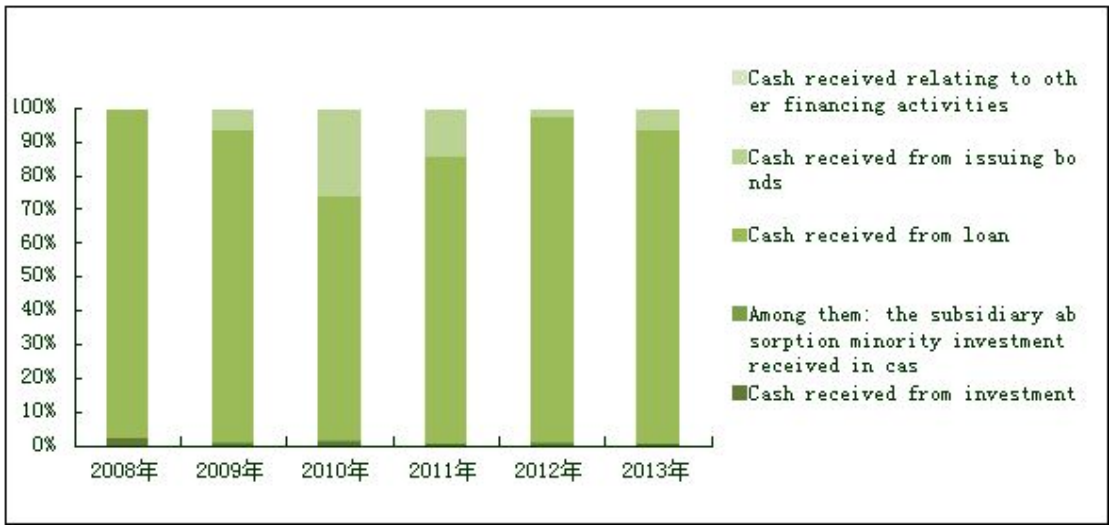


Table 4.14, chart 4.20 and 4.21shows which factor impact financing activity. In table 4.14 from 2009,the company has new project in financing activity. minority investment and issuing bonds.there are not only cash received from loan and investment can impact financing activity but also more and more factors will impact the activity. Its good for company. When one factor not so good they can think about other factors.and during 2008-2013 the company received more cash from investment. It means the company's financial strength has been enhanced.

Table 4.15 data of proportion of cash flow(unit: ten thousand rmb)

	2008	2009	2010	2011	2012	2013
Generated from operating activities net cash flow	78011	1886138	96173	-1348035	-418577	799717
Net cash flow from investment activities	-2018260	-1638535	-1635737	-1171169	-1197559	-1216343
Net cash flow from financing activities	1161362	-73750	2087623	3059820	2367212	1216389
The final balance of cash and cash equivalents	4684640	4927678	5486015	6025392	6776323	7565821

Chart 4.22 details of proportion of cash flow

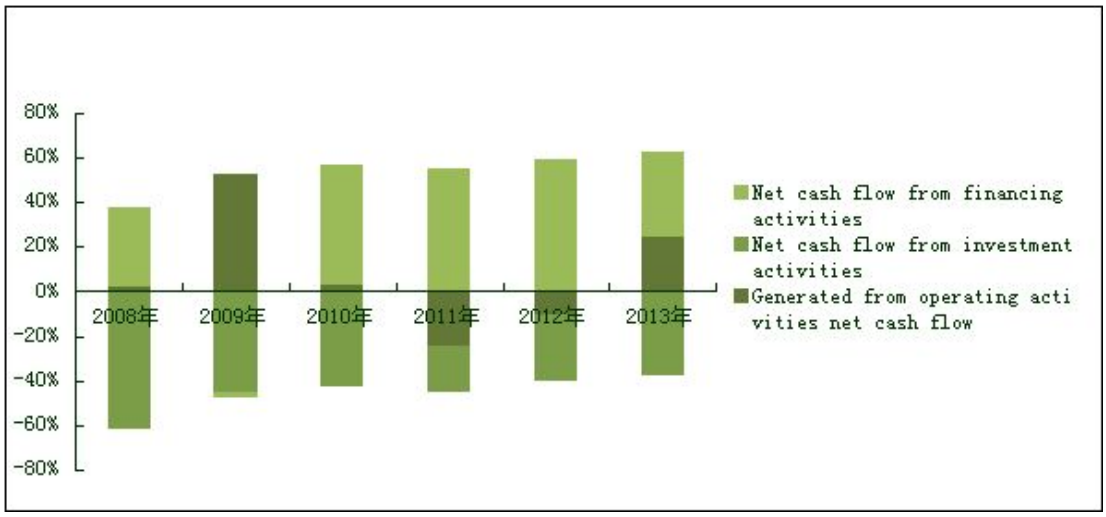


Table 4.15 and chart 4.22 shows the proportion of cash flow.

Operating activities are a major source of corporate cash flow, management activity is directly related to the strength of the ability to pay cash, debt paying ability of enterprises.in table 4.15 we can see the net cash flow from operating activity,from 2011 to 2012 the number are negative but from 2008-2010 and 2013 the net cash flow are positive.so in general,the company has abilities to pay the debt by cash.

In cash flow from investing activities.the table4.15 and chart 4.22shows the number are negative during 2008-2013.it means the activity needs company to invest capital.

Cash flow of financing activities, not only related to the business of many current cash flow, but also related to the future cash flows of the company size, related to the change of enterprise capital structure and the cost of the company.in table 4.15.except 2009.the activity bring cash to the company,the number of net cash flow are positive.

In general we can see the table 4.15.The final balance of cash and cash equivalents are positive during 2008-2013.although the net cash of operating activity,investing activity and financing activity are not positive during 6 years,but the balance of cash indicated the operating condition of China railway company is good,it have enough

capital to repay its debt and investment.

4.2Financial ratios analysis

Financial ratio analysis is comparison of financial data in the form of financial ratios to asses the financial health of the China railway corporation.

4.2.1Profitability ratios

Profitability ratios measure the return earned by the company during a period, provides the definitions of a commonly used profitability ratios,It can be present by Operating profit margin,net profit margin.return on assets and return on equity.

Operating profit margin:Operating profit margin is calculated as gross margin minus operating costs.measures operating profit per one unit of revenue.

Net profit margin :Net profit margin measures net profit per one unit of revenue.

Return on assets:Return on assets measures net profit as a percentage for every unit of company's assets.

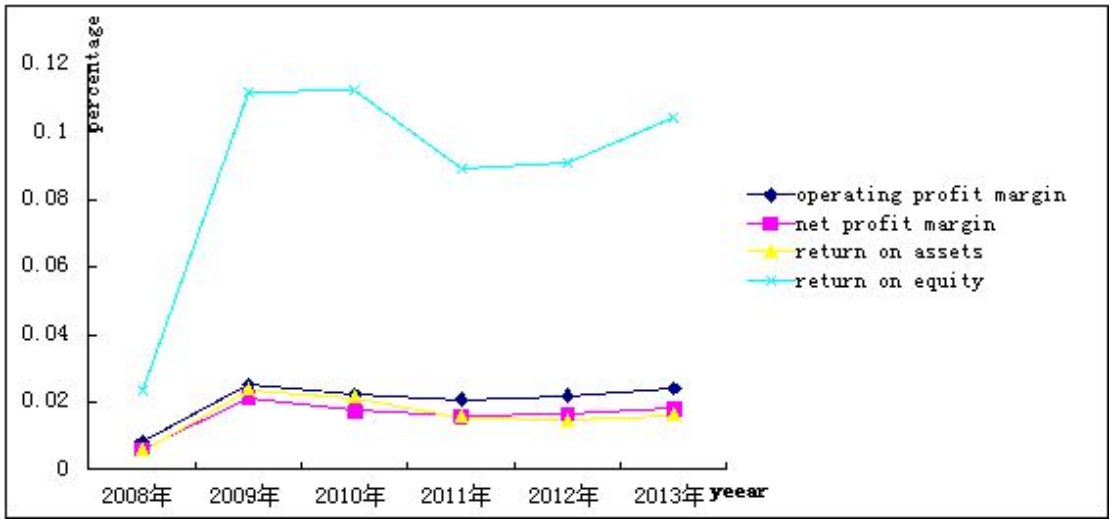
Return on equity:Return on equity measures a firm's efficiency at generating profit from every unit of shareholder's equity.

The ratios of China railway corporation in resent 6 years are listed in table 4.16 and chart 4.23

Table 4.16 Data of Profitability ratios (unit: percentage)

	2008	2009	2010	2011	2012	2013
Operating profit margin	0.82%	2.50%	2.22%	2.08%	2.19%	2.41%
Net profit margin	0.61%	2.14%	1.75%	1.57%	1.66%	1.80%
Return on assets	0.57%	2.38%	2.13%	1.54%	1.46%	1.60%
Return on equity	2.35%	11.16%	11.23%	8.90%	9.07%	10.41%

Chart4.23 Details of Profitability ratios



From table 4.16 and chart 4.23 ,we can see there are some change between 0.6％ -10.41％,but the operating profit margin,net profit margin and return on assets keep a stable level. There are some frequent fluctuations in return on equity.

The operating profit margin shows how well the company manages its operating,we can see in the table 4.16.In 2008 ,when the company received 1％ RMB,the company will get 0.82 ％ RMB in earning before taxes,In 2009-2013.the operating profit margin are around 2.2％ ,the result means the company get better than better.

The net profit margin shows the direct data of profitability,In 2008,when the company add 1 ％ revenue,they will get 0.61 ％ in net income.compare with the operating profit margin,there are 0.3％ decrease after taxes or some activities,but the trend is similar,

The return on assets shows the comprehensive utilization efficiency of enterprise,In 2008 when the company add 1％ in assets,they will get 0.57％ in net income.we can compare with operating profit margin and net profit margin,the trend of line are similar and from 2009 to 2013 the operating profit margin ,net profit margin and return on assets are higher than 1％,its means from 2009 to 2013,the company get the profit of income and just little bit different in each of year.

The return on equity shows the ability to generate profit from invested capital in form of return during a period, in 2008-2009,the return are growth,its means the

higher return ,the effective profitability. The return are decrease from 2010-2011,its means when the company add 1％ equity, the net income will decrease 2.33％ in net income .

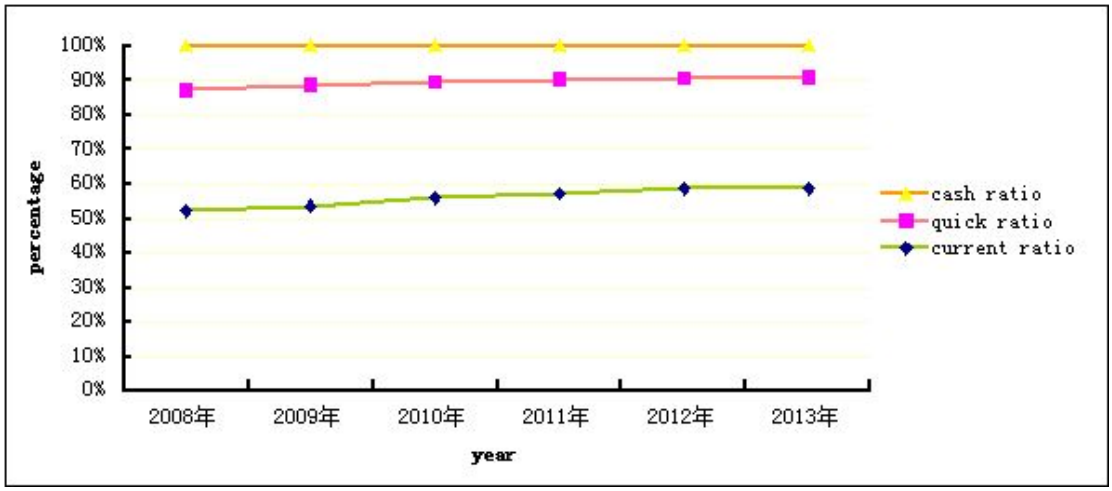
4.2.2Liquidity ratios

Liquidity ratios measures company's ability to meets its immediate or short-term liabilities and obligations.It can be present by Current ratio,quick ratio and cash ratio. The ratios of China railway corporation in resent 6 years are listed in table 4.17and chart 4.24.

Table 4.17 Data of Liquidity ratios (unit: percentage)

	2008	2009	2010	2011	2012	2013
Current ratio	116%	112.91%	112.89%	117.78%	118.72%	119.67%
Quick ratio	77.72%	73.71%	67.89%	68.14%	64.63%	65.99%
Cash ratio	28.38%	23.49%	20.81%	19.74%	18.56%	18.03%

Chart 4.24 Details of Liquidity ratios



From table 4.17 and chart 4.24 ,we can see some data and line of cash ratio,quick ratio and current ratio.

Current ratio measures amount of current assets for every unit in current

liabilities.In 2008 ,when the company has 1 current liability ,the company will has 1.16 current.the data of current ratio are stable during 2008-2013,it about 1.15.

Quick ratio is more stringent test of company's liquidity. In 2008, .when the company add 1current liabilities,they will have 0.77 current assets-inventories or cash ＋ accounts receivable,the tend is stable,about 0.68, the data are similar during 2008-2013.

Cash ratio:cash ratio measure an individual entity's liquidity in a crisis situation. In 2008 when the company get 1 current liabilities ,they will have 0.28 cash ＋ marketable securities.during 2009-2013.the data about 0.2.

We can see the trend of current ratio,quick ratio and cash ratio are really stable,in the chart 4.24 the 3 lines like parallel lines but the current ratio is higher than quick ratio and the quick ratio is higher than cash ratio. Because the cash ratio more precise than quick ratio and the quick ratio more precise than current ratio. Liquidity ratios can show how easier assets converted into cash in short time.and the cash ratio is most precise, not only assets bu also securities.

4.2.3 Solvency ratios

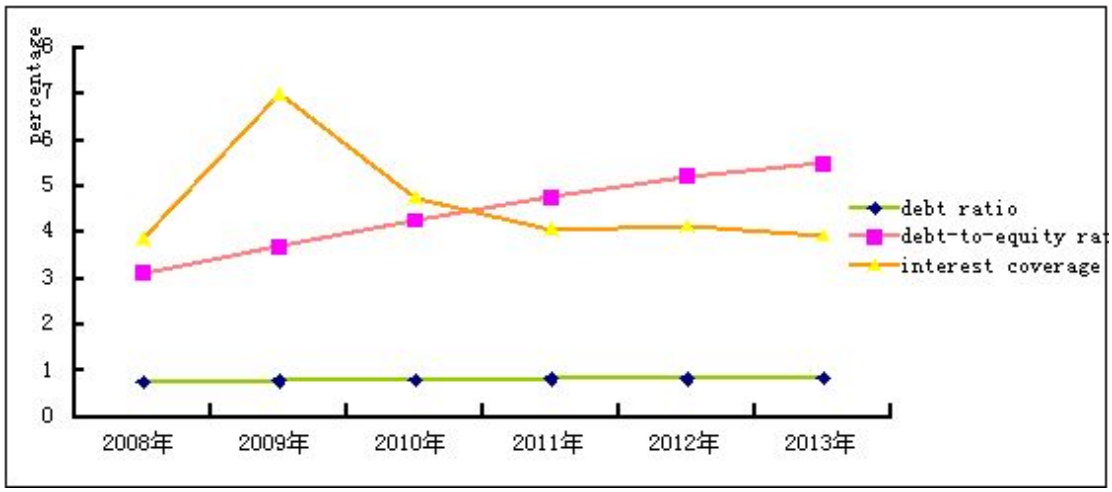
Solvency ratios measure company's ability to meets its long-term obligations. It can present by debt ratio,debt-to-equity ratio and interest coverage.

The ratios of China railway corporation in resent 6 years are listed in table 4.18 and chart 4.25.

Table 4.18 Data of Solvency ratios(unit:proportion)

	2008	2009	2010	2011	2012	2013
Debt ratio	0.76	0.79	0.81	0.83	0.84	0.85
Debt-to-equity ratio	3.13	3.70	4.27	4.76	5.22	5.49
Interest coverage	3.87	6.99	4.75	4.07	4.14	3.93

Chart 4.25 Details of Solvency ratios



Debt ratio means what percentage of the company's assets is financed by debt ,In 2008,the tale 4.18 shows when the company add 1 assets,the debt will add 0.76,and during 2009-2013 the debt ratio no more than 1,its means the company get profit every year,we can see the chart 4.25 the stable green line shows the debt ratio.

Debt-to-equity ratio relates the amount of the company's debt relative to company's equity .In 2008,the chart 4.25 tell us the the company add 1 equity,the ratio still grow up during 2008-2013,compare with debt ratio,there some similar but debt ratio always no more than 1 but in table 4.18 we can see the debt-to-equity ratio always more than 1 ,it means the China railway corporation uses more debt for assets financing than equity,for example when debt to equity ratio is 1 ,the debt is 1 too.

Interest coverage tells the extend to which the company's operating profit is able to meet current interest payments.A lower interest coverage means less earnings are available to meet interest payment.manager often use the coverage to measure safety degree of investing.when the interest coverage more than 1 ,the company is generating enough cash from earning before taxes to meet obligation.In chart 4.25 we can see all the data are more than 1.but there are some wave between 2008-2010. In summary the company is safety degree of investing.

4.2.4 Activity ratios

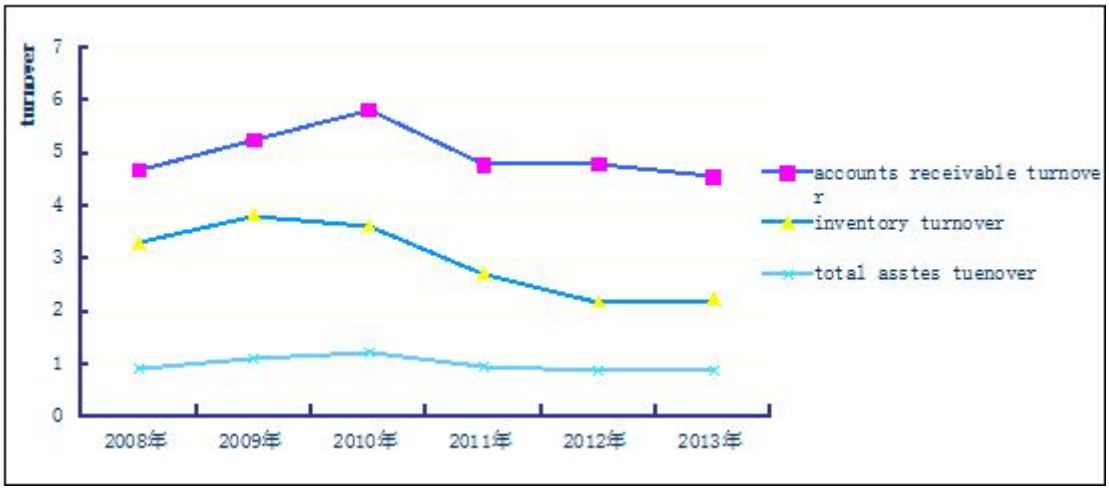
Activity ratios measures how well a company uses its assets,how much a company invested in a particular assets relative to the revenues that the assets are generating. It can be present by average collection period,account receivable turnover,inventory turnover and total assets turnover.

The ratios of China railway corporation in resent 6 years are listed in table 4.19 and 4.20.chart 4.26 and 4.27

Table 4.19 Data of Activity ratios(unit: times)

	2008	2009	2010	2011	2012	2013
Accounts receivable turnover	4.67	5.25	5.81	4.78	4.79	4.55
Inventory turnover	3.30	3.82	3.62	2.72	2.18	2.22
Total assets turnover	0.93	1.11	1.22	0.98	0.88	0.89

Chart 4.26 Details of Activity ratios



Account receivable turnover measures how many ties the account receivable are

"rolled over" during a year. In chart 4.26.we can see the data of account receivable turnover are around 4-6.it means during a year there are 4-6 times the account receivable are rolled over.its a good situation.

Inventory turnover measures the number of times inventory is sold or used in a time period such as a year.In table 4.19,the data of inventory turnover around 2-4.but in chart 4.26,the line of inventory turnover are going down from 2010-2013.when the inventory going down the revenue will going down too.so from 2010-2013,the revenue of company are decrease.

Total assets turnover is an efficiency ratio which tells how successfully the company is using its assets to generate revenue.more revenue means there are more profit,and more revenue mean the company has more utilization in activity. In 2008.when the company invest 1 assets ,they will get 0.93 in revenue.in table 4.19,just in 2010 and 2011, the total assets more than 1,but other years are approach 1.so its not so bad about the utilization of the company.

Table 4.20 Data of Activity ratios(unit: period)

	2008	2009	2010	2011	2012	2013
Average collection period	77.02	68.60	61.92	75.28	75.10	79.07

Chart 4.27 Details of Activity ratios

Average collection period measures the conversion of accounts receivable into cash.the faster we received money will better for company. In table 4.20.and chart

4.27.most lower data is 61.92 in 2010,its best for the company,but the period was some change on the chart.we can compare with 2010 and 2013,the differ is 9.15 days.it means in2010,the company has more 9.15 days to uses the money to do something than 2013.

4.3 Pyramidal decomposition

Pyramidal decomposition enables to analyze what drives the value of financial ratios.for example,which factors have impact on its value or evolution.the principle is to express selected ratio as a product of component ratios.

The fundamental example of the pyramidal decomposition is the DuPont analysis

$$ROE = \frac{Net\ profit}{Equity} = \frac{Net\ income}{\mathrm{Re}venue} \cdot \frac{\mathrm{Re}venue}{Total\ assets} \cdot \frac{Total\ assets}{Equity}$$

Table 4.21 Data of ROE

	2008	2009	2010	2011	2012	2013
EAT/Revenue	0.006	0.021	0.017	0.015	0.016	0.017
Revenue/Assets	0.930	1.110	1.217	0.982	0.878	0.892
Assets/Equity	4.126	4.698	5.268	5.761	6.218	6.489

In table 4.21 we can see the three part can effect ROE.in "EAT/revenue" it always no more than 1 ,because we need to pay the tax or somethings. In "revenue/assets".if the data more than 1 ,it means the company get the profit in this year,so we can see the table 4.21,in 2009 and 2010 the data are more than 1 2008,2011-2013 the data no more than 1 but near 1.so the situation is fine.In "assets/equity" because assets=equity ＋liabilities so the data always more than 1.and the factor is most influences ROE.and the data are higher than higher in 2008-2013.it is a good situation.

4.3.1 Method of gradual changes

Method of gradual changes enables to quantify the change in basic ratio caused by the change in the component ratio. In table 4.22 it is shows the data of gradual

changes during 2008-2013.

Table 4.22 Data of gradual changes

2008-2009 Gradual changes					
	a0	a1	△a	△Xa	order
EAT/Revenue	0.006	0.021	0.015	5.87%	1
Revenue/assets	0.930	1.110	0.180	1.59%	2
Assets/Equity	4.126	4.698	0.572	1.36%	3
SUM				8.8162%	

2009-2010Gradual changes					
	a0	a1	△a	△Xa	order
EAT/Revenue	0.021	0.017	-0.003	-2.02%	1
Revenue/assets	1.110	1.216	0.105	0.87%	3
Assets/Equity	4.698	5.268	0.570	1.22%	2
SUM				0.0712%	

2010-2011 Gradual changes					
	a0	a1	△a	△Xa	order
EAT/Revenue	0.017	0.015	-0.001	-1.16%	2
Revenue/assets	1.216	0.982	-0.233	-1.94%	1
Assets/Equity	5.268	5.761	0.493	0.76%	3
SUM				-2.3357%	

2011-2012 Gradual changes					
	a0	a1	△a	△Xa	order
EAT/Revenue	0.015	0.016	0.0008	0.50%	3
Revenue/assets	0.982	0.878	-0.1040	-1.00%	1
Assets/Equity	5.761	6.218	0.4565	0.67%	2
SUM				0.1717%	

2012-2013 Gradual changes	a0	a1	△a	△Xa	order
EAT/Revenue	0.016	0.017	0.001	0.75%	1
Revenue/Assets	0.878	0.892	0.013	0.15%	3
Assets/Equity	6.218	6.489	0.271	0.43%	2
SUM				1.3375%	

Table 4.22 shows the gradual changes during 2008-2013.we can see the order is

differenr,1 means the factor most influnens with ROE.because the EAT,revenue,assets and equity are different every year soe this is the reason why the order is different.

4.3.2 Logarithmic decomposition method

Logarithmic decomposition method need just one formula for the impact quantification regardless of how many component ratios we have. In table 4.23,it is shows the data of logarithmic decomposition method changes during 2008-2013.

Table 4.23 Data of Logarithmic decomposition method

2008-2009 Logarithmic method	a0	a1	InIa	InIx	△Xa	order
EAT/Revenue	0.006	0.021	0.543	0.677	7.08%	1
Revenue/Assets	0.930	1.110	0.076	0.677	1.00%	2
Assets/Equity	4.126	4.698	0.056	0.677	0.73%	3
SUM	*				8.8162%	

2009-2010 Logarithmic method	a0	a1	InIa	InIx	△Xa	order
EAT/Revenue	0.021	0.017	-0.086	0.002	-2.23%	1
Revenue/Assets	1.110	1.216	0.039	0.002	1.02%	3
Assets/Equity	4.698	5.268	0.049	0.002	1.28%	2
SUM					0.0712%	

2010-2011Logarithmic method	a0	a1	InIa	InIx	△Xa	order
EAT/Revenue	0.017	0.015	-0.047	-0.101	-1.09%	2
Revenue/Assets	1.216	0.98	-0.092	-0.101	-2.14%	1
Assets/Equity	5.268	5.761	0.038	-0.101	0.90%	3
SUM					-2.3357%	

2011-2012Logarithmic method	a0	a1	InIa	InIx	△Xa	order
EAT/Revenue	0.015	0.016	0.023	0.008	0.49%	3
Revenue/Assets	0.982	0.875	-0.048	0.008	-1.01%	1
Assets/Equity	5.761	6.218	0.033	0.008	0.69%	2
SUM					0.1717%	

2012-2013Logarithmic method	a0	a1	InIa	InIx	△Xa	order
EAT/Revenue	0.016	0.017	0.034	0.059	0.78%	1
Revenue/Assets	0.878	0.896	0.006	0.059	0.15%	3
Assets/Equity	6.218	6.489	0.018	0.059	0.42%	2
SUM					1.3375%	

Table 4.23 shows the changes of logarithmic method during 2008-2013.the order is different.we explain in the gradual changes why the order are different,the InIx is same in the year so the rate of factor depend on InIa.

4.3.3 Function decomposition method

The method works the relative changes inn basic and component ratios. In table .24 shows the data of function decomposition changes during 2008-2013.

Table 4.24 Details of functional decomposition method

2008-2009functional decomposition method	Rx	△X	Ra	△Xa	order
EAT/Revenue	3.755	0.088	2.498	6.89%	1
Revenue/Assets	3.755	0.088	0.193	1.11%	2
Assets/Equity	3.755	0.088	0.138	0.82%	3
SUM				8.8162%	

2009-2010functional method	Rx	△X	Ra	△Xa	order
EAT/Revenue	0.006	0.0007	-0.180	-2.24%	1
Revenue/Assets	0.006	0.0007	0.095	1.02%	3
Assets/Equity	0.006	0.0007	0.121	1.29%	2
SUM				0.0712%	

2010-2011functional method	Rx	△X	Ra	△Xa	order
EAT/Revenue	-0.207	-0.023	-0.103	-1.10%	2
Revenue/Assets	-0.207	-0.023	-0.192	-2.14%	1
Assets/Equity	-0.207	-0.023	0.093	0.90%	3
SUM				-2.3357%	

2011-2012functional method	Rx	△X	Ra	△Xa	order
EAT/Revenue	0.019	0.001	0.056	0.49%	3
Revenue/Assets	0.019	0.001	-0.105	-1.01%	1
Assets/Equity	0.019	0.001	0.079	0.69%	2
SUM				0.1717%	

2012-2013functional method	Rx	△X	Ra	△Xa	order
EAT/Revenue	0.147	0.013	0.083	0.78%	1
Revenue/Assets	0.147	0.013	0.015	0.15%	3
Assets/Equity	0.147	0.013	0.043	0.42%	2
SUM				1.3375%	

Table 4.22 4.23 and 4.24 shows the three method and three part can effect ROE in 2008-2013.we can see the order are different with three part in 5 years but the sum of three method are same in same year. The EAT,revenue ,assets and equity of company are different during 5 year ,so the result are different. Which factor most influences the ROE is depend on how the four factor change in this year.

4.3.4 Compare with three method

In this part.table 4.25 shows the result of gradual changes,logarithmic decomposition changes and function decomposition changes during 2008-2013.

Table 4.25 Data of three method (unit: percentage)

		2008-2009		
	Gradual changes	Logarithmic method	**Function method**	order
EAT/Revenue	5.87%	7.08%	6.89%	1
Revenue/Assets	1.59%	1%	1.11%	2
Assets/Equity	1.36%	0.73%	0.82%	3
SUM	8.8162%	8.8162%	8.8162%	

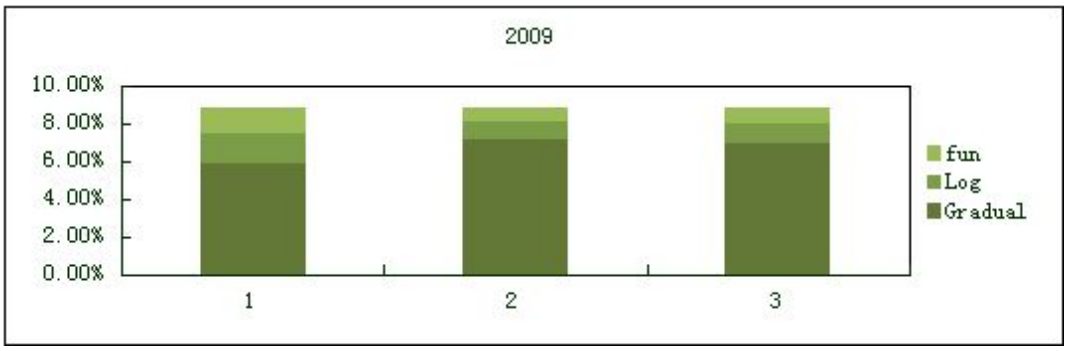
		2009-2010		
	Gradual changes	**Logarithmicmethod**	**Function method**	**order**
EAT/Revenue	-2.02%	-2.23%	-2.24%	1
Revenue/Assets	0.87%	1.02%	1.02%	3
Assets/Equity	1.22%	1.28%	1.29%	2
SUM	0.0712%	0.0712%	0.0712%	

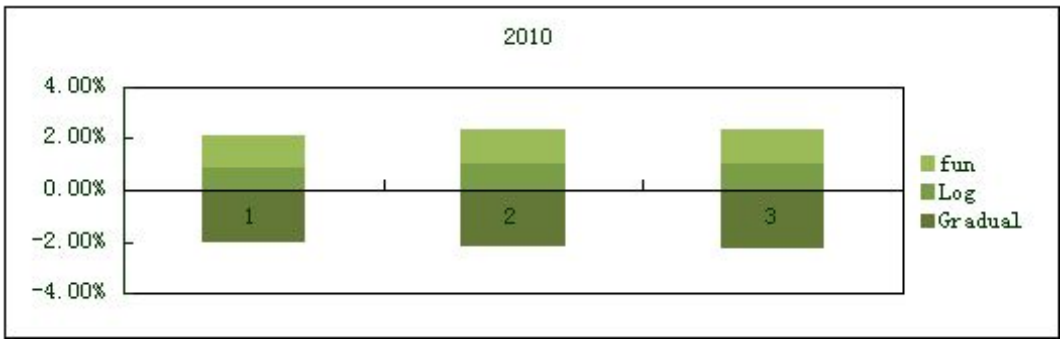
		2010-2011		
	Gradual changes	**Logarithmicmethod**	**Function method**	**order**
EAT/Revenue	-1.16%	-1.09%	-1.10%	2
Revenue/Assets	-1.94%	-2.14%	-2.14%	1
Assets/Equity	0.76%	0.90%	0.90%	3
SUM	-2.2336%	-2.2336%	-2.2336%	

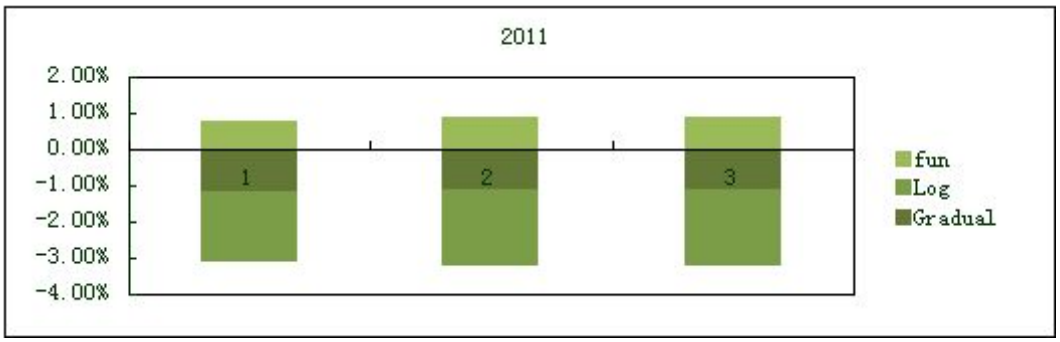
		2011-2012		
	Gradua changes	**Logarithmicmethod**	**Functionmethod**	**order**
EAT/Revenue	0.50%	0.49%	0.49%	3
Revenue/Assets	-1%	-1.01%	-1.01%	1
Assets/Equity	0.67%	0.69%	0.69%	2
SUM	0.1717%	0.1717%	0.1717%	

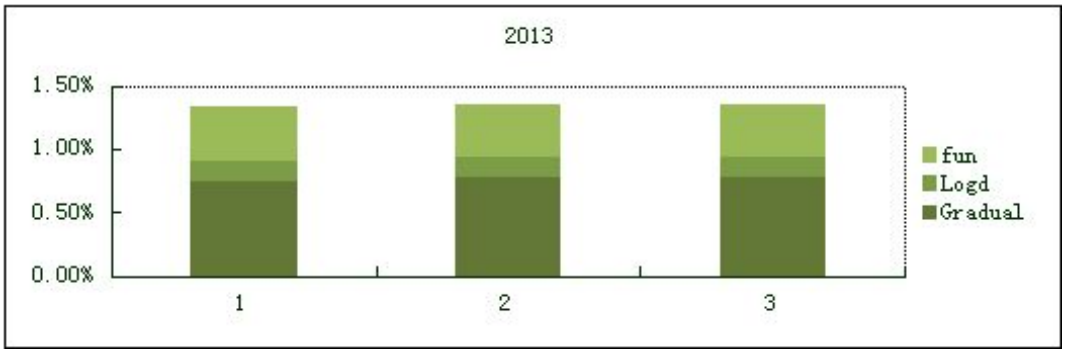
		2012-2013		
	Gradual cahnges	**Logarithmicmethod**	**Functionmethod**	**order**
EAT/Revenue	0.75%	0.78%	0.78%	1
Revenue/Assets	0.15%	0.15%	0.15%	3
Assets/Equity	0.43%	0.42%	0.42%	2
SUM	1.3375%	1.3375%	1.3375%	

Chart 4.28 Details of three method of 5 years.









From table 4.22 4.23 ,4.24 and 4.25and chart 4.28.we can see decomposition analysis of the method of gradual changes,Logarithmic decomposition method and Functional decomposition method . In 5 years,the result of three method just had little bit different,and order are same,but the impact on the basic ratio for 5 years are different.for example,In 2009,Net income margin has the greatest effect on the company,but in 2011,Assets turnover has the greatest effect on the company. It depend on the which ratio will going down or going up in this year.higher ROE.the company will have higher EAT to use, in 2009,the ROE is 8.8162%,the result is most greatest in 5 years,it means company has more EAT to invest.

5 Conclusion

According to the results of China railway financial analysis,we can know the financial situation of the company is wally, because the company is the only one railway company in the China. The revenue of the company are stable,the investors know how to invest money into the company.

This thesis was divided into 5 part.Introduction and Conclusion. Statement of financial analysis methodology,current and perspective situation of the Chinese railway company and financial analysis of the Chinese railway company.we selected 6 years to analyse the company,2008-2013. We introduced the statement of financial analysis methodology in second part already,there methodology help us to analyse the situation of the company

In the third part we introduce the situation of the company,if we focus on the process of the company,we will know the situation of the company get better than better. In this company. They have enough employees,they provide good serve ,means it good for the financial situation of the company. In 2013,the total assets of the company are 46631 hundred million yuan, the company have more assets ,it good for this company, the owner have more chance to invest something

In the fourth part we analysed the company, firstly we used horizon common-size analysis and vertical common-size analysis , there two method we divided by three statement,balance sheet,income statement and cash flow statement. According to chart 4.1 and 4,2 we knew the assets are higher than higher in 2008-2013,same trend with liabilities and equity.but the assets always higher than liabilities plus equity.and in table 4.3 we knew the net profit are positive number, Preliminary evaluation,the financial situation of the Chines railway company is good.

In financial ratios analysis,data of profitability ratios are fine and in liquidity ratios,the cash ratio always more than 1,the company has enough money to pay the liabilities,its good. According to data of solvency ratios. In summary according to data of financial ratios analysis of Chines railway company is safety degree of investing.

In pyramidal decomposition, we used three method to analyse ROE and analyse

which factor most influenced ROE. We compare with gradual changes method,logarithmic method and function decomposition method. The data shows the Chines railway company has more EAT to invest.

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List of Abbreviations

OPM	Operating profit margin
NPM	Net profit margin
ROA	Return on assets
ROE	Return on equity
EBIT	Earning before interest taxes
EAT	Earning after taxes
ART	Account receivable turnover
IT	Inventory turnover
ACP	Average collection period
TAT	Total assets turnover

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XIAOYIN CHEN

Student's name and surname

List of annexes

List 1.Complete balance sheet of Chinese railway company

Date unit[ten thousand rmb]	**2008**	**2009**	**2010**	**2011**	**20012**	**2013**
Current assets						
Monetary capital	4937625	5160580	5715092	6358288	7249081	8142353
Trading financial assets	14121	8072	15299	6017	20522	13234
Notes receivable	48782	76505	88494	147567	122768	174653
Accounts receivable	5019748	6599892	8147223	9634476	10097208	12308951
Prepayment	1425815	1766415	2076900	2474551	2857561	3131185
Interest receivable	1835	1815	3075	4571	7416	20270
Dividends receivable	575	1953	3336	4049	5686	10749
Receivable other	1329313	1791172	1831398	2059689	2955127	3425838
Inventory	6362690	8235598	11896850	15169890	19802832	22557332
Non-current assets within a year	0	73709	45376	72375	94790	418325
Other current assets	0	7504	24116	58744	253404	85996
Total current assets	19229727	23723213	29847160	35990217	43466394	50288885
Non-current assets						
Loans and payments on behalf	0	13637	4700	1700	14	0
Available for sale financial assets	96336	145689	120503	146949	269901	450230
Long-term receivable	7675	215532	268003	265207	662103	1004418
Long-term equity investment	754666	790873	814622	702070	785704	913561
Investment property	181950	228438	267757	330200	187508	252201
Immobilisations	3383194	4243782	5121811	5656321	6277212	6865642
Accumulated depreciation	1373580	1670568	2011135	2412673	2797398	3169562
Net value of fixed assets	2009613	2573214	3110676	3243648	3479813	3696897
Fixed assets depreciation	11076	9764	9196	7721	7467	7184
Fixed assets	1998538	2563450	3101480	3235927	3472346	3688897
Construction in process	264623	291749	307879	490744	658761	719455
Engineering material	99101	62775	35078	34575	18140	14797
Disposal of fixed assets	210	287	387	561	503	659
Intangible assets	2089617	2602999	3316109	4551803	4527748	4427668
Development expenditure	165	0	0	0	0	0
Goodwill	83554	83553	86486	86486	85724	82954
Long-term unamortized expenses	4153	5117	21192	23289	22478	19562
Deferred tax assets	255363	281490	273536	328368	379583	400041
Other non-current assets	52469	169311	465744	685113	535901	556725
Total non-current assets	5979846	7454900	9083475	10882993	11606414	12531168
Total assets	25209573	31178113	38930635	46873210	55072808	62820053
Current liabilities						

Short-term borrowing	3251154	2077156	2540369	5101332	6025924	6276137
Trading financial liabilities	8014	9800	9278	14189	20326	18645
Notes payable	353034	546092	966932	1350401	1961727	2495004
Account payable	6354507	8904111	12704655	14558549	16044109	18134315
Deposit received	3962760	5677337	5315397	4988801	6471265	8024757
Employee payable	194237	173144	189465	243886	262879	260687
Tax payable	441254	547860	794590	990699	1043288	1222522
Interest in red	11196	6427	38769	87081	96842	122095
Dividends payable	16512	256226	11745	14352	18362	15287
Other payable	1430988	1890046	2224937	2525803	3049568	3506126
Expected to current liabilities	271	289	289	31	3680	5889
Short-term bonds payable	60000	0	0	0	0	0
Non-current liabilities within a year	470056	540641	973374	587461	1436783	1938822
Other current liabilities	0	381305	670214	94521	177252	4003
Total current liabilities	16555016	21010430	26440013	30557104	36612005	42024288
Non-current liabilities						
Long-term loan	1682902	2715121	3098180	4938551	6084926	6711083
Bonds payable	0	0	1193349	2422071	2704934	3528773
Long-term payable	786943	716791	664108	620399	605969	661633
Special payable	1100	1100	1100	1100	6703	6703
Expected to non-current assets	8263	8303	13417	20082	20650	26100
Long-term deferred earning	13768	0	0	0	0	0
Deferred income tax liabilities	39782	45122	62082	88241	98881	95553
Other non-current liabilities	12313	45314	69197	90650	82443	85921
Total non-current liabilities	2545071	3531750	5101434	8181092	9604505	11115765
Total liabilities	19100087	24542180	31541447	38738197	46216510	53140054
Equity						
Paid up capital	2129990	2129990	2129990	2129990	2129990	2129990
Capital surplus	3062234	3093096	3065411	3108954	3114216	3109383
Earned surplus	67230	123894	160708	197488	225891	266846
Generic rick reserve	6081	8510	11114	13683	20403	29477
Undistributed profit	352169	738901	1314769	1787726	2385838	3196556
Translation reserve	-1098	-439	-6786	-35820	-39906	-68907
Parent company owener's equity	5616605	6093952	6675207	7202021	7836432	8663345
Minority equity	492881	541981	713981	932993	1019867	1016654
Owners′ equity	6109487	6635933	7389188	8135013	8856299	9679999
Liabilities and equity	25209573	31178113	38930635	46873210	55072808	62820053

List 2 . Complete of income statement of Chinese railway company

Date unit[ten thousand rmb]	2008	2009	2010	2011	2012	2013
Total revenue	23461928	34636796	47366265	46072023	48399175	56044417
Operating revenue	23461928	34597362	47312222	45970134	48268840	55879866
Interest revenue	0	6334	7815	14352	19772	32728
Handling charge commission revenue	0	33100	46228	87536	110563	131823
Total cost	23311405	33865539	46439451	45164608	47511053	54910686
Cost	20999747	31454728	43117182	41203305	43175356	50184305
Interest expense	0	6	285	595	757	22
Business tax and surchanges	737375	1100922	1481513	1494774	1519814	1828995
Selling expenses	93326	115008	144348	181296	203108	232694
Administration expense cost	919275	1091401	1502458	1912608	2092045	2224832
Financial cost	513299	55932	127515	303696	461071	370990
Assets impairmnt loss	48383	47542	66150	68334	58903	68849
Changes in fair value recognised in profit or loss	-13433	3325	-6573	-13017	-15982	-5853
Income from investment	24184	28737	92809	8043	102409	108193
Cooperative enterprise's income from investment	9212	-27721	76	-11161	7661	10103
Operating profit	161274	803319	1013050	902441	974549	1236071
Non-business income	51164	76623	63292	78654	108344	137951
Non-business expenditure	19118	15490	24858	21068	23807	22943
Disposal loss on non-current liabilities	5705	6891	5737	8915	8319	6707
Total profit	193320	864453	1051484	960026	1059087	1351079
Income tax expense	49900	123638	221314	236072	255738	343541
Net profit	143420	740815	830170	723955	803349	1007538
Parent company's owber net profit	111519	688695	748849	669002	735474	937463
Minority interest income	31901	52120	81321	54953	67875	70074
Earnings per share	0.05	0.32	0.35	0.31	0.35	0.44

List 3. Complete cash flow statement of Chinese railway company

Date unit[ten thousand rm]	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Operating activity						
Cash received from sales of goods, services provided	23599779	34604436	44838240	43903043	48156740	55454252
Customer deposits and interbank deposits net	0	0	3339	--	--	--

increase						
Interest charges, fees and commissions	0	45367	60272	115713	168122	249172
Tax rebates received	8180	9772	11032	18009	22106	23062
Other cash received relating to operating activities	190452	180423	224968	202262	335241	383968
Subtotal of cash inflow from operating activities	23798411	34839998	45137850	44239069	48692061	56110454
The purchase of goods, services received cash payments	20693046	28633841	39706489	39860064	42268981	47987889
Loans and advances to customers net increase	0	12715	--	--	--	26416
The payment of interest, fees and commissions	0	6	--	14	757	22
Paid to and for employees cash	1474724	2023260	2487546	2697880	2909158	3230748
The tax payment	878958	1307687	1756853	1928589	2057593	2360614
Other cash payments relating to operating activities	673672	976351	1090789	1100557	1874149	1705048
Sub total of cash outflows from operating activities	23720400	32953860	45041677	45587104	49110638	55310737
Generated from operating activities net cash flow	78011	1886138	96173	-1348035	-418577	799717
Investing activity						
To recover the investment cash received	120733	157296	340181	118016	582617	1349801
Cash received investment income	135080	75649	106088	99165	160954	159919
Net cash back on disposal of fixed assets, intangible assets and other long-term assets	66982	170842	111292	97250	60852	59875
Net cash disposal of subsidiaries and other business units received	1830	29695	31142	12075	47336	34467
Other cash received relating to investment activities	2451	3423	2134	24686	5430	5358
Cash inflow from investment activities	327076	436905	590836	351191	857190	1609419
Purchase payment and construction of fixed assets, intangible assets and other long-term assets cash	1456620	1627539	1473102	1041793	963610	996862
The investment paid in cash	827412	416419	567876	385258	1062568	1781601

Net cash received from subsidiaries and other business units pay	61304	31483	185595	95310	28570	47300
Cash outflow for investment activities	2345336	2075440	2226573	1522360	2054749	2825762
Net cash flow from investment activities	-2018260	-1638535	-1635737	-1171169	-1197559	-1216343
Financing activity						
Cash received from investment	111883	27621	74876	19535	61010	44686
Among them: the subsidiary absorption minority investment received in cas	0	27621	44586	19535	61010	44686
Cash received from loan	5391073	5319092	5058180	7758216	10713514	12001869
Cash received from issuing bonds	0	380058	1860990	1319551	329160	868960
Cash received relating to other financing activities	0	0	0	0	9860	0
Cash inflow from financing activities	5502957	5726771	6994046	9097302	11113544	12915515
Cash paid for debts	3987262	5410550	4185489	5286388	7651142	10364916
The distribution of dividends, profits or interest paid in cash	342210	386415	701847	720766	1093893	1246291
Of which: subsidiary paid to minority shareholders dividends, profits	0	32261	22846	23714	23039	39900
Cash payments relating to other financing activities	12123	3557	19088	30328	1296	87919
Cash outflow for financing activities	4341595	5800521	4906423	6037482	8746332	11699125
Net cash flow from financing activities	1161362	-73750	2087623	3059820	2367212	1216389
Influence of exchange rate						
Influence of fluctuation in exchange rate on cash and cash equivalents	-213694	69185	-5200	-7954	-10265	-10266
Net increase of cash and cash equivalents volume	-992581	243038	542859	532662	750932	789497
Plus: the beginning balance of cash and cash equivalents	5677220	4684640	4943156	5492729	6025392	6776323
The final balance of cash and cash equivalents	4684640	4927678	5486015	6025392	6776323	7565821