



The Company will continue to focus on maximizing operating efficiency by further enhancing its market share, its technological advantages and favourable policies it enjoys, building the Guangshen Railway into a highly profitable modern railroad company offering high-speed, high-technology and frequent transportation services

Chairman's Statement



Mr. Zhang Zhengqing, Chairman of the Board

Dear Shareholders,

I am pleased to present the audited operating results of Guangshen Railway Company Limited (the "Company") and its subsidiaries for the year ended 31st December, 2000.

During the year, the Company further developed its High-Speed Programme and began to implement its "As-frequent-as-buses" High-speed Passenger Service Project. The Company has completed the speed-raising project of its two high-speed tracks, which allows trains to run up to a maximum speed of 230 kilometres per hour and thus, the project meets the technical requirements for the operation of high-speed trains. The Company purchased a Xin Shi Su high-speed electric train and five high-speed locomotives which the Company used to lease. It leased eight domestic-made high-speed electric trains (which have been named as "the Blue

Arrow" Xin Shi Su) that run at a speed of up to 210 kilometres per hour. These high-speed trains will be delivered to the Company for operation before the end of 2001. The first of these high-speed trains was put into operation on the Guangshen Railway on 28th December, 2000.

Operating Results

For the year ended 31st December, 2000, turnover of the Company and its subsidiaries was RMB1,980.4 million, profit attributable to shareholders was RMB492.1 million, and earnings per share were RMB0.11. These results were achieved by the Company in the circumstances when the regional economy was growing but competition from other modes of transportation remained fierce. The achievement was the result of continued enhancement of marketing strategies and increase of passenger train services of the Company.

The Board of Directors of the Company (the "Board") has recommended a final dividend of RMB433,555,000 for the financial year ended 31st December, 2000, which is equal to RMB0.10 per share. Such a dividend is subject to the approval of the shareholders at the AGM, scheduled to be held on 8th May, 2001 at the Company's headquarters in Shenzhen, Guangdong Province, the PRC. The final dividend will be paid to the Company's shareholders whose names appear on the register of members of the Company (the "Register of Members") on 6th April, 2001.

Dividends payable to holders of H shares will be calculated in Renminbi and paid in Hong Kong dollars at the average of the closing exchange rates quoted by the People's Bank of China for the calendar week preceding the date on which the dividend is to be distributed.

Overview of the Company's Performance

During the year of 2000, the growth in both the regional economy of the Company's service territory and the economy in Hong Kong generated growth in demand for railway transportation. The Company, however, still faced tough competition from highway and water transportation in both its passenger and freight transportation businesses.

Passenger Transportation

In 2000, the Company has taken a series of market-oriented measures in response to the changes in market. These measures include: enhancing its market promotion and strategies, making timely adjustment to its train time schedule, making scientific arrangement of train stops, optimizing technical and organizational measures of its passenger transportation sector, and timely increasing its train frequency. As a result, the Company's passenger transportation business has experienced continued growth. Starting from October, 2000, the Company operated 83 pairs, or round trips, of passenger trains per day. These 83 pairs include 31 pairs of high-speed passenger train between Guangzhou and Shenzhen (two of which operated during peak seasons of holidays or vacations), 16 pairs of regular-speed passenger trains between Guangzhou and Shenzhen, 6 pairs of high-speed Hong Kong through trains and 1 pair of regular-speed passenger through trains between Zhaoqing and Kowloon, and 29 pairs of domestic long-distance passenger trains.



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In response to the market changes, the Company made slight adjustments to its passenger fares during peak seasons. These adjustments are as follows (all prices are calculated in RMB):

1. During the 12-day period from 24th January to 4th February, 2000, ticket prices for the 10 additional pairs of long distance passenger trains crossing the operating areas of Guangzhou Railway (Group) Company during the Lunar New Year holidays were increased. These ticket prices were determined in accordance with different standards implemented by different local railways, which were on average approximately 30% higher than that of the national pricing standard.
2. During the 11-day period from 24th January to 3rd February, 2000, ticket fares for the original 24 pairs and the additional 15 pairs long-distance passenger trains during the Lunar New Year holidays were increased by 20% on premium class passenger trains. Fares were increased by 30% on the other regular-speed passenger trains.
3. During the 46-day period from 25th January to 24th February, from 30th April to 7th May and from 1st to 7th October, 2000, fares were increased by RMB5 per single trip on all high-speed passenger trains operating between Guangzhou and Shenzhen. That is, fares on "Xin Shi Su" high-speed trains were adjusted to RMB85 from RMB80 per single trip between Guangzhou and Shenzhen, fares on other non-stop high-speed passenger trains were adjusted from RMB75 to RMB80 per single trip between Guangzhou and Shenzhen, and fares on high-speed passenger trains making stops at intermediary stations were adjusted from RMB70 to RMB75 per single trip between Guangzhou and Shenzhen.
4. During the 31-day period from 25th January to 24th February, 2000, hard-seat fares on the regular-speed passenger trains were adjusted from RMB41 to RMB48 per single trip between Guangzhou and Shenzhen, representing an increase of approximately 17%.
5. The Company continued to offer discounts to group tourists taking the Hong Kong through trains.
6. From 1st July, 2000, the Company had begun adjusting the fare of its regular-speed trains between Guangzhou and Shenzhen either upwards or downwards to make the unit digit of the fare to be either RMB5 or RMB10, depending on the travelling distance. For example, a fare originally costing RMB11 was adjusted to RMB10, a fare of RMB43 was adjusted to RMB45, a fare of RMB48 was adjusted to RMB50. Regular-speed train fares were increased on average by approximately 10% after these adjustments.

In 2000, the Company successfully completed the speed-raising projects of its two high-speed tracks, the construction of the West Wing of Shenzhen Railway Station, and the electrification of its third track. It also purchased a Xin Shi Su high-speed electric train and 5 high-speed locomotives which the Company used to lease. It signed a contract to lease 8 domestic-made high-speed electric trains. In addition, the Company enhanced its personnel training and upgraded its passenger transportation services in all related aspects. These measures effectively enhanced the Company's overall competitiveness.

During the year, the passenger transportation business of the Company continued to grow. The total number of passengers carried by the Company for the year was 34.947 million, representing an increase of 10.5% over last year. Among all those passengers conveyed, 14.905 million passengers were travelling on the Guangzhou-Shenzhen route, representing an increase of 11.7% over last year and

7.24 million out of which were those taking the Guangzhou-Shenzhen high-speed trains, which represents an increase of 27.2% over that of last year. The number of passengers taking the Hong Kong through trains was 1.906 million, representing an increase of 13.6% over that of last year. Domestic long-distance passenger volume was 18.136 million, representing an increase of 9.1% when compared with that of last year. Passenger transport revenues for 2000 were RMB1237.3 million, representing an increase of 11% over last year.

Freight Transportation

In 2000, the Company took a series of positive measures to enhance its freight business. These measures include: (1) strengthening its marketing efforts and continuing with the practice of freight agency system for the whole journey; (2) joining efforts of its freight stations with those of local ports to promote and organize multi-modal freight transport services; (3) organizing and operating container freight trains; (4) implementing a marketing strategy of increasing its unloading business of freight to make up for the shortage of loading business, while at the same time improving its solicitation of inbound freight; (5) strengthening its cooperation with professional markets to

establish a steady source of freight; and (6) with the approval by Guangzhou Railway (Group) Company or the Ministry of Railways (“MOR”), implementing a 10% discounted pricing to freight in large quantities solicited from new freight sources. With these measures, the Company carried a total of 28.733 million tons of freight for the year, representing an increase of 3.4% over that of last year. Among the total tonnage of freight, 6.508 million tons were outbound freight, representing an increase of 1.3% when compared with that of last year. Inbound freight was in total 13.366 million tons, which was an increase of 5.3% over that of the previous year. Pass-through freight was 8.859 million tons, representing an increase of 2.3% over that of last year. This is the first overall growth in the freight transportation business of the Company since 1998.

The Company’s freight transportation business grew at a slower pace than its passenger transportation business due to the following factors: (1) the PRC government adjusted its industrial structure and its import and export policies, resulting in a reduction of tonnage of cargo such as imported chemical fertilizers and ordinary steel material; and (2) there was keen competition from the road and water transportation of cargo.



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In 2000, the Company's freight transportation revenues were in total RMB549.7 million, representing an increase of 2.2% over that of last year. Revenues generated from outbound freight transportation services were RMB95.1 million, representing a decrease of 7.5% when compared with that of the previous year. Revenues generated from inbound and pass-through freight services were RMB259.0 million, representing an increase of 8.8% over that of last year. Income from storage, loading and unloading services and other incomes amounted to RMB195.6 million, representing a decrease of 0.8% from that of last year.

Corporate Governance

In 2000, the Company fully implemented the ISO 9000 standards. It continued to explore growth potential, enhance efficiency, open up new income sources, focus on its internal management, optimize its transportation structure, improve further its quality in passenger and freight transportation, improve the efficiency of its locomotives and passenger coaches and increase the efficiency of its operation and management.

Future Prospects

The Company will continue to focus on maximizing operating results by further enhancing its market share, its technological advantages and favourable policies it enjoys. It will bring into full play strategies of upgrading its transportation facilities and vehicles, enhancing marketing efforts, expanding its capital, introducing modern and advanced management mechanism, and better training and developing its human resources. The Company will continue to build the Guangshen Railway into a highly profitable modern railroad company offering high-speed and frequent transportation services making use of high technology. The Company will make Guangshen Railway to become a safe, comfortable, fast and convenient passenger passage, with trains operated

as frequent as buses, linking up the three major cosmopolises of Guangzhou, Shenzhen and Hong Kong. The Company intends to position itself as an enterprise with the most rapid growth in terms of passenger and freight transportation business and become a transportation enterprise with the most outstanding overall operating results. To achieve this goal, the Company plans to implement the following development projects starting from 2001:

1. **The construction project of the fourth electrified track between Guangzhou and Shenzhen (the fourth track with regular-speed):** To prepare for the future growth in passenger and freight transportation and to cope with the market competition, the Company plans to build the fourth electrified track. The project complied with the PRC's industrial structure policies and is in line with the Company's business strategies. The preliminary feasibility report of the project has been passed, and is now in the process of obtaining the approval for the establishment of the project by the relevant authorities. When the project is completed, the Company will be able to satisfy the increased demand in transportation through the Guangshen Railway resulting from the completion of the electrification of the Beijing-Guangzhou rail line, the construction of the second track of the Beijing-Jiujiang rail line, and the construction of the Shenzhen subway. The project is expected to contribute to a rapid growth in the core businesses of both passenger and freight transportation of the Company and to be a new potential area for economic growth of the Company.

The total investment for this project is estimated to be RMB3,600 million. The Company plans to commence construction in the second half of 2001. It is expected that the project will be completed in 3 years.



2. **The issue of not more than 550 million A shares:** The Company plans to issue up to a maximum of 550 million A shares by way of a public offer to raise approximately RMB1,980 million to finance the construction of its fourth electrified railway track between Guangzhou and Shenzhen. The project was approved at the extraordinary general shareholders' meeting held on 8th February, 2001, and has been progressing smoothly.
3. **The "as-frequent-as-buses" passenger transport project:** The Company plans to lease by the end of this year 8 domestic high-speed electric train sets to enable a time schedule of operating a pair of high-speed trains at intervals of 15 to 20 minutes during peak hours. After the completion of construction of the fourth electrified track, the Company plans to purchase or lease an appropriate number of additional electric high-speed train sets to enable high-speed trains to operate at intervals of 10 to 15 minutes on its high-speed tracks. The Company will also devote itself to the development of internet ticketing service and magnetic card tickets in order to offer more convenience to passengers and to increase its passenger volume.

Starting from 1st March, 2001, the Company increased 2 pairs of long-distance passenger train services, one pair from Shenzhen to Fuzhou and the other from Guangzhou East to Xiamen. It plans to operate an additional pair of Hong Kong passenger through train services connecting Dongguan and Kowloon, Hong Kong from June, 2001 at weekends and on public holidays.

4. **The project to participate in the telecommunication business:** The Company intends to lease its existing communication assets to China Railway Communications and Information Company of the MOR so as to maximize the value of such assets. The cooperation is subject to further discussion.

In its freight transportation business segment, the Company expects to benefit from the following factors: (1) the economies of Guangdong and Hong Kong have continued to grow, which has resulted in rapid growth of import and export activities, thus stimulating more demand for railway freight transportation; (2) with effect from 15th May, 2000, the MOR cancelled the basic dispatching and arrival charges on freight on the section north of Longchuan on the Beijing-Jiujiang Line dispatched by the Company or arriving in the Company's

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service territory (without affecting the Company's own freight transportation charges), which should help to increase the freight transportation volume of the Company; (3) the commencement of the freight transportation business on the Zhanzhou-Longchuan rail line (i.e., the rail line connecting Zhanzhou, Fujian Province and Longchuan, Guangdong Province) in October 2000. The launch of operation of this rail line can shorten the freight transportation mileage by 780 kilometres between Guangzhou and Xiamen, which should benefit the Company to attract inbound freight from Fujian Province to the Company's service territory or outbound freight to be dispatched through the Company's line to destinations in Fujian Province. The Company will attempt to take advantage of these factors and continue to take measures to achieve steady and continued overall growth of its freight transport business. These measures will include the enhancement of solicitation of both outbound and inbound freight, continuous development of its multi-modal freight transport services, the promotion of agency services for the whole journey of freight transportation, focusing on the operation of its "five special express" freight trains, and coordinating efforts with regional ports for the marketing and sale of freight transportation services.

The PRC government will continue to implement its active financial and steady monetary policies and to adjust the structure of the economy. It will gradually open its domestic markets, loosen its control over foreign investment, develop the economy in the western part of the PRC, and hasten the pace to enter into the WTO. Guangdong and Hong Kong are likely to cooperate in a wider range of economic aspects and in a faster pace. Those factors are believed to be of specific benefit to the continuity of rapid economic growth in the Company's service territory. The Company's management believes that both its passenger and freight transportation services are now situated in a favourable economic environment and are expected to experience continuous overall growth in 2001.

The Company achieved relatively good operating results during the past year despite fierce competition it faced. The achievements have been made through strengthening its marketing measures, creating new competitive advantages and further improving its operation. I would like to express my sincere gratitude to the management and all the employees of the Company for their diligence and hard work, as well as to our shareholders for your kind support and confidence in the Company. I believe that the Company will generate better results in the coming year for our shareholders.

Zhang Zhengqing
Chairman of the Board

Shenzhen, the PRC
13th March, 2001