

REPORT OF THE SUPERVISORY COMMITTEE

Dear shareholders,

During the year ended December 31, 2001, all members of the Supervisory Committee (the "Committee") carried out their duties faithfully in accordance with the Company Law of the PRC and the Articles of Association of the Company, adhered to the principle of honesty and good faith and carried out their work cautiously and positively for the purpose of protecting the interests of both the Company and its shareholders. Two meetings were held by the Supervisory Committee during the period under review, in which resolutions concerning certain major issues were passed and delivered to the Board. The supervisors attended all meetings of the Board during the period under review and offered advice and suggestions on operations and management, investment decisions and development plans of the Company. The Committee has, in the spirit of being responsible to the interests of the shareholders of the Company, carefully reviewed the Report of Directors, the financial report and dividend policy to be presented by the Board to the AGM.

The Company achieved a net profit of RMB533.5 million in 2001. The Committee believes that it was the result of the adoption of the market-oriented measures and through the exploration of internal potentials and efficient control of costs. In the coming year, the Committee shall offer its support to the Company's management in the "As-frequent-as-buses" Train Project being implemented between Guangzhou and Shenzhen, the project of the issue of not more than 700 million A shares, the construction project of the suburb passenger railway track between Guangzhou and Xintang (the fourth track between Guangzhou and Xintang), the construction project of the technical support and maintenance depot for passenger vehicles and its ancillary construction works in northern Shenzhen, and the purchase of electric train-sets. As these three projects are crucial to the Company's future development, the Committee hopes that the Company's management will carry out these projects orderly and steadily in accordance with relevant rules and regulations and in a stable way so as to enhance the Company's competitiveness.

The Committee is satisfied with the achievement of the Company in the past year and is confident of the Company's future. We would like to express our gratitude to the Board, the senior management headed by the General Manager, and all the employees and shareholders for your confidence in and support for our work.

By Order of
The Supervisory Committee

Gu Hongxi
Chairman

Shenzhen, the PRC, April 23, 2002



Chairman of
the Supervisory
Committee
MR. GU HONGXI