

AUDITORS' REPORT**ANDERSEN****Arthur Andersen & Co**21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong**TO THE SHAREHOLDERS OF
GUANGSHEN RAILWAY COMPANY LIMITED***(Incorporated in the People's Republic of China with limited liability)*

We have audited the accompanying balance sheets of Guangshen Railway Company Limited (the "Company") and its subsidiaries (the "Group") as of December 31, 2001, and the related statements of income, changes in equity, and cash flows for the year then ended. These financial statements set out on pages 44 to 97 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of the Group as of December 31, 2001, and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO*Certified Public Accountants*Hong Kong,
April 23, 2002