



# CHAIRMAN'S

Statement





MR. JIANG LINYANG  
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 31 December, 2002.

## OPERATING RESULTS

In 2002, with the regional economic development in Guangdong and Hong Kong, the Company adopted an active and stable operating strategy which focused on developing its core railway transportation businesses. It strived to improve its competitiveness, and exploited other businesses actively. All these measures helped the Company maintain growth in its operating results.

For the year ended 31 December, 2002, the total revenues of the Company and its subsidiaries were RMB2,517.5 million, profit attributable to shareholders was RMB557.1 million, and earnings per share were RMB0.13.



Passenger transportation business is the most important business segment of the Company. In 2002, the Company continued to optimize its "As-frequent-as-buses" Train Project for the Guangzhou-Shenzhen high-speed passenger trains and operated more high-speed passenger trains between Guangzhou and Shenzhen. The Company actively developed its passenger transportation market by better organizing its passenger sources and cooperating with the Guangzhou Subway and Guangzhou Fangcun Bus Station in establishing a "Green Passage" for passengers at Guangzhou East Station. The Company enhanced its passenger service by using advanced technology such as the Dynamic Ticket Management System developed by the Company for the Guangzhou-Shenzhen route, and building the West Ticketing Hall of Shenzhen Railway Station into the first computerized railway ticketing hall in China. The Company also improved its passenger service facilities by upgrading and rebuilding the passenger transportation directory system. The Company made slight upward adjustments to its passenger fares during peak period to reflect market changes. In 2002, the total number of passengers carried by the Company was 39.776 million, representing an increase of 2.4% as compared to 2001; passenger transport revenues were RMB1,846.6 million, representing an increase of 29.5% over 2001.

During 2002, due to the adjustment in the national transportation structure and the regional industrial structure in the Pearl River Delta, and intense competition from other means of transport such as highways and waterways, the Company transported in total 27.583 million tonnes of freight, representing a decrease of 4.9% as compared to 2001. The Company's freight transportation revenues in 2002 were RMB514.0 million, representing a decrease of 9.4% as compared to 2001.

In 2002, the revenues from the Company's other businesses were RMB156.9 million, representing a decrease of 2.1% as compared to RMB160.3 million in 2001.



## MANAGERIAL ENHANCEMENTS

In 2002, the Company continued to establish the ISO9000 standards. The Company fully implemented budget management, established a performance system in which assets, efficiency and quality were considered as a whole. The Company managed to optimize its transportation systems to further improve the quality of its passenger and freight transportation, the efficiency of its locomotives and passenger coaches, the overall quality of its operations and management. The Company also continued to reform its transportation management systems, perfect its practice of business and management system, enhance its marketing strategies, exploit potential business opportunities, increase revenues and control costs, and maximize financial results of the Company.

## FUTURE PROSPECTS

The Company will continue to maximize its operating results by adhering to the goal of "safety, quality, efficiency, development and stability". It will insist on making the railway transportation business its core business, enhancing its other businesses, continuing to promote innovations in management, systems and technology. We plan to make the Guangshen Railway a safe, comfortable, fast and convenient passenger line linking up these three modern cities: Guangzhou, Shenzhen and Hong Kong. The Company intends to develop itself as a transportation enterprise with the best overall operating results, the most advanced technology and modern management mechanisms. To achieve this goal, the Company plans to implement the following development projects in 2003:

- It is to continue with the construction plan of the fourth line between Guangzhou and Shenzhen. To better accommodate for future transportation growth and market competition, and sustain the rapid growth of the Company's core businesses of passenger and freight transportation, the Company will continue to plan for the construction of the fourth line between Guangzhou and Shenzhen.



- In relation to its passenger transportation business, the Company plans to (1) further optimize its "As-frequent-as-buses" Train Project of the Guangzhou-Shenzhen high-speed passenger trains by increasing the frequency of its high-speed train services between Guangzhou and Shenzhen and adding more stops at appropriate intermediary stations to meet passenger demand for high-speed trains and achieve better financial results; (2) operate an additional pair of Hong Kong Through-Trains in order to adapt to the trend of regional economic cooperation in Guangdong and Hong Kong and support increasing passenger flows between these two regions; (3) further integrate its railway system with urban public transportation systems to expand the service coverage of its high-speed trains and attract more passengers; and (4) further upgrade its passenger transportation service facilities to improve its service.
- In relation to its freight transportation business, the Company will: (1) conduct freight transportation market research, intensify marketing efforts for freight transportation, formulate and integrate a marketing strategy that "focuses on business potentials at ports and develops inbound freight transport and unloading business", develop more inbound freight business, and launch new freight transportation services to meet market needs; (2) enhance cooperation with ports, mines, factories and corporate entities to maintain the existing and capture more freight transportation business by leveraging on its overall strength; and (3) develop container freight transportation, improve the container express train service between Dongguan and Hong Kong, and intensify its efforts to launch a container express train service between Dongguan and Yantian port.
- In respect of the use of capital, the Company plans to implement its strategies of expanding its capital base through equity investments, mergers and acquisitions to expand into new growth areas when the circumstances allow.



In 2003, with the continuous implementation of proactive fiscal and stable monetary policies, strategic adjustment of the economic structure by the PRC Government, growing domestic demand and the gradual opening to foreign investment, as well as potential rapid development of regional economic cooperation between Guangdong and Hong Kong, the economy in the Company's service territory will enjoy continued and stable growth. Although its core businesses face intense competition from other transportation means and are affected by the SARS epidemic, the Company believes that its passenger and freight transportation businesses are expected to retain relatively good growth prospects in 2003 as the SARS epidemic is effectively controlled and the Company continues with its effective innovations and marketing efforts.

In 2002, the Company achieved relatively good operating results. The achievements were attributable to the enthusiasm and diligence of our employees as well as to the support of and confidence in the Company of our shareholders. I would like to take this opportunity to express my highest regards and my sincere gratitude to all of them. I believe that the Company will continue to strive for better results for our shareholders in 2003.

**Jiang Linyang**

*Chairman of the Board*

Shenzhen, the PRC

23 April, 2003