

Report of
**THE SUPERVISORY
COMMITTEE**



Dear shareholders,

During the year ended 31 December, 2002, the Supervisory Committee (the "Committee") carried out its 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. The Supervisory Committee held three meetings during the period under review, in which resolutions concerning certain major issues were passed and reported to the Board. The supervisors attended all meetings of the Board and important meetings concerning the operations of the Company during the period under review. It investigated the operations of the Company and offered advice and suggestions on improving management and reorganization of the other businesses. The Committee has carefully reviewed the Report of Directors, the financial report and dividend policy to be presented by the Board at the annual general meeting of the shareholders.

The Company achieved a profit attributable to shareholders of RMB557.1 million in 2002, representing a continuous increase in profit following the increase achieved in 2001. The Committee believes that it was the result of the adoption of active marketing measures, continuous exploration of potentials and efficient control of costs. It also revealed that the success of the Company's strategy on implementation of the "As-frequent-as-buses" Train Project and its departmental reform. In the coming year, the Committee shall offer its support to the Company's construction project of the fourth line on the Guangzhou-Shenzhen route, the continuous optimization of the "As-frequent-as-buses" Train Project, the operation of additional Through-Trains between Guangzhou and Kowloon and the improvement of cooperation with ports in freight transportation. 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
 23 April, 2003



MR. GU HONGXI
Chairman of the Supervisory Committee