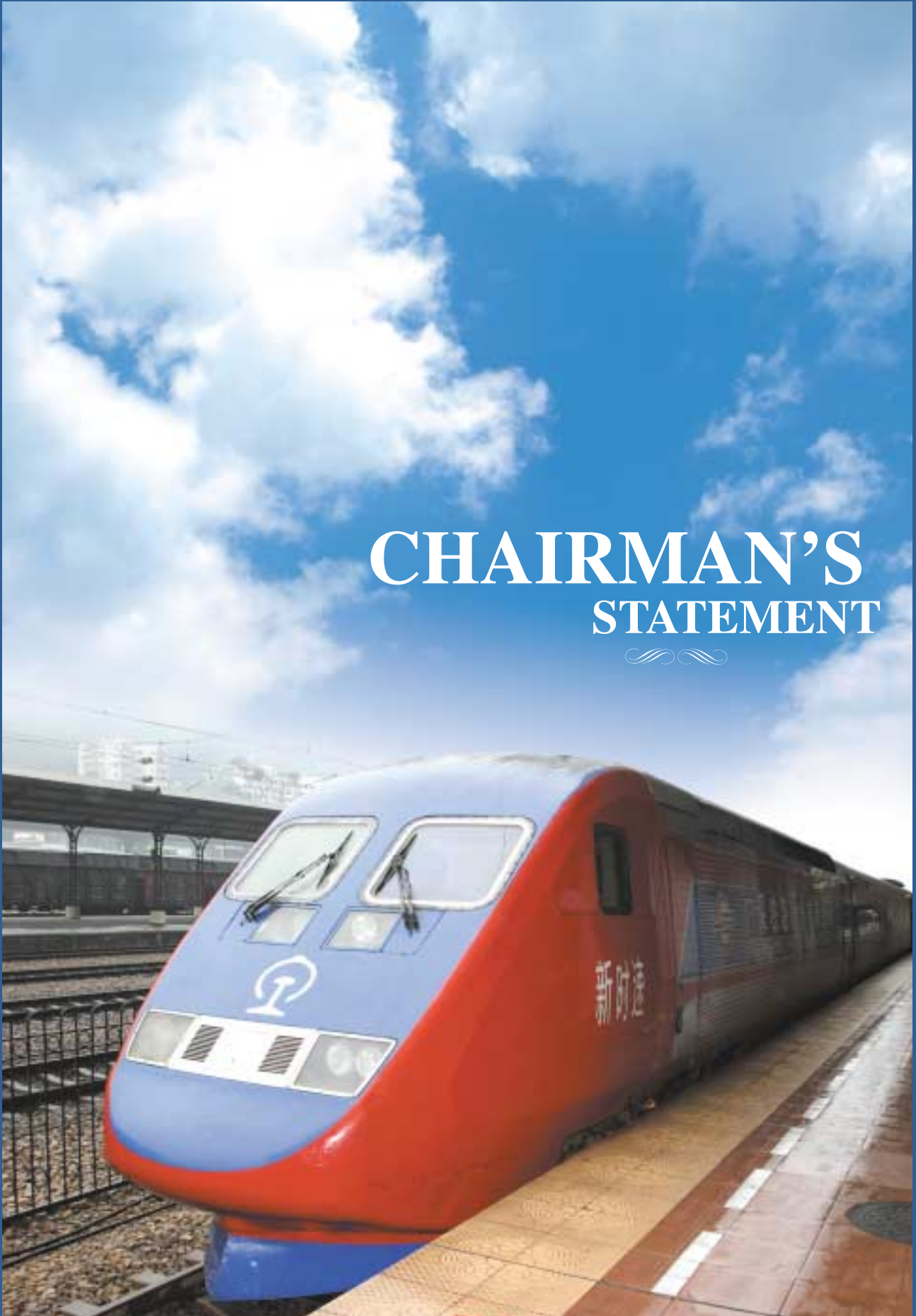


CHAIRMAN'S STATEMENT



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Mr. Wu Junguang *Chairman of the Board*

Dear Shareholders,

I am pleased to present the audited operating results of the Company and its subsidiaries for the year ended December 31, 2003.

OPERATING RESULTS

In the first half of 2003, our core business of passenger and freight transportation declined as a result of the outbreak of Severe Acute Respiratory Syndrome

(“SARS”) in some provinces of Chinese mainland and in Hong Kong. However, in the second half of 2003, the Company took efforts to increase transportation volume to compensate for its decreased business during the SARS period. The Company also focused on costs control, market development, expansion of transportation capacity, improvement in transportation efficiency and service quality. All these measures helped to achieve a recovery in the operating results of the Company. For the year ended December 31, 2003, the total revenues of the Company and its subsidiaries were RMB2,413.4 million, profit attributable to shareholders was RMB511.8 million, and earnings per share were RMB0.12.

Passenger transportation business is the main transportation business of the Company. In 2003, the Company was in a very difficult market situation for its passenger transportation business due to the impact from the SARS epidemic. The result of its passenger transportation business declined over the SARS period. However, the Company attended to the prevention of SARS as well as the improvement of services and marketing efforts. The Company operated more trains and increased the frequency of stopping at intermediary stations to attract more passengers. The Company focused on the integrated refurbishment of its passenger stations, such as Guangzhou East Station, Shenzhen Station and Dongguan Station, to improve its public image. The Company expanded its ticket network by resuming and opening more ticket offices at Guangzhou Station and opening ticket agents at stations along the Guangzhou — Shenzhen route. It also made slight adjustments to its fares during peak periods in response to market changes. The Company took measures to continue developing its market potential in order to reduce the negative impact from SARS. In 2003, the total number of passengers of the Company was 37.861 million, representing a decrease of 4.8% when compared to that of last year; passenger transportation revenues were RMB1,754.2 million, representing a decrease of 5.0% from that of 2002.

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During 2003, despite the impact from SARS on the freight transportation business and from intense competition from other means of transportation such as highway and water transportation, the Company improved its marketing efforts on its freight transportation business and enhanced its relationship with ports, mines and corporate entities to maintain existing large volume freight and capturing new freight transportation business. The Company transported a total of 27.584 million tonnes of freight, representing an increase of 1,000 tonnes when compared to that of 2002. The freight transportation revenues in 2003 were RMB514.8 million, representing a slight increase of 0.1% when compared to that of 2002.

Revenues from other businesses of the Company were RMB144.4 million in 2003, representing a decrease of 8.0% when compared with RMB156.9 million in 2002.

CORPORATE GOVERNANCE

In 2003, in order to improve its operations and carry out budget management, the Company established and implemented the Measures for Assessments of Operating Responsibilities and Targets of the Company. The Company adjusted the structure of its core transportation businesses, and improved the operations of its departments to enhance management efficiency. It also established a management and regulatory system and strengthened its fundamental management. The Company established a Disclosure Committee and formulated the "Measures and Procedures for Controlling the Company's Disclosure" (《公司披露控制措施和程序》) to improve its information disclosure.

FUTURE PROSPECTS

2004 is an important year for the railway industry in the PRC to implement the great-leap-forward development strategies. The Company strives to develop itself as a transportation enterprise with the highest standard in overall performance, technology and management in the PRC railway industry by aiming at developing itself as a leading intercity transportation enterprise by international standards, by adhering to its goal of "safety, quality, efficiency, development and stability", by focusing on developing advanced transportation productivity, by continuing to make railway transportation its core business and to diversify into other areas and by continuously promoting innovations on management, system and technology. It also plans to implement the following development projects in 2004:

- It will increase the transportation capacity of Guangshen Railway in all aspects. To accommodate future transportation growth and market competition and promote the growth of its core business of

CHAIRMAN'S STATEMENT



passenger and freight transportation, the Company plans to increase the transportation capacity of Guangshen Railway in all aspects, including the continuous construction of the fourth line between Guangzhou and Shenzhen. It has been focusing on the construction of a technical support and maintenance depot for passenger vehicles at Northern Shenzhen Station, an auxiliary station in Buji for long-distance passenger trains and a connecting track for passenger trains from Pinghu to Shenzhen.

- In relation to its passenger transportation business, the Company plans to (1) further improve 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 and appropriately adjusting the stops at intermediary stations according to passenger demand under the “Fifth Great Speed Up Project in China Railways”. This will help meeting passenger demand for high-speed trains along the routes and increase the Company’s market share; (2) focus on the research on the introduction of advanced electric trains from international markets to further increase transportation capacity of its “As-frequent-as-buses” Train Project for the Guangzhou-Shenzhen high-speed passenger trains; (3) continue the integrated refurbishment of its stations, research on the introduction of the IC Card Ticketing System, improve its passenger service facilities and enhance its service quality; (4) continue to focus on the expansion of its Hong Kong through-train business and to support increasing passenger flows between Guangdong Province and Hong Kong. The Company had commenced the operations of two pairs of Hong Kong through-trains on April 18, 2004.
- In relation to its freight transportation business, the Company will: (1) intensify marketing efforts and enhance cooperation with key ports, mines, factories and corporate entities to maintain existing demand and capture new freight transportation business; (2) further improve its service quality and offer transportation services of higher quality and better efficiency to consignors; (3) strive for commencing the operation of “5 fixed” (fixed locations, fixed line, fixed time, fixed price and fixed schedule) special freight trains to the southwest.
- In respect of the use of capital, in order to achieve better development, the Company will continue to closely review its working capital and aim to achieve lower-cost expansion through equity investments, mergers and acquisitions in the future when appropriate opportunities arise.

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In 2004, with the accelerated cooperation in regional economy of “Great Pearl River Delta” and “Extensive Pearl River Delta” and the implementation of Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”), the economy in the Company’s service territory is expected to experience a rapid and continuous growth. The Company will actively exploit room for future development by capturing chances of growing economy as well as utilizing business opportunities such as the “Fifth Great Speed Up in Chinese Railways”, the “Relaxed individual Travel” to Hong Kong and Macao Special Administrative Region, the commencement of operation of the Shenzhen Subway and improvement in the Guangzhou Subway. It is expected that the passenger and freight transportation businesses of the Company will have a good development trend in 2004.

In 2003, in light of the impact of the outbreak of SARS , the Company achieved relatively good results. The achievements were attributable to the enthusiasm and diligence of our employees as well as to the support and confidence of the shareholders of the Company. 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 its shareholders in 2004.

Wu Janguang

Chairman of the Board

Shenzhen, the PRC

April 20, 2004