



Report of the
Supervisory Committee



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Mr. Yao Muming *Chairman of the Supervisory Committee*

Dear shareholders,

During the year ended December 31, 2004, the Supervisory Committee (the "Committee") fulfilled its duties faithfully and carried out work actively in accordance with the Company Law of the PRC and the Articles of Association of the Company, adhered to the principle of honesty and diligence for the purpose of protecting the interests of the Company and its shareholders. The Supervisory Committee held four meetings during the period under review, at which resolutions concerning certain major issues were passed and notified to the Board. The supervisors attended all meetings of the Board and important meetings concerning operation of the Company during the period under review. The Committee has carefully reviewed the Report of Directors, the financial report and proposed profit distribution to be presented by the Board at the annual general meeting.

In 2004, the Company achieved substantial growth in its revenue by optimizing the schedule of passenger trains, improvement of the environment on board, strengthening the passenger transportation marketing during holidays and efficient transportation of coal, grain and fertilizer, etc. The Company has also been active in respect of capital operation and has acquired periodic achievement. The Committee is satisfied with the achievement of the Company in the past year and is confident of the Company's future. We expect that the Company will continue to improve its management and promote the capital operation to enlarge and strengthen itself.

As far as the Committee knows, the Board of Directors, the workgroup of General Manager and the senior management of the Company carried out their duties with sincerity and honesty. They acted in the best interests of the Company and did not violate any laws, regulations, and the Company's Articles of Association and management system in the course of performing their duties.

We would like to express our gratitude to the shareholders, the Directors and all employees for their sincere support to our work.

By Order of the Supervisory Committee

Yao Muming

Chairman

Shenzhen, the PRC

March 17, 2005