

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, 2005, the Supervisory Committee (the "Committee") fulfilled its duties faithfully and carried out work actively in accordance with the PRC Company Law 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 Committee held three meetings during the period under review, at which resolutions concerning certain major issues were passed and the Board was notified accordingly. The Supervisors attended all meetings of the Board and important meetings concerning the operations 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 2005, the Company captured business opportunities brought about by the continuous and stable economic growth in its service region, enhanced marketing efforts and intensely developed its passenger and freight transportation core businesses. The Company continued to optimize the operations of Guangzhou-Shenzhen Passenger Trains, Canton-Kowloon Through Trains and domestic long-distance trains, initiated passenger flows connection between long-distance trains in the Guangzhou area and Guangzhou-Shenzhen trains, and proceeded with the refurbishments of the Guangzhou East Station and Shenzhen Station, thus enhanced their service quality and attracted more passengers, resulting in a relatively large increase in the Company's revenues from operations. Besides, the Company has worked a great deal on its compliance with section 404 of the Sarbanes-Oxley Act. The Committee is satisfied with the achievement of the Company in the past year and is confident of the Company's future prospect. We expect that the Company will continue to improve its management and internal control, and promote the capital operation to enlarge and strengthen itself.

As far as the Committee is aware, the Board of Directors, the workgroup of General Manager and the senior management of the Company had carried out their duties with sincerity and honesty. They acted in the best interests of the Company and had not violated any law, regulation, 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 20, 2006