



**Report  
of the  
Supervisory  
Committee**

## Report of The Supervisory Committee

As of December 31, 2006, the Supervisory Committee of Guangshen Railway Company Limited (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. During the period under review, the main work of the Committee is as following:

The Committee held two meetings during 2006, at which it reviewed the Company's financial Report for 2005, considered and approved Report of The Supervisory Committee for 2005 and suggested to strengthen operating management of the Company. The Committee debriefed PricewaterhouseCoopers Certified Public Accountants and Deloitte Touche Tohmatsu CPA Limited for their introduction and explains about operating results, financial situation and auditing status of the Company for 2005. The Supervisors attended all meetings of the Board 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, as well as the prospectus of IPO A Shares of the Company. It combined suggestions on management from domestic and international accountants with the Company's internal control, and proposed the board and management to improve.

For the relevant affairs of the Company during 2006, the Committee believes that:

1. The Company's operation, decision and improvement of its internal control system were fully complied with the Laws and regulations. Directors, general manager and other senior management of the Company may protect the interest of the shareholders and the Company and carry their responsibility without any violating laws and regulations, the Article of Associations and the Company's benefits.
2. The information which disclosed in the Annual Report 2006 reflects in true the financial situation and operating results of the Company.
3. In December 2006, the Company raised approximately RMB10 billion in net from its IPO A Shares. According to the acquisition agreements, the Company paid RMB5.26 billion to Yangcheng Railway Company on December 29, 2006. The rest of the Consideration shall be paid once by the Company when the Consideration is confirmed through a special audit. At present, the rest of capital raised from A Share issue of the Company is deposited in the bank.
4. The acquisitions and distributions of assets and connected transactions of the Company are fair and reasonable. There is no transaction undisclosed or anything damaged profit of partial shareholders or anything caused asset reduction of the Company.

During 2006, the Company got good results in its core businesses. It also promoted capital operation and succeeded in A Share issue. In 2007, the Company will complete the Acquisition and the combination of assets and businesses after the Acquisition as fast as possible. It will take full advantage of the Fourth Rail Line and the new EMU transport capacity, increase the passenger and freight transport frequency, create better achievement and realize the Forward-leaping Development of the Company.

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 to enlarge and strengthen itself.

By Order of the Supervisory Committee

**Yao Muming**

*Chairman*

Shenzhen, the PRC

April 19, 2007